

Wagga Wagga City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

*“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 2020

*“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 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	100
On the Financial Statements (Sect 417 [3])	101

Overview

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

Corner 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 2020

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 2020.

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.

General Purpose Financial Statements

for the year ended 30 June 2020

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 26 October 2020.

Greg Conkey OAM
Mayor
26 October 2020

Dallas Tout
Councillor
26 October 2020

Peter Thompson
General Manager
26 October 2020

Carolyn Rodney
Responsible Accounting Officer
26 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Income from continuing operations				
69,737	Rates and annual charges	3a	69,207	66,017
28,346	User charges and fees	3b	26,303	26,969
1,841	Other revenues	3c	2,179	3,412
14,280	Grants and contributions provided for operating purposes	3d,3e	16,774	15,868
56,264	Grants and contributions provided for capital purposes	3d,3e	34,247	35,556
3,774	Interest and investment income	4	3,437	4,947
–	Fair value increment on investment properties	12	30	543
1,307	Rental income	14e	1,506	–
–	Net share of interests in joint ventures and associates using the equity method	19	56	35
175,549	Total income from continuing operations		153,739	153,347
Expenses from continuing operations				
46,012	Employee benefits and on-costs	5a	43,636	40,383
3,588	Borrowing costs	5b	3,233	4,931
32,362	Materials and contracts	5c	34,067	34,160
34,843	Depreciation and amortisation	5d	35,029	33,591
13,011	Other expenses	5e	9,304	10,047
–	Net losses from the disposal of assets	6	7,510	4,180
129,816	Total expenses from continuing operations		132,779	127,292
45,733	Operating result from continuing operations		20,960	26,055
45,733	Net operating result for the year		20,960	26,055
45,733	Net operating result attributable to council		20,960	26,055
(10,531)	Net operating result for the year before grants and contributions provided for capital purposes		(13,287)	(9,501)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		20,960	26,055
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11	(12,282)	3,626
Other comprehensive income – joint ventures and associates	19	—	13
Total items which will not be reclassified subsequently to the operating result		(12,282)	3,639
Total other comprehensive income for the year		(12,282)	3,639
Total comprehensive income for the year		8,678	29,694
 Total comprehensive income attributable to Council		 8,678	 29,694

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	19,237	12,632	15,182
Investments	7(b)	29,021	30,878	33,044
Receivables	8	14,203	18,108	14,509
Inventories	9a	1,917	1,854	1,978
Contract assets	13a	4,706	—	—
Other	9b	527	447	557
Non-current assets classified as 'held for sale'	10	260	260	—
Total current assets		69,871	64,179	65,270
Non-current assets				
Investments	7(b)	98,937	89,868	81,172
Receivables	8	22	58	94
Infrastructure, property, plant and equipment	11	1,446,359	1,446,345	1,417,961
Investment property	12	3,900	3,870	2,825
Right of use assets	14a	3,724	—	—
Investments accounted for using the equity method	19	2,154	2,098	2,050
Total non-current assets		1,555,096	1,542,239	1,504,102
Total assets		1,624,967	1,606,418	1,569,372
LIABILITIES				
Current liabilities				
Payables	15	20,208	13,104	12,702
Income received in advance	15	—	2,043	1,876
Contract liabilities	13b	4,791	—	—
Lease liabilities	14b	781	—	—
Borrowings	15	4,398	3,348	2,892
Provisions	16	13,909	12,876	12,463
Total current liabilities		44,087	31,371	29,933
Non-current liabilities				
Lease liabilities	14b	3,103	—	—
Borrowings	15	59,657	56,029	51,119
Provisions	16	2,478	2,753	1,749
Total non-current liabilities		65,238	58,782	52,868
Total liabilities		109,325	90,153	82,801
Net assets		1,515,642	1,516,265	1,486,571
EQUITY				
Accumulated surplus	17	948,416	931,707	905,639
Revaluation reserves	17	567,226	584,558	580,932
Council equity interest		1,515,642	1,516,265	1,486,571
Total equity		1,515,642	1,516,265	1,486,571

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

		as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000	Notes				Restated	Restated	Restated
Opening balance		933,109	589,370	1,522,479	905,639	585,719	1,491,358
Correction of prior period errors	17b	(1,402)	(4,812)	(6,214)	–	(4,787)	(4,787)
Changes due to AASB 1058 and AASB 15 adoption	17	(4,251)	–	(4,251)	–	–	–
Changes due to AASB 16 adoption	17	–	(5,050)	(5,050)	–	–	–
Restated Opening balance		927,456	579,508	1,506,964	905,639	580,932	1,486,571
Net operating result for the year		20,960	–	20,960	27,457	–	27,457
Correction of prior period errors	17b	–	–	–	(1,402)	–	(1,402)
Net operating result for the period		20,960	–	20,960	26,055	–	26,055
Other comprehensive income							
– Correction of prior period errors	17b	–	–	–	–	(25)	(25)
– Gain (loss) on revaluation of IPP&E	11	–	(12,282)	(12,282)	–	3,651	3,651
– Joint ventures and associates	19	–	–	–	13	–	13
Other comprehensive income		–	(12,282)	(12,282)	13	3,626	3,639
Total comprehensive income		20,960	(12,282)	8,678	26,068	3,626	29,694
Equity – balance at end of the reporting period		948,416	567,226	1,515,642	931,707	584,558	1,516,265

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
69,523	Rates and annual charges		70,441	66,145
28,217	User charges and fees		27,796	28,716
3,889	Investment and interest revenue received		3,465	3,701
68,726	Grants and contributions		42,496	36,570
–	Bonds, deposits and retention amounts received		60	152
2,390	Other		11,179	8,388
Payments:				
(46,012)	Employee benefits and on-costs		(42,644)	(40,973)
(32,305)	Materials and contracts		(39,220)	(38,016)
(3,588)	Borrowing costs		(3,165)	(4,880)
(11,704)	Other		(10,296)	(11,619)
79,136	Net cash provided from (or used in) operating activities	18b	60,112	48,184
Cash flows from investing activities				
Receipts:				
31,414	Sale of investment securities		43,507	55,303
1,503	Sale of infrastructure, property, plant and equipment		767	923
–	Deferred debtors receipts		9	15
Payments:				
(10,000)	Purchase of investment securities		(50,640)	(61,350)
(116,955)	Purchase of infrastructure, property, plant and equipment		(51,246)	(45,316)
(1,306)	Contributions paid to joint ventures and associates		–	–
(95,344)	Net cash provided from (or used in) investing activities		(57,603)	(50,425)
Cash flows from financing activities				
Receipts:				
21,223	Proceeds from borrowings and advances		7,951	15,676
Payments:				
(3,381)	Repayment of borrowings and advances		(3,348)	(15,985)
–	Lease liabilities (principal repayments)		(507)	–
17,842	Net cash flow provided from (or used in) financing activities		4,096	(309)
1,634	Net increase/(decrease) in cash and cash equivalents		6,605	(2,550)
11,392	Plus: cash and cash equivalents – beginning of year	18a	12,632	15,182
13,026	Cash and cash equivalents – end of the year	18a	19,237	12,632
117,229	plus: Investments on hand – end of year	7(b)	127,958	120,746
130,255	Total cash, cash equivalents and investments		147,195	133,378

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	28
7(a)	Cash and cash equivalents	29
7(b)	Investments	29
7(c)	Restricted cash, cash equivalents and investments	31
8	Receivables	33
9	Inventories and other assets	35
10	Non-current assets classified as held for sale	36
11	Infrastructure, property, plant and equipment	37
12	Investment properties	41
13	Contract assets and liabilities	42
14	Leases	44
15	Payables and borrowings	49
16	Provisions	52
17	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	55
18	Statement of cash flow information	63
19	Interests in other entities	64
20	Commitments	66
21	Contingencies	67
22	Financial risk management	70
23	Material budget variations	74
24	Fair Value Measurement	76
25	Related party disclosures	85
26	Events occurring after the reporting date	87
27	Statement of developer contributions	88
28	Result by fund	92
29(a)	Statement of performance measures – consolidated results	95
29(b)	Statement of performance measures – by fund	96
	Additional Council disclosures (unaudited)	
29(c)	Statement of performance measures – consolidated results (graphs)	97
30	Council information and contact details	99

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the 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.

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

(a) 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.

(b) 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 12,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 11,
- (iii) estimated remediation provisions – refer Note 16; and
- (iv) employee benefit provisions – refer Note 16.

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 8.

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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- 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 property 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.

Volunteer services

Council utilises volunteer services across a range of functions including cultural facilities, the Glenfield Road Animal Shelter, parks maintenance and for environmental projects such as Clean up Australia Day.

As the services received by Council would not normally be purchased by Council and at times cannot be reliably measured, volunteer services have not been recognised in the income statement.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

COVID-19 Impact on Council's 2019/20 Financial Statements

The COVID-19 pandemic has impacted global, domestic and local economies and as a result of this ongoing pandemic, Council's operations and finances have been impacted. As part of Council's response to the pandemic, its business practices changed including remote work and closure of a number of Council owned and operated facilities including sportsgrounds, halls and community centres and administration building.

Council responded to the impact on the local economy by providing a number of support mechanisms including rental abatements provided to commercial tenants, fee reductions and waivers, extended hardship criteria for ratepayers and community support packages. As a result of the extended financial hardship criteria for ratepayers, Council has seen a slight increase in its outstanding rates and annual charges as at 30 June 2020, up from 4.63% to 5.20%.

As a result of the impact the pandemic has had on domestic travel, the Wagga Airport experienced a significant reduction in income for its passenger service charge, realising a reduction of approximately \$820K against forecast income for the 2019/20 financial year. Council, as part of its 2021/30 Long Term Financial Plan, has estimated that the ongoing impact of COVID-19 across all of Council's operations will result in a \$4.4M deficit for the 2020/21 financial year.

During the 2019/20 financial year, Council undertook a revaluation of its Airport infrastructure asset class. As a result of the reduced domestic travel from COVID-19 Council has accounted for some economic obsolescence for passenger only service related assets such as the Regular Passenger Transport (RPT) apron and security screening equipment. This has resulted in a reduction in the fair value of these assets at 30 June 2020.

Council has assessed its long term sustainability as a result of the impacts of COVID-19 and believes that a going concern basis is still appropriate.

Notes to the Financial Statements

for the year ended 30 June 2020

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).

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ '000	Restated		Restated		Restated				Restated	
Functions or activities										
Community Leadership and Collaboration	62,634	62,930	19,635	20,868	42,999	42,062	9,554	9,160	72,487	55,877
Safe and Healthy Community	8,720	9,592	16,309	16,198	(7,589)	(6,606)	3,167	1,794	194,347	198,378
Growing Economy	12,274	10,134	12,252	11,188	22	(1,054)	1,839	–	47,847	49,572
Community Place and Identity	3,335	3,601	8,476	9,073	(5,141)	(5,472)	2,050	1,857	11,873	12,322
The Environment	66,776	67,090	76,107	69,965	(9,331)	(2,875)	18,097	13,413	1,298,413	1,290,269
Total functions and activities	153,739	153,347	132,779	127,292	20,960	26,055	34,707	26,224	1,624,967	1,606,418

Notes to the Financial Statements

for the year ended 30 June 2020

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 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	27,094	26,000
Farmland	1058 (1)	4,994	4,813
Business	1058 (1)	10,861	10,525
Less: pensioner rebates (mandatory)		(626)	(629)
Rates levied to ratepayers		42,323	40,709
Pensioner rate subsidies received		343	347
Total ordinary rates		42,666	41,056
Special rates			
Special rate variation – Levee	1058 (1)	1,588	1,528
Rates levied to ratepayers		1,588	1,528
Total special rates		1,588	1,528
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	15 (1)	8,917	8,410
Stormwater management services		706	698
Sewerage services	15 (1)	14,982	14,018
Waste management services (non-domestic)		578	532
Less: pensioner rebates (mandatory)		(507)	(503)
Annual charges levied		24,676	23,155
Pensioner subsidies received:			
– Sewerage		156	157
– Domestic waste management		121	121
Total annual charges		24,953	23,433
TOTAL RATES AND ANNUAL CHARGES		69,207	66,017

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

1058 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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 these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners’ place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (2)	1,109	1,085
Sewerage services	15 (1)	4,575	4,661
Waste management services (non-domestic)	15 (2)	4,348	4,024
Total specific user charges		10,032	9,770
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		106	40
Regulatory/ statutory fees		663	632
Total fees and charges – statutory/regulatory		769	672
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (2)	3,143	3,825
Cemeteries	15 (2)	1,353	1,321
Development services	15 (2)	1,962	2,024
Corporate services		24	36
Family day care		255	291
Leaseback fees – Council vehicles		–	86
Library and art gallery		21	27
Livestock marketing centre	15 (2)	6,747	5,747
Oasis swimming complex	15 (2)	1,070	1,425
Park and sportsgrounds		245	605
Regional civic theatre		537	888
Visitors information centre		51	68
Other		94	184
Total fees and charges – other		15,502	16,527
TOTAL USER CHARGES AND FEES		26,303	26,969

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property		–	387
Rental income – other council properties (2019 only)		–	871
Ex gratia rates		39	38
Fines	1058 (1)	752	570
Legal fees recovery – rates and charges (extra charges)		77	177
Diesel rebate		236	235
Insurance claims recoveries		115	51
Other theatre		2	8
Sales – miscellaneous		522	476
Sales – oasis aquatic centre		96	116
Sponsorship and Promotion		40	137
Container Deposit Scheme		54	–
Other		246	346
<u>TOTAL OTHER REVENUE</u>		<u>2,179</u>	<u>3,412</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

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1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019 Restated
\$ '000					
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	5,178	5,069	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	5,489	5,256	–	–
Total general purpose		10,667	10,325	–	–
Specific purpose (tied)					
Sewerage services		2	–	–	–
Bushfire and emergency services		311	70	43	123
Economic development		1,315	–	–	–
Community care		219	198	–	–
Domestic waste management		24	20	–	–
Environmental programs		208	134	46	29
Recreation and culture	15 (1)	140	51	1,569	4,396
Family day care	15 (1)	1,068	1,236	–	–
Airport		–	–	73	–
Drainage	15 (1)	–	–	6,467	4,283
Heritage and cultural		446	394	187	–
Noxious weeds		99	90	–	–
Family and childrens services – other		524	444	–	–
Street lighting		87	86	–	–
Transport (other roads and bridges funding)	15 (1)	2	1,217	10,953	2,870
Other		30	69	227	189
Total specific purpose		4,475	4,009	19,565	11,890
Total grants		15,142	14,334	19,565	11,890
Grant revenue is attributable to:					
– Commonwealth funding		11,866	11,619	10,860	9,011
– State funding		2,609	2,097	8,705	2,879
– Other funding		667	618	–	–
		15,142	14,334	19,565	11,890

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019 Restated
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (2)	–	–	4,213	5,365
S 7.12 – fixed development consent levies			–	–	301	304
S 64 – sewerage service contributions		1058 (2)	–	–	1,261	1,633
S 64 – stormwater contributions			–	–	683	1,088
Total developer contributions – cash			–	–	6,458	8,390
Total developer contributions	27		–	–	6,458	8,390
Other contributions:						
Cash contributions						
Bushfire services			140	48	–	–
Recreation and culture			218	243	4	128
Roads and bridges			–	–	236	–
RMS contributions (regional roads, block grant)		1058 (2)	853	896	1,450	1,486
Sewerage (excl. section 64 contributions)			39	29	2	1
Other			382	318	–	1
Total other contributions – cash			1,632	1,534	1,692	1,616
Non-cash contributions						
Dedications (other than by s7.11)		1058 (2)	–	–	6,412	13,343
Artworks donated			–	–	3	41
Works In Kind			–	–	117	276
Total other contributions – non-cash			–	–	6,532	13,660
Total other contributions			1,632	1,534	8,224	15,276
Total contributions			1,632	1,534	14,682	23,666
TOTAL GRANTS AND CONTRIBUTIONS			16,774	15,868	34,247	35,556

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The performance obligations may vary based on the grant agreement and could include undertaking workshops and seminars, completions of studies and/or works. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

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

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time and is valued at the fair value of the granted or contributed asset at the date of transfer.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	728	475
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	525
Add: operating grants received for the provision of goods and services in a future period	1,129	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(272)
Less: operating grants received in a previous reporting period now spent and recognised as income	(722)	–
Unexpended and held as externally restricted assets (operating grants)	1,135	728
Capital grants		
Unexpended at the close of the previous reporting period	3,041	4,287
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	972
Add: capital grants received for the provision of goods and services in a future period	5,658	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(2,218)
Less: capital grants received in a previous reporting period now spent and recognised as income	(5,914)	–
Unexpended and held as externally restricted assets (capital grants)	2,785	3,041
Contributions		
Unexpended at the close of the previous reporting period	31,519	27,124
Add: contributions recognised as income in the current period but not yet spent	4,343	6,249
Add: contributions received for the provision of goods and services in a future period	8	–
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 (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(2,510)	(1,854)
Unexpended and held as externally restricted assets (contributions)	33,360	31,519

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	216	183
– Cash and investments	3,141	3,955
– Deferred debtors	1	1
Fair value adjustments		
– Movements in investments at fair value through profit and loss	79	483
Fair valuation of financial liabilities on recognition		
– Interest free (or favourable) loans and advances received	–	325
Total Interest and investment income	3,437	4,947
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	208	174
General Council cash and investments	2,544	3,596
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	85	117
– Section 64	23	31
Sewerage fund operations	347	497
Domestic waste management operations	88	118
Restricted investments/funds – internal:		
Internally restricted assets	142	414
Total interest and investment revenue	3,437	4,947

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	34,690	32,101
Employee leave entitlements (ELE)	5,640	5,524
Superannuation	3,907	3,672
Workers' compensation insurance	758	476
Fringe benefit tax (FBT)	44	38
Payroll tax	136	105
Total employee costs	45,175	41,916
Less: capitalised costs	(1,539)	(1,533)
TOTAL EMPLOYEE COSTS EXPENSED	43,636	40,383
Number of 'full-time equivalent' employees (FTE) at year end	483	466

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 21 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		105	–
Interest on loans		2,954	4,747
Total interest bearing liability costs		3,059	4,747
Total interest bearing liability costs expensed		3,059	4,747
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	16	6	21
– Other liabilities		93	163
Interest applicable on interest free (and favourable) loans to Council		75	–
Total other borrowing costs		174	184
TOTAL BORROWING COSTS EXPENSED		3,233	4,931

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 as incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	22,267	24,234
Contractor and consultancy costs	11,455	9,491
Auditors remuneration ²	111	141
Legal expenses:		
– Legal expenses: planning and development	–	40
– Legal expenses: debt recovery	71	135
– Legal expenses: other	163	119
Total materials and contracts	34,067	34,160
TOTAL MATERIALS AND CONTRACTS	34,067	34,160

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

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.

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	111	108
Remuneration for audit and other assurance services	111	108
Total Auditor-General remuneration	111	108

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

Compliance audits	–	33
Remuneration for audit and other assurance services	–	33
Total remuneration of non NSW Auditor-General audit firms	–	33
Total Auditor remuneration	111	141

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,723	1,475
Office equipment		384	376
Furniture and fittings		40	43
Infrastructure:	11		
– Buildings – non-specialised		1,609	1,505
– Buildings – specialised		1,001	977
– Other structures		990	881
– Roads		14,017	14,246
– Bridges		813	827
– Footpaths		913	873
– Stormwater drainage		1,998	1,979
– Sewerage network		5,357	5,265
– Swimming pools		80	80
– Other open space/recreational assets		1,172	1,136
– Airport infrastructure		2,813	2,591
Right of use assets	14	667	–
Other assets:			
– Other		1,611	1,535
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	16,11	24	20
– Quarry assets	16,11	50	29
Total gross depreciation and amortisation costs		35,262	33,838
Less: capitalised costs		(233)	(247)
Total depreciation and amortisation costs		35,029	33,591
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		35,029	33,591

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**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 11 for IPPE assets and Note 14 for right of use assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Bad and doubtful debts	5	115
Cost of sales	380	387
Contributions/levies to other levels of government		
– Bushfire fighting fund	398	383
– Canberra Region Joint Organisation	45	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)	95	87
– NSW fire brigade levy	476	460
– REROC	–	55
– Riverina Regional Library	1,306	1,267
– Valuation fees	212	193
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	183	178
Donations, contributions and assistance to other organisations (Section 356)	441	362
Electricity and heating	1,888	2,159
Insurance	976	1,060
Postage	145	165
Street lighting	1,214	1,589
Subscriptions and publications	54	52
Telephone and communications	390	326
Water	1,052	1,166
Total other expenses	9,304	10,047
TOTAL OTHER EXPENSES	9,304	10,047

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 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		54	28
Less: carrying amount of property assets sold/written off		(30)	(19)
Net gain/(loss) on disposal		24	9
Plant and equipment			
	11		
Proceeds from disposal – plant and equipment		713	895
Less: carrying amount of plant and equipment assets sold/written off		(989)	(1,893)
Net gain/(loss) on disposal		(276)	(998)
Infrastructure			
	11		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(7,258)	(3,191)
Net gain/(loss) on disposal		(7,258)	(3,191)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		43,507	55,303
Less: carrying amount of investments sold/redeemed/matured		(43,507)	(55,303)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(7,510)	(4,180)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	19,237	12,600
Cash-equivalent assets		
– Deposits at call	–	32
Total cash and cash equivalents	19,237	12,632

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.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	4,021	45,937	3,878	47,868
b. 'Financial assets at amortised cost'	25,000	53,000	27,000	42,000
Total Investments	29,021	98,937	30,878	89,868
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	48,258	98,937	43,510	89,868
Financial assets at fair value through the profit and loss				
Managed funds	–	1,545	–	1,543
Floating rate notes	4,021	44,392	3,878	46,325
Total	4,021	45,937	3,878	47,868
Financial assets at amortised cost				
Long term deposits	25,000	53,000	27,000	42,000
Total	25,000	53,000	27,000	42,000

Accounting policy for investments

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)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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, term deposits 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	48,258	98,937	43,510	89,868
attributable to:				
External restrictions	–	93,324	4,654	89,868
Internal restrictions	35,996	5,613	33,127	–
Unrestricted	12,262	–	5,729	–
	48,258	98,937	43,510	89,868

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	3,133	–
Employee leave – sewer and waste	763	696

External restrictions – included in liabilities

External restrictions – other

Developer contributions – general	32,167	30,289
Specific purpose unexpended grants (recognised as revenue) – general fund	–	3,470
Sewerage services	24,798	29,957
Sewerage services – unexpended contributions	669	655
Domestic waste management	22,185	21,329
Stormwater management	4,144	3,699
Other unexpended contributions	511	574
Special rate variation – Levee bank	4,954	3,853

External restrictions – other

Total external restrictions

Internal restrictions

Airport	325	442
Bridge replacement	568	602
CBD carparking facilities	775	885
CCTV	91	85
Cemetery perpetual	241	108
Civic Theatre operating	96	126
Civil projects	142	156
Community amenities	282	77
Community works	177	86
Council election	444	344
Economic development	490	500
Emergency events	215	191
Employees leave entitlement	3,781	3,585
Environmental conservation	117	115
Estella community centre	231	231
Family day care	200	245
Fit for the Future	5,418	1,785
Grant commission reserve	5,489	5,256
Gravel pit restoration	808	797
Gurwood st property	50	50

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
Hampden bridge	–	107
Information services	1,090	776
Infrastructure improvements / replacement	351	336
Insurance premium savings	100	100
Internal loans	1,672	661
Lake Albert improvements	209	28
LEP preparation	3	3
Livestock marketing centre	5,652	3,312
Oasis building renewal	259	321
Oasis plant	1,071	1,239
Office equipment/Building	74	159
Other building improvements	55	130
Other cemetery	597	449
Other operational	546	1,007
Parks and recreation reserve	227	206
Planning legals	40	–
Plant and vehicle replacement	3,542	3,550
Playground equipment replacement	261	95
Project carryovers	2,778	2,453
Public art reserve	159	199
Robertson oval	92	92
Sporting event attraction	198	169
Sporting event operations	100	100
Stormwater drainage	258	158
Street lighting replacement	13	57
Subdivision tree planting	536	703
Sustainable energy	341	527
Unexpended external loans	1,284	431
Workers compensation projects	161	93
Total internal restrictions	41,609	33,127
TOTAL RESTRICTIONS	134,933	127,649

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,455	—	2,912	—
Interest and extra charges	328	—	308	—
User charges and fees	3,552	—	4,315	—
Accrued revenues				
– Interest on investments	970	—	1,097	—
– Other income accruals	15	—	165	—
Deferred debtors	6	18	9	24
Government grants and subsidies	4,092	—	6,706	—
Net GST receivable	1,530	—	2,221	—
Other debtors	371	4	553	34
Total	14,319	22	18,286	58
Less: provision of impairment				
User charges and fees	(116)	—	(178)	—
Total provision for impairment – receivables	(116)	—	(178)	—
TOTAL NET RECEIVABLES	14,203	22	18,108	58
Externally restricted receivables				
Sewerage services				
– Rates and availability charges	758	—	652	—
– Other	1,317	—	1,379	—
Domestic waste management	1,315	—	1,505	—
Stormwater management	40	—	37	—
Other				
– Unexpended grants	787	—	299	—
– Unexpended contributions	11	—	—	—
Total external restrictions	4,228	—	3,872	—
Internally restricted receivables				
– Livestock marketing centre	401	—	441	—
– Airport	517	—	724	—
Internally restricted receivables	918	—	1,165	—
Unrestricted receivables	9,057	22	13,071	58
TOTAL NET RECEIVABLES	14,203	22	18,108	58

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year	178	118
+ new provisions recognised during the year	12	73
– amounts already provided for and written off this year	(73)	(8)
– amounts provided for but recovered during the year	—	(4)
– previous impairment losses reversed	(2)	(1)
Balance at the end of the year	115	178

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,793	–	1,735	–
Trading stock	124	–	119	–
Total inventories at cost	1,917	–	1,854	–
TOTAL INVENTORIES	1,917	–	1,854	–

(b) Other assets

Prepayments	527	–	447	–
TOTAL OTHER ASSETS	527	–	447	–

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Sewerage				
Stores and materials	188	–	212	–
Prepayments	1	–	12	–
Total sewerage	189	–	224	–
Total externally restricted assets	189	–	224	–
Total internally restricted assets	13	–	14	–
Total unrestricted assets	2,242	–	2,063	–
TOTAL INVENTORIES AND OTHER ASSETS	2,444	–	2,301	–

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land and Building	260	—	260	—
Total non-current assets 'held for sale'	260	—	260	—
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>260</u>	<u>—</u>	<u>260</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 2020

Note 11. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19 ¹			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Transfers to right of use assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	18,607	—	18,607	15,249	6,604	(1,073)	—	(8,111)	—	—	—	—	31,277	—	31,277
Plant and equipment	26,914	(10,159)	16,755	3,678	866	(989)	(1,723)	221	—	—	—	—	29,724	(10,915)	18,809
Office equipment	2,728	(1,808)	920	—	588	—	(384)	2	—	—	—	—	3,317	(2,191)	1,126
Furniture and fittings	2,285	(2,128)	157	—	11	—	(40)	—	—	—	—	—	2,296	(2,168)	128
Land:															
– Operational land	72,031	—	72,031	—	320	(20)	—	—	(945)	—	—	—	71,387	—	71,387
– Community land	84,607	—	84,607	—	39	(10)	—	—	205	(5,050)	—	—	79,791	—	79,791
– Land under roads	8,532	—	8,532	—	16	—	—	—	—	—	—	—	8,548	—	8,548
Infrastructure:															
– Buildings – non-specialised	104,356	(20,756)	83,600	2,022	307	—	(1,609)	368	740	—	—	—	107,792	(22,366)	85,426
– Buildings – specialised	56,616	(16,543)	40,073	1,033	290	(126)	(1,001)	1,481	—	—	—	—	59,220	(17,469)	41,751
– Other structures	38,435	(12,076)	26,359	70	419	(110)	(990)	243	—	—	—	—	38,870	(12,879)	25,991
– Roads	722,933	(265,326)	457,607	8,331	2,656	(1,372)	(14,017)	870	—	—	—	—	727,981	(273,906)	454,075
– Bridges	80,186	(31,559)	48,627	—	216	(2,967)	(813)	—	—	—	—	—	74,513	(29,449)	45,064
– Footpaths	50,117	(21,096)	29,021	605	1,217	(436)	(913)	3,310	—	—	—	—	54,622	(21,819)	32,803
– Stormwater drainage	268,299	(55,230)	213,069	6,975	2,050	—	(1,998)	908	—	—	(8,785)	—	298,655	(86,435)	212,220
– Sewerage network	367,584	(92,188)	275,396	2,261	1,990	(697)	(5,357)	5	—	—	—	2,599	374,377	(98,179)	276,198
– Swimming pools	4,000	(1,120)	2,880	—	—	—	(80)	—	—	—	—	—	4,000	(1,201)	2,799
– Other open space/recreational assets	27,076	(12,162)	14,914	267	1,016	(201)	(1,172)	203	—	—	—	—	28,068	(13,043)	15,025
– Airport infrastructure	46,913	(18,576)	28,337	—	—	—	(2,813)	—	—	—	(6,096)	—	91,008	(71,580)	19,428
Other assets:															
– Artworks	5,331	—	5,331	—	33	—	—	—	—	—	—	—	5,363	—	5,363
– Other	26,233	(8,703)	17,530	301	758	(277)	(1,611)	500	—	—	—	—	27,273	(10,071)	17,202
Reinstatement, rehabilitation and restoration assets (refer Note 17):															
– Tip assets	1,593	(457)	1,136	—	—	—	(24)	—	—	—	—	—	1,593	(481)	1,112
– Quarry assets	1,199	(343)	856	—	—	—	(50)	—	31	—	—	—	1,229	(393)	836
Total Infrastructure, property, plant and equipment	2,016,575	(570,230)	1,446,345	40,792	19,396	(8,278)	(34,595)	—	31	(5,050)	(14,881)	2,599	2,120,904	(674,545)	1,446,359

(1) The balances as at 30/06/2019 have been restated for the Roads and Sewerage network asset classes.

(2) 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 2020

Note 11. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18 ¹			Asset movements during the reporting period										as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ²	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 (post 30/6/08)	8,500	—	8,500	—	33	—	—	—	—	—	—	—	—	8,532	—	8,532
Infrastructure:																
– Buildings – non-specialised	93,991	(19,251)	74,740	133	7,579	—	(1,505)	2,913	—	(70)	(190)	—	—	104,356	(20,756)	83,600
– Buildings – specialised	55,523	(15,567)	39,956	29	441	—	(977)	623	—	—	—	—	—	56,616	(16,543)	40,073
– Other structures	33,481	(11,198)	22,283	—	520	(5)	(881)	4,442	—	—	—	—	—	38,435	(12,076)	26,359
– Roads	716,946	(258,694)	458,252	10,106	4,837	(1,846)	(14,246)	1,214	—	—	—	(711)	—	722,933	(265,326)	457,607
– 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	3,122	(232)	(5,265)	60	—	—	—	—	4,337	367,584	(92,188)	275,396
– 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
– Airport infrastructure	46,913	(15,985)	30,928	—	—	—	(2,591)	—	—	—	—	—	—	46,913	(18,576)	28,337
Other assets:																
– Artworks	5,267	—	5,267	—	64	—	—	—	—	—	—	—	—	5,331	—	5,331
– Other	25,705	(7,175)	18,530	19	99	(13)	(1,535)	431	—	—	—	—	—	26,233	(8,703)	17,530
Reinstatement, rehabilitation and restoration assets (refer Note 17):																
– 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	1,969,544	(551,583)	1,417,961	23,616	40,297	(5,104)	(33,838)	—	547	(260)	(502)	(711)	4,337	2,016,575	(570,230)	1,446,345

(1) The balances as at 30/06/2018 have been restated for the Roads asset class.

(2) 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 2020

Note 11. 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 2019/20 the indexation was 0.95%.

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 channels & detention basins	80 to 100
		Culverts	60
		Flood gates & gross pollutant traps	50
		Stormwater pump stations	25 to 50
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	Airport infrastructure	3 to 40
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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Land under roads

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant and Equipment.

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	3,900	3,870
Total owned investment property	3,900	3,870

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	3,870	2,825
– Transfers from/(to) owner occupied (Note 11)	–	502
– Net gain/(loss) from fair value adjustments	30	543
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	3,900	3,870

(b) Leasing arrangements – Council as lessor (2019 only)

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

(c) Investment property income and expenditure – summary (2019 only)

Rental income from investment property:

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

– that generated rental income	–	(38)
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Net revenue contribution from investment property	–	349
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plus:

Fair value movement for year	–	543
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Total income attributable to investment property	–	892
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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 2020

Note 13. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Capital grants and contributions to be received	4,706	—
Total Contract assets	4,706	—

(i) Externally restricted assets

Total unrestricted assets	4,706	—
Total contract assets	4,706	—

\$ '000	Notes	2020 Current	2020 Non-current
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(b) Contract liabilities**Grants and contributions received in advance:**

Unexpended capital grants (to construct Council controlled assets)	(i)	3,565	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	355	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	412	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	18	—
Total grants received in advance		4,350	—

User fees and charges received in advance:

Upfront fees – leisure centre	(iii)	105	—
Property leases and licences		176	—
Other		160	—
Total user fees and charges received in advance		441	—

Total contract liabilities		4,791	—
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Notes

(i) Council has received funding to construct assets including sporting facilities, bridges and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Upfront membership fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected membership life.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,133	—
Domestic waste management	5	—
Contract liabilities relating to externally restricted assets	3,138	—
Internally restricted assets		
Airport	116	—
Contract liabilities relating to internally restricted assets	116	—
Total contract liabilities relating to restricted assets	3,254	—
Total contract liabilities relating to unrestricted assets	1,537	—
Total contract liabilities	4,791	—

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has leases over a range of assets including land, buildings and waste collection vehicles. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Land and Buildings

Council leases land at Forest Hill for the operation of the Wagga Airport as well as a building in Sydney for use as a corporate office. These leases range between 1 year and 25 years and the building lease includes a renewal option.

Plant and Equipment

Council is currently a party to a waste collection contract in which Council directs the use of the collection vehicles. Under this agreement, Council has a right-of-use asset for 10 dedicated collection vehicles with the contract running for a period of 7 years, with 3 x 1 year options.

Extension options

Council includes options for extension in its building lease and waste collection contract to provide certainty to Council operations. These extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

Council has included all potential future lease extension options within its lease liabilities.

\$ '000	Land	Plant and Equipment	Buildings	Total
Opening balance at 30 June 2019	–	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	130	2,903	–	3,033
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 11(a)	5,050	–	–	5,050
Additions to right-of-use assets	–	–	1,358	1,358
Adjustments to right-of-use assets due to re-measurement of lease liability	(5,050)	–	–	(5,050)
Depreciation charge	(22)	(332)	(313)	(667)
<u>RIGHT OF USE ASSETS</u>	<u>108</u>	<u>2,571</u>	<u>1,045</u>	<u>3,724</u>

\$ '000	2020 Current	2020 Non-current
Lease liabilities	781	3,103
<u>TOTAL LEASE LIABILITIES</u>	<u>781</u>	<u>3,103</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

(i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	875	2,318	1,031	4,224	3,884

\$ '000	2020 Current	2020 Non-current
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(ii) Lease liabilities relating to restricted assets

Externally restricted assets

Domestic Waste Management	305	2,302
Lease liabilities relating to externally restricted assets	305	2,302

Internally restricted assets

Airport	20	89
Lease liabilities relating to internally restricted assets	20	89

Total lease liabilities relating to restricted assets	325	2,391
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Total lease liabilities relating to unrestricted assets	456	712
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Total lease liabilities	781	3,103
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\$ '000	2020
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(c) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Interest on lease liabilities	105
Variable lease payments based on usage not included in the measurement of lease liabilities	105
Income from sub-leasing right of use assets	(428)
Depreciation of right of use assets	667
Expenses relating to Peppercorn leases	3
	452

(d) Statement of Cash Flows

Income from sub-leasing right-of-use assets	(428)
Interest payments on lease liabilities	100
Variable lease payments	105
Lease payments made prior to or on lease commencement	8
Expenses relating to Peppercorn leases	3
Lease Liability Payments	500
	288

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

Leases at significantly below market value – concessionary / peppercorn leases

Council has one lease at significantly below market value for the land on which the Museum of the Riverina is located on. This lease is a 25 year lease, with renewal option of 25 years and requires a payment of \$2,500 per year.

The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to community groups and other organisations; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property and/or IPP&E in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	429
Land and Property	
Lease income (excluding variable lease payments not dependent on an index or rate)	992
Other lease income	
Leaseback fees - council vehicles	85
Total income relating to operating leases	<u>1,506</u>

(ii) Operating lease expenses

Investment properties	
Direct operating expenses that generated rental income	59
Land and Property	
Direct operating expenses that generated rental income	90
Other leased assets	
Leaseback vehicle expenses	88
Total expenses relating to operating leases	<u>237</u>

(iii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	509
1–2 years	295
2–3 years	225
3–4 years	125
4–5 years	48
> 5 years	20
Total undiscounted contractual lease income receivable	<u>1,222</u>

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	8,791	–	5,871	–
Goods and services – capital expenditure	5,154	–	2,947	–
Accrued expenses:				
– Interest on loans	226	–	239	–
– Interest on leases	5	–	–	–
– Salaries and wages	530	–	184	–
– Other expenditure accruals	68	–	64	–
Security bonds, deposits and retentions	3,507	–	3,447	–
Prepaid rates	1,777	–	–	–
Other	150	–	352	–
Total payables	20,208	–	13,104	–
Income received in advance (2019 only)				
Payments received in advance	–	–	2,043	–
Total income received in advance	–	–	2,043	–
Borrowings				
Loans – secured ¹	4,398	59,657	3,348	56,029
Total borrowings	4,398	59,657	3,348	56,029
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>24,606</u>	<u>59,657</u>	<u>18,495</u>	<u>56,029</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 22.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Sewer	2,289	29,422	1,635	30,266
Domestic waste management	828	—	549	—
Stormwater Management	85	—	—	—
Payables and borrowings relating to externally restricted assets	3,202	29,422	2,184	30,266
Internally restricted assets				
Livestock Marketing Centre	194	—	121	—
Airport	1,636	6,507	2,007	7,611
Payables and borrowings relating to internally restricted assets	1,830	6,507	2,128	7,611
Total payables and borrowings relating to restricted assets	5,032	35,929	4,312	37,877
Total payables and borrowings relating to unrestricted assets	19,574	23,728	14,183	18,152
<u>TOTAL PAYABLES AND BORROWINGS</u>	24,606	59,657	18,495	56,029

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19			Non-cash changes			as at 30/06/20
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	59,377	(3,273)	7,951	—	—	—	64,055
Lease liabilities	—	(499)	1,350	—	3,033	—	3,884
TOTAL	59,377	(3,772)	9,301	—	3,033	—	67,939

\$ '000	as at 30/06/18			Non-cash changes		as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020	2019
(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	500	400
Bank guarantees	26	26
Total financing arrangements	1,026	926
Drawn facilities as at balance date:		
– Credit cards/purchase cards	41	78
– Bank guarantees	10	10
Total drawn financing arrangements	51	88
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	459	322
– Bank guarantees	16	16
Total undrawn financing arrangements	975	838

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

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 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	4,644	–	4,059	–
Long service leave	8,568	317	8,553	227
Other leave – TOIL	196	–	168	–
Other leave – RDO	8	–	4	–
Sub-total – aggregate employee benefits	13,416	317	12,784	227
Asset remediation/restoration:				
Asset remediation/restoration (future works)	493	2,161	92	2,526
Sub-total – asset remediation/restoration	493	2,161	92	2,526
<u>TOTAL PROVISIONS</u>	<u>13,909</u>	<u>2,478</u>	<u>12,876</u>	<u>2,753</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Sewer	792	10	778	2
Domestic waste management	721	793	271	1,193
Provisions relating to externally restricted assets	1,513	803	1,049	1,195

Internally restricted assets

Livestock marketing centre	311	11	250	4
Airport	47	8	39	6
Provisions relating to internally restricted assets	358	19	289	10

Total provisions relating to restricted assets

	1,871	822	1,338	1,205
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Total provisions relating to unrestricted assets

	12,038	1,656	11,538	1,548
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TOTAL PROVISIONS

	13,909	2,478	12,876	2,753
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\$ '000	2020	2019
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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	8,989	8,879
	8,989	8,879

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	4,059	8,780	172	13,011
Additional provisions	2,664	802	32	3,498
Amounts used (payments)	(2,073)	(680)	—	(2,753)
Remeasurement effects	(6)	(17)	—	(23)
Total ELE provisions at end of year	4,644	8,885	204	13,733
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 year	4,059	8,780	172	13,011

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	2,618	2,618
Additional provisions	30	30
Unwinding of discount	6	6
Total other provisions at end of year	2,654	2,654
2019		
At beginning of year	2,050	2,050
Additional provisions	547	547
Unwinding of discount	21	21
Total other provisions at end of year	2,618	2,618

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 2020

Note 16. 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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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

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

Note 17. 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) Correction of errors relating to a previous reporting period

Nature of prior-period error

Council has identified two prior period errors during the completion of the 2019/20 Financial Statements:

- There was an error identified on the application of unit rates for Sewer developer contributed assets contributed to Council during 2018/19 - \$1.57M; and
- It was identified that there were four (4) carpark assets that were duplicated between the Roads and Airport Infrastructure asset classes within Infrastructure, property, plant and equipment - \$4.79M.

The error identified above relating to the duplicated carpark assets has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to revaluation reserves for at that date.

The error identified above relating to developer contributed assets occurred during 2018/19 and this has been corrected in the comparatives and the adjustment taken through to accumulated surplus.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	1,422,748	(4,787)	1,417,961
Total assets	1,574,159	(4,787)	1,569,372
Total liabilities	82,801	—	82,801
Revaluation reserves	585,719	(4,787)	580,932
Total equity	1,491,358	(4,787)	1,486,571

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	1,452,559	(6,214)	1,446,345
Total assets	1,612,632	(6,214)	1,606,418
Total liabilities	90,153	–	90,153
Accumulated surplus	933,109	(1,402)	931,707
Revaluation reserves	589,370	(4,812)	584,558
Total equity	1,522,479	(6,214)	1,516,265

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Grants and contributions provided for capital purposes	37,098	(1,542)	35,556
Total income from continuing operations	154,889	(1,542)	153,347
Depreciation and amortisation	33,731	(140)	33,591
Total expenses from continuing operations	127,432	(140)	127,292
Net operating result for the year	27,457	(1,402)	26,055

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year	27,457	(1,402)	26,055
Gain (loss) on revaluation of IPP&E	3,651	(25)	3,626
Other comprehensive income – joint ventures and associates	13	–	13
Other comprehensive income	3,664	(25)	3,639
Total comprehensive income for the year	31,121	(1,427)	29,694

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(i) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

The following information outlines changes in disclosure of revenue items under AASB 15 and AASB 1058.

Upfront fees – Council leisure centre

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Changes in presentation**

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 1058	4,251
Total Contract liabilities	4,251

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	19,237	–	–	19,237	
Investments	29,021	–	–	29,021	
Receivables	14,203	4,706	–	18,909	(i)
Inventories	1,917	–	–	1,917	
Contract assets	4,706	(4,706)	–	–	(i)
Other	527	–	–	527	
Current assets classified as 'held for sale'	260	–	–	260	
Total current assets	69,871	–	–	69,871	
Current liabilities					
Payables	20,208	–	–	20,208	
Income received in advance	–	–	257	257	(ii)
Contract liabilities	4,791	–	(4,791)	–	(ii)
Lease liabilities	781	–	–	781	
Borrowings	4,398	–	–	4,398	
Provisions	13,909	–	–	13,909	
Total current liabilities	44,087	–	(4,534)	39,553	

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Non-current assets					
Investments	98,937	—	—	98,937	
Receivables	22	—	—	22	
Infrastructure, property, plant and equipment	1,446,359	—	—	1,446,359	
Investment property	3,900	—	—	3,900	
Right of use assets	3,724	—	—	3,724	
Investments accounted for using equity method	2,154	—	—	2,154	
Total non-current assets	1,555,096	—	—	1,555,096	
Non-current liabilities					
Lease liabilities	3,103	—	—	3,103	
Borrowings	59,657	—	—	59,657	
Provisions	2,478	—	—	2,478	
Total Non-current liabilities	65,238	—	—	65,238	
Net assets	1,515,642	—	4,534	1,520,176	
Equity					
Accumulated surplus	948,416	—	4,534	952,950	(ii)
Revaluation reserves	567,226	—	—	567,226	
Council equity interest	1,515,642	—	4,534	1,520,176	
Total equity	1,515,642	—	4,534	1,520,176	

(i) Reclassification of grant funding receivable as a result of AASB 15/AASB 1058.

(ii) Transfer of part of contract liabilities to income received in advance and removal of contract liability arising under AASB15/AASB 1058 for funds received to construct an asset to be controlled by Council and funds received for which Council has not yet satisfied performance obligations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Income Statement**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	69,207	—	—	69,207	
User charges and fees	26,303	—	105	26,408	(i)
Other revenues	2,179	—	—	2,179	
Grants and contributions provided for operating purposes	16,774	—	373	17,147	(i)
Grants and contributions provided for capital purposes	34,247	—	3,978	38,225	(i)
Interest and investment income	3,437	—	—	3,437	
Fair value increment on investment properties	30	—	—	30	
Rental income	1,506	—	78	1,584	(i)
Net share of interests in joint ventures and associates using the equity method	56	—	—	56	
Total Income from continuing operations	153,739	—	4,534	158,273	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	43,636	—	—	43,636	
Borrowing costs	3,233	—	—	3,233	
Materials and contracts	34,067	—	—	34,067	
Depreciation and amortisation	35,029	—	—	35,029	
Other expenses	9,304	—	—	9,304	
Net losses from the disposal of assets	7,510	—	—	7,510	
Total Expenses from continuing operations	132,779	—	—	132,779	
Total Operating result from continuing operations	20,960	—	4,534	25,494	
Net operating result for the year	20,960	—	4,534	25,494	
Total comprehensive income	8,678	—	4,534	13,212	

(i) Difference in revenue between recognition on receipt under previous standards and recognition as/when performance obligations are met under AASB 15/AASB 1058.

Statement of Cash Flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	—	4,251	4,251
Total liabilities	90,153	4,251	94,404
Accumulated surplus	931,707	(4,251)	927,456
Total equity	(90,153)	(4,251)	(94,404)

(ii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$3.03M at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was:

- Wagga Airport lease - 2.61%
- Sydney Office lease - 2.17%
- Waste Collection contract - 2.83%

\$ '000	Balance at 1 July 2019
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Operating lease commitments at 30 June 2019 per Council financial statements

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	—
Add:	
Contracts not accounted for as operating lease commitments last year	3,033
Finance lease liabilities	—
Extension options reasonably certain to be exercised not included in the commitments note	—
Variable lease payments linked to an index	—
Other	—
Less:	
Short-term leases included in commitments note	—
Leases for low-value assets included in commitments note	—
Other	—
Lease liabilities recognised at 1 July 2019	<u>3,033</u>

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	—	3,033	3,033
Infrastructure, Property, Plant and Equipment	1,446,345	(5,050)	1,441,295
Total assets	<u>1,606,418</u>	<u>(2,017)</u>	<u>1,604,401</u>
Leases	—	3,033	3,033
Total liabilities	<u>90,153</u>	<u>3,033</u>	<u>93,186</u>
Revaluation reserves	584,558	(5,050)	579,508
Total equity	<u>1,516,265</u>	<u>(5,050)</u>	<u>1,511,215</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019 Restated
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	19,237	12,632
Balance as per the Statement of Cash Flows		19,237	12,632

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

Net operating result from Income Statement		20,960	26,055
Adjust for non-cash items:			
Depreciation and amortisation		35,029	33,591
Net losses/(gains) on disposal of assets		7,510	4,180
Non-cash capital grants and contributions		(6,532)	(13,660)
Adoption of AASB 15/1058		(4,251)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(79)	(483)
– Investment property		(30)	(543)
– Favourable financial liabilities (i.e. initial recognition at fair value)		–	(325)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		75	–
Unwinding of discount rates on reinstatement provisions		6	21
Share of net (profits)/losses of associates/joint ventures using the equity method		(56)	(35)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		3,994	(3,638)
Increase/(decrease) in provision for impairment of receivables		(62)	60
Decrease/(increase) in inventories		(63)	124
Decrease/(increase) in other current assets		(80)	110
Decrease/(increase) in contract assets		(4,706)	–
Increase/(decrease) in payables		2,920	1,195
Increase/(decrease) in accrued interest payable		(13)	30
Increase/(decrease) in other accrued expenses payable		350	11
Increase/(decrease) in other liabilities		(403)	95
Increase/(decrease) in contract liabilities		4,791	–
Increase/(decrease) in provision for employee benefits		722	849
Increase/(decrease) in other provisions		30	547
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		60,112	48,184

(c) Non-cash investing and financing activities

Dedications (other than by s7.11)		6,412	13,343
Works In Kind		117	276
Artworks donated		3	41
Total non-cash investing and financing activities		6,532	13,660

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	56	35	2,154	2,098
Total	56	35	2,154	2,098

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	2020	2019
Riverina Regional Library Service	Joint Venture	Equity Method	2,154	2,098
Total carrying amounts – material joint ventures			2,154	2,098

(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	
	2020	2019	2020	2019	2020	2019
Riverina Regional Library Service	46.1%	46.1%	46.1%	46.1%	46.1%	46.1%

(d) Summarised financial information for joint ventures

\$ '000	Riverina Regional Library Service	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	3,163	2,866
Other current assets	21	31
Non-current assets	2,586	2,641
Current liabilities		
Other current liabilities	1,093	981
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2	4
Net assets	4,675	4,553

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

\$ '000	Riverina Regional Library Service	
	2020	2019
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,553	4,477
Profit/(loss) for the period	122	76
Closing net assets	4,675	4,553
Council's share of net assets (%)	46.1%	46.1%
Council's share of net assets (\$)	2,154	2,098
Statement of comprehensive income		
Income	3,177	3,054
Interest income	18	29
Depreciation and amortisation	(901)	(853)
Other expenses	(2,172)	(2,154)
Profit/(loss) from continuing operations	122	76
Profit/(loss) for the period	122	76
Total comprehensive income	122	76
Share of income – Council (%)	46.1%	46.1%
Profit/(loss) – Council (\$)	56	35
Total comprehensive income – Council (\$)	56	35

(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 2020

Note 20. Commitments

\$ '000	2020	2019
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	377	638
Parks and sportsgrounds	1,652	1,060
Sewerage infrastructure	1,592	972
Waste management services	29	501
Infrastructure	9,089	8,980
Other	181	61
Total commitments	12,920	12,212
These expenditures are payable as follows:		
Within the next year	12,920	12,212
Total payable	12,920	12,212
Sources for funding of capital commitments:		
Unrestricted general funds	489	906
Future grants and contributions	6,030	4,081
Unexpended grants	–	1,506
Externally restricted reserves	1,499	5,535
Internally restricted reserves	4,426	136
New loans (to be raised)	474	46
Other funding – Sale of assets	2	2
Total sources of funding	12,920	12,212

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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 for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation amounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

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 2020 was \$544,305.07. The last formal valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contributions to the plan for the next annual reporting period is \$558,170.32.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be \$351,700 (0.88%) as at 30 June 2020.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

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.

(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. Indemnity advice from Council's insurer with respect to the scope of any exclusion(s) 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 2020

Note 22. 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 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	19,237	12,632	19,237	12,632
Receivables ¹	12,695	15,945	12,695	15,945
Investments				
– 'Financial assets at amortised cost'	78,000	69,000	78,000	69,000
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	49,958	51,746	49,958	51,746
Total financial assets	159,890	149,323	159,890	149,323
Financial liabilities				
Payables	20,208	13,104	20,208	13,104
Loans/advances	64,055	59,377	64,055	59,377
Lease liabilities	3,884	–	3,884	–
Total financial liabilities	88,147	72,481	88,147	72,481

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** – 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 2020

Note 22. 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
2020				
Possible impact of a 10% movement in market values	154	154	(154)	(154)
Possible impact of a 1% movement in interest rates	677	677	(677)	(677)
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)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. 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
2020						
Gross carrying amount	–	2,941	382	115	17	3,455
2019						
Gross carrying amount	–	2,528	241	143	–	2,912

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
2020						
Gross carrying amount	7,697	772	240	222	425	9,356
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	27.31%	1.24%
ECL provision	–	–	–	–	116	116
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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. 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		
2020							
Trade/other payables	0.00%	3,507	14,924	–	–	18,431	18,431
Loans and advances	4.73%	–	7,437	34,871	50,218	92,526	64,055
Lease liabilities	0.00%	–	875	2,318	1,031	4,224	3,884
Total financial liabilities		3,507	23,236	37,189	51,249	115,181	86,370
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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 2019/20 was adopted by the Council on 24/06/2019 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.

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.

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	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	69,737	69,207	(530)	(1)% U
User charges and fees	28,346	26,303	(2,043)	(7)% U
Other revenues	1,841	2,179	338	18% F
Council received additional unbudgeted income during the year from Centrelink Paid Parental Leave, Jury Duty, Long Service Leave income, Legal Costs Recovery and Insurance Claims.				
Operating grants and contributions	14,280	16,774	2,494	17% F
Council received additional unbudgeted operating grants and contributions during the year, with the most significant amounts being in relation to StateCover Performance Rebate (Workers Compensation), Financial Assistance Grants, Environmental Programs, Kerbside Garbage Collection and the Fire Evacuation Centre (December 2019).				
Capital grants and contributions	56,264	34,247	(22,017)	(39)% U
The construction and the delivery of the 2019/20 Capital Works Program did not progress as originally budgeted for a significant number of capital projects which meant that the Capital Grant and Contributions were not received and will be received in future years. The main projects include RIFL Stage 2A Rail Siding, Dunns Road Roads and Traffic Facilities, Active Travel Plan, Pomingalarna Multisport Cycling Complex, Botanic Gardens Museum Site Redevelopment, Riverside Stage 2, Eunony Bridge and Gregadoo Road Corridor Works.				
Interest and investment revenue	3,774	3,437	(337)	(9)% U
Fair value increment on investment property	–	30	30	∞ F
Rental income	1,307	1,506	199	15% F
Rental income exceeded the budget due to Councils subletting of the Sydney Office not being included in the original budget.				
Joint ventures and associates – net profits	–	56	56	∞ F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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EXPENSES

Employee benefits and on-costs	46,012	43,636	2,376	5%	F
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Borrowing costs	3,588	3,233	355	10%	F
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A number of Councils loans were not drawn down on, for as much as budgeted due to the delays in the delivery of the 2019/20 Capital Works Program. The loans will be drawn down on in future years when the projects are delivered and the borrowing costs will be expensed once this happens.

Materials and contracts	32,362	34,067	(1,705)	(5)%	U
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Depreciation and amortisation	34,843	35,029	(186)	(1)%	U
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Other expenses	13,011	9,304	3,707	28%	F
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The construction of the new PCYC facilities are not as advanced as originally thought so Council contribution was not required during the financial year as budgeted. Electricity and water expenses were lower than budgeted due to Council negotiating lower electricity rates and Council facilities requiring lower amounts of water for operation.

Net losses from disposal of assets	—	7,510	(7,510)	∞	U
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STATEMENT OF CASH FLOWS

Cash flows from operating activities	79,136	60,112	(19,024)	(24)%	U
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This variation to original budget is a result of Council not receiving a number of grants and contributions due to the construction and delivery of the 2019/20 Capital Works Program not progressing as original budgeted.

Cash flows from investing activities	(95,344)	(57,603)	37,741	(40)%	F
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This variation is a result of Council not completing it's Capital Works Program as originally budgeted. Budget variations to adjust the 2019/20 Capital Works Program was reported to the 24 February 2020 and 29 June 2020 Council meetings.

Cash flows from financing activities	17,842	4,096	(13,746)	(77)%	U
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This variation is a result of Council not requiring to undertake the originally budgeted level of external loan borrowings for 2019/20. This is due to a delay in the commencement and completion of a number of projects that utilise loan borrowings as a funding source.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/20	–	49,958	–	49,958
– ‘Held to maturity’	30/06/20	–	78,000	–	78,000
Total financial assets		–	127,958	–	127,958
Investment property					
Commercial property	30/06/20	–	3,900	–	3,900
Total investment property		–	3,900	–	3,900
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	–	18,809	–	18,809
Office equipment	30/06/19	–	–	1,126	1,126
Furniture and fittings	30/06/19	–	–	127	127
Operational land	30/06/17	–	41,282	30,105	71,387
Community land	30/06/17	–	8,980	70,811	79,791
Land under roads	30/06/17	–	–	8,548	8,548
Buildings non-specialised	30/06/18	–	860	84,566	85,426
Buildings specialised	30/06/18	–	–	41,751	41,751
Other structures	30/06/16	–	–	25,991	25,991
Roads	30/06/18	–	–	454,074	454,074
Bridges	30/06/18	–	–	45,064	45,064
Footpaths	30/06/18	–	–	32,803	32,803
Stormwater drainage	30/06/20	–	–	212,220	212,220
Sewerage network	30/06/17	–	–	276,198	276,198
Swimming pools	30/06/17	–	–	2,799	2,799
Other open space/recreational assets	30/06/16	–	–	15,026	15,026
Airport infrastructure	30/06/20	–	–	19,428	19,428
Artworks	30/06/16	–	5,363	–	5,363
Other assets	30/06/16	–	–	17,202	17,202
Tip remediation assets	30/06/20	–	–	1,112	1,112
Quarry assets	30/06/20	–	–	836	836
Total infrastructure, property, plant and equipment		–	75,294	1,339,787	1,415,081

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total Restated
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘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	30/06/19	–	3,870	–	3,870
Total investment property		–	3,870	–	3,870
Infrastructure, property, plant and equipment					
Plant and equipment	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
Land under roads	30/06/17	–	–	8,532	8,532
Buildings non-specialised	30/06/18	–	135	83,463	83,598
Buildings specialised	30/06/18	–	–	40,073	40,073
Other structures	30/06/16	–	–	26,359	26,359
Roads	30/06/18	–	–	457,607	457,607
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	–	–	275,397	275,397
Swimming pools	30/06/17	–	–	2,880	2,880
Other open space/recreational assets	30/06/16	–	–	14,914	14,914
Airport infrastructure	30/06/16	–	–	28,337	28,337
Artworks	30/06/16	–	5,331	–	5,331
Other assets	30/06/16	–	–	17,530	17,530
Tip remediation assets	30/06/19	–	–	1,136	1,136
Quarry assets	30/06/19	–	–	856	856
Total infrastructure, property, plant and equipment		–	72,770	1,354,968	1,427,738

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 2020

Note 24. 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 properties have been valued using the Market Approach for 2019/20. These properties were valued on 23/06/2020 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 2020

Note 24. 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 2020

Note 24. 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 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 2020

Note 24. Fair Value Measurement (continued)

Airport Infrastructure

Council's Airport Infrastructure include runways, aprons, taxiways, buildings and other associated assets located at the Wagga Airport.

Airport Infrastructure were revalued externally in 2019/20 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.

Stormwater Drainage

The Stormwater Drainage asset class includes stormwater pits, stormwater pipes, channels, detention basins, levee banks, flood gates, gross pollutant traps and stormwater pump stations.

Stormwater Drainage assets were revalued internally in 2019/20 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Other Open Space/Recreational Assets

Council's Other Open Space/Recreational Assets class includes playgrounds, irrigation, sports equipment, BBQs, 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/Recreational 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.

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 2019/20. 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 2019/20. 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 2020

Note 24. 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
2019					
Opening balance ¹	75,361	74,340	39,957	22,283	458,252
Purchases (GBV)	266	10,625	1,094	4,962	16,157
Disposals (WDV)	—	—	—	(5)	(1,846)
Depreciation and impairment	—	(1,501)	(977)	(881)	(14,246)
Other movement (revaluation)	—	—	—	—	(711)
Closing balance	75,627	83,464	40,074	26,359	457,606
2020					
Opening balance ¹	75,627	83,464	40,074	26,359	457,606
Transfers from/(to) another asset class	205	—	—	—	—
Purchases (GBV)	39	2,696	2,804	732	11,857
Disposals (WDV)	(10)	—	(126)	(110)	(1,372)
Depreciation and impairment	—	(1,594)	(1,001)	(990)	(14,017)
Adjustments and transfers	(5,050)	—	—	—	—
Closing balance	70,811	84,566	41,751	25,991	454,074

(1) The 2019 opening and closing balances for certain asset classes have been restated.

\$ '000	Bridges	Footpaths	Stormwater drainage	Sewerage network	Swimming pools
2019					
Opening balance ¹	49,219	28,024	209,181	273,037	2,960
Purchases (GBV)	236	1,947	6,030	3,519	—
Disposals (WDV)	—	(77)	(163)	(232)	—
Depreciation and impairment	(827)	(873)	(1,979)	(5,265)	(80)
Other movement (revaluation)	—	—	—	4,337	—
Closing balance	48,628	29,021	213,069	275,396	2,880
2020					
Opening balance ¹	48,628	29,021	213,069	275,396	2,880
Purchases (GBV)	216	5,131	9,933	4,256	—
Disposals (WDV)	(2,967)	(436)	—	(697)	—
Depreciation and impairment	(813)	(913)	(1,998)	(5,357)	(80)
Other movement (revaluation)	—	—	(8,784)	2,599	—
Closing balance	45,064	32,803	212,220	276,197	2,800

(1) The 2019 opening and closing balances for certain asset classes have been restated.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Airport infrastructure	Other open space/rec assets	Other assets	Tip assets	Quarry assets
2019					
Opening balance ¹	30,928	14,566	18,530	974	520
Purchases (GBV)	—	1,797	549	—	—
Disposals (WDV)	—	(313)	(13)	—	—
Depreciation and impairment	(2,591)	(1,136)	(1,535)	(20)	(29)
Adjustments and transfers	—	—	—	182	365
Closing balance	28,337	14,914	17,531	1,136	856
2020					
Opening balance ¹	28,337	14,914	17,531	1,136	856
Purchases (GBV)	—	1,485	1,559	—	—
Disposals (WDV)	—	(201)	(277)	—	—
Depreciation and impairment	(2,813)	(1,172)	(1,611)	(24)	(50)
Other movement (revaluation)	(6,096)	—	—	—	—
Adjustments and transfers	—	—	—	—	31
Closing balance	19,428	15,026	17,202	1,112	837

(1) The 2019 opening and closing balances for certain asset classes have been restated.

\$ '000	Furniture and fittings, office equip	Operational Land	Land under Roads	Total
2019				
Opening balance ¹	1,333	19,436	8,500	1,327,401
Purchases (GBV)	260	11,046	33	58,521
Disposals (WDV)	(97)	(19)	—	(2,765)
Depreciation and impairment	(419)	—	—	(32,359)
Other movement (revaluation)	—	—	—	3,626
Adjustments and transfers	—	—	—	547
Closing balance	1,077	30,463	8,533	1,354,971
2020				
Opening balance ¹	1,077	30,463	8,533	1,354,971
Transfers from/(to) level 2 FV hierarchy	—	287	—	287
Transfers from/(to) another asset class	—	(945)	—	(740)
Purchases (GBV)	600	320	15	41,643
Disposals (WDV)	—	(20)	—	(6,216)
Depreciation and impairment	(424)	—	—	(32,857)
Other movement (revaluation)	—	—	—	(12,281)
Adjustments and transfers	—	—	—	(5,019)
Closing balance	1,253	30,105	8,548	1,339,788

(1) The 2019 opening and closing balances for certain asset classes have been restated.

(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 2020

Note 25. Related party disclosures

(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	2020	2019
Compensation:		
Short-term benefits	1,465	1,227
Post-employment benefits	137	115
Other long-term benefits	42	29
Total	1,644	1,371

(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						
2020						
Fees and Charges Income	1	6	–	30 day debtor account	–	–
Other Income		–	–	30 day debtor account	–	–
Lease/Rental Income	2	66	5	30 day debtor account	–	–
Reimbursements for Council related expenses		7	–	30 day creditor payment terms	–	–
Payment for goods/services received		1	–	30 day creditor payment terms	–	–
Advertisement services	3	–	–	30 day creditor payment terms	–	–
Grants and other assistance provided		13	–	30 day creditor payment terms	–	–
Provision of services relating to fleet maintenance		8	–	30 day creditor payment terms	–	–
Refund of fees (no longer required)		8	–	30 day creditor payment terms	–	–
Provision of Labour Hire staff	4	115	10	30 day creditor payment terms	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures (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		–	–	Council staff award	–	–
Reimbursement for Ticket Income			9	–	30 day creditor payment terms	–	–
Refund of over-payments			–	–	30 day creditor payment terms	–	–
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	–	–
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	–	–

During 2019/20, there was one development application with an estimated value of works of \$20,000 submitted to Council for approval from KMPs and their related parties. This development application was 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 2020

Note 25. Related party disclosures (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
2020						
Contribution to Riverina Regional Library	6	1,306	–	30 day creditor payment terms	–	–
2019						
Contribution to Riverina Regional Library	6	1,267	–	30 day creditor payment terms	–	–
6	Council's contribution to the Riverina Regional Library joint venture as per the RRL Deed of Agreement.					

Note 26. Events occurring after the reporting date

Council is aware of the following 'non-adjusting event' that merits disclosure:

At its 3 August 2020 Council meeting, Council resolved to enter into a contract for the construction of the Riverina Intermodal Freight and Logistics (RIFL) terminal and associated civil works including rail siding and industrial subdivision. This contract is valued at \$39.7M. This project is grant funded through the NSW State Government.

The financial effects of the above event have not been brought to account at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. 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 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Drainage	101	—	—	—	—	—	101	—
Parking	8	—	—	—	—	—	8	—
Community facilities	134	—	—	—	—	—	134	—
Roads and traffic facilities	8	—	—	—	—	—	8	—
Cycleways and footpaths	13	—	—	—	—	—	13	—
Open space – local	9	—	—	—	—	—	9	—
Open space – city wide	1	—	—	—	—	—	1	—
Plan Management	(27)	—	—	1	—	—	(26)	—
Transport and Traffic Works	9,122	2,351	—	—	(255)	—	11,218	—
Planning Studies	—	32	—	—	(67)	—	(35)	—
Recreation and Open Space - Future Works	5,231	1,089	—	—	(230)	—	6,090	—
Recreation and Open Space - Recoupment	—	77	—	—	(135)	—	(58)	—
Community Facilities - Recoupment	—	39	—	—	—	—	39	—
Transport and Traffic Works - Recoupment	—	95	—	—	—	—	95	—
Acquisition Open Space Land	4,113	106	—	—	—	—	4,219	—
Administration of Plan	—	116	—	84	(142)	—	58	—
Borrowings - Low Interest Loans - Interest Cost	—	82	—	—	(2)	—	80	—
Borrowings - Ordinary Loans	—	225	—	—	—	—	225	—
Recoupment 2006-2019 Plan - Oasis Aquatic Centre	1,954	—	—	—	(270)	—	1,684	—
Recoupment 2006-2019 Plan - Civic Centre	2,483	—	—	—	(1,149)	—	1,334	—
Recoupment 2006-2019 Plan - Main Street (Baylis/Fitzmaurice St's) Wagga Wagga	466	—	—	—	—	—	466	—
2006-2019 Plan - Estella Open Space	30	—	—	—	(3)	—	27	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
2006-2019 Plan - Estella Bike Track	91	—	—	—	(3)	—	88	—
2006-2019 Plan - Hudson Drive	101	—	—	—	—	—	101	—
S7.11 contributions – under a plan	23,838	4,212	—	85	(2,256)	—	25,879	—
S7.12 levies – under a plan	(100)	301	—	—	(606)	—	(405)	—
Total S7.11 and S7.12 revenue under plans	23,738	4,513	—	85	(2,862)	—	25,474	—
S64 contributions	6,551	1,944	—	23	(1,825)	—	6,693	—
Total contributions	30,289	6,457	—	108	(4,687)	—	32,167	—

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	(27)	—	—	1	—	—	(26)	—
Total	247	—	—	1	—	—	248	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN – 2019 to 2034								
Transport and Traffic Works	9,122	2,351	–	–	(255)	–	11,218	–
Planning Studies	–	32	–	–	(67)	–	(35)	–
Recreation and Open Space - Future Works	5,231	1,089	–	–	(230)	–	6,090	–
Recreation and Open Space - Recoupment	–	77	–	–	(135)	–	(58)	–
Community Facilities - Recoupment	–	39	–	–	–	–	39	–
Transport and Traffic Works - Recoupment	–	95	–	–	–	–	95	–
Acquisition Open Space Land	4,113	106	–	–	–	–	4,219	–
Administration of Plan	–	116	–	84	(142)	–	58	–
Borrowings - Low Interest Loans - Interest Cost	–	82	–	–	(2)	–	80	–
Borrowings - Ordinary Loans	–	225	–	–	–	–	225	–
Recoupment 2006-2019 Plan - Oasis Aquatic Centre	1,954	–	–	–	(270)	–	1,684	–
Recoupment 2006-2019 Plan - Civic Centre	2,483	–	–	–	(1,149)	–	1,334	–
Recoupment 2006-2019 Plan - Main Street (Baylis/Fitzmaurice St's) Wagga Wagga	466	–	–	–	–	–	466	–
2006-2019 Plan - Estella Open Space	30	–	–	–	(3)	–	27	–
2006-2019 Plan - Estella Bike Track	91	–	–	–	(3)	–	88	–
2006-2019 Plan - Hudson Drive	101	–	–	–	–	–	101	–
Total	23,591	4,212	–	84	(2,256)	–	25,631	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – 2019 to 2034

Section 7.12 levy	(100)	301	–	–	(606)	–	(405)	–
Total	(100)	301	–	–	(606)	–	(405)	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
	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	6,551	683	–	23	(564)	–	6,693	–
Total	6,551	683	–	23	(564)	–	6,693	–
CONTRIBUTION PLAN – SEWER 2013								
Sewer Projects	–	1,261	–	–	(1,261)	–	–	–
Total	–	1,261	–	–	(1,261)	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

\$ '000	General ¹ 2020	Sewer 2020
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	54,524	14,683
User charges and fees	21,605	4,698
Interest and investment revenue	3,090	347
Other revenues	1,978	201
Grants and contributions provided for operating purposes	16,733	41
Grants and contributions provided for capital purposes	31,188	3,059
Fair value increment on investment property	30	—
Rental income	1,506	—
Share of interests in joint ventures and associates using the equity method	56	—
Total income from continuing operations	130,710	23,029
Expenses from continuing operations		
Employee benefits and on-costs	41,639	1,997
Borrowing costs	1,008	2,225
Materials and contracts	26,903	7,164
Depreciation and amortisation	29,670	5,359
Other expenses	6,237	3,067
Net losses from the disposal of assets	6,727	783
Total expenses from continuing operations	112,184	20,595
Operating result from continuing operations	18,526	2,434
Net operating result for the year	18,526	2,434
Net operating result attributable to each council fund	18,526	2,434
Net operating result for the year before grants and contributions provided for capital purposes	(12,662)	(625)

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 2020

Note 28. Result by fund (continued)

\$ '000	General ¹ 2020	Sewer 2020
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	11,107	8,130
Investments	29,021	–
Receivables	12,128	2,075
Inventories	1,729	188
Contract assets	4,706	–
Other	526	1
Non-current assets classified as 'held for sale'	260	–
Total current assets	59,477	10,394
Non-current assets		
Investments	82,269	16,668
Receivables	22	–
Infrastructure, property, plant and equipment	1,160,842	285,517
Investments accounted for using the equity method	2,154	–
Investment property	3,900	–
Right of use assets	3,724	–
Total non-current assets	1,252,911	302,185
TOTAL ASSETS	1,312,388	312,579
LIABILITIES		
Current liabilities		
Payables	18,766	1,442
Contract liabilities	4,791	–
Lease liabilities	781	–
Borrowings	3,551	847
Provisions	13,117	792
Total current liabilities	41,006	3,081
Non-current liabilities		
Lease liabilities	3,103	–
Borrowings	30,235	29,422
Provisions	2,468	10
Total non-current liabilities	35,806	29,432
TOTAL LIABILITIES	76,812	32,513
Net assets	1,235,576	280,066
EQUITY		
Accumulated surplus	878,384	70,032
Revaluation reserves	357,192	210,034
Council equity interest	1,235,576	280,066
Total equity	1,235,576	280,066

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 2020

Note 28. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Internal Loan 1
Borrower (by purpose)	General Fund
Lender (by purpose)	Sewer Fund
Date of minister's approval	03/06/2020
Date raised	30/06/2020
Term (years)	15 years
Amount originally approved	\$12,300,000
Dates of maturity	30/06/2035
Amount drawdown during the year	\$6,298,704
Total repaid during year (principal and interest)	\$146,760
Rate of interest	2.33%
Principal outstanding at end of year	\$6,298,704

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(a). Statement of performance measures – consolidated results

	Amounts 2020	Indicator 2020	2019 Restated	Prior periods 2018	2017	Benchmark
\$ '000						
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,942)	(4.98)%	(5.47)%	(8.11)%	(6.38)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	119,327					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	102,553	66.78%	66.23%	65.43%	59.59%	>60.00%
Total continuing operating revenue	153,574					
3. Unrestricted current ratio						
Current assets less all external restrictions	65,454	2.43x	2.88x	2.99x	3.08x	>1.50x
Current liabilities less specific purpose liabilities	26,940					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	32,320	4.56x	1.54x	4.79x	5.37x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,088					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	3,783	5.20%	4.63%	4.78%	5.05%	<10.00%
Rates, annual and extra charges collectible	72,720					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	97,237	11.76 mths	8.79 mths	8.89 mths	7.22 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	8,265					

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2020	2019 Restated	2020	2019 Restated	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(6.14)%	(6.95)%	0.79%	2.05%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	63.29%	63.33%	86.54%	82.47%	>60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	2.55x	3.13x	6.62x	6.60x	>1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.01x	1.35x	2.58x	2.64x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	5.30%	4.41%	4.85%	5.48%	<10.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	12.74 mths	8.85 mths	6.40 mths	8.35 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities					

(1) - (2) Refer to Notes at Note 29a above.

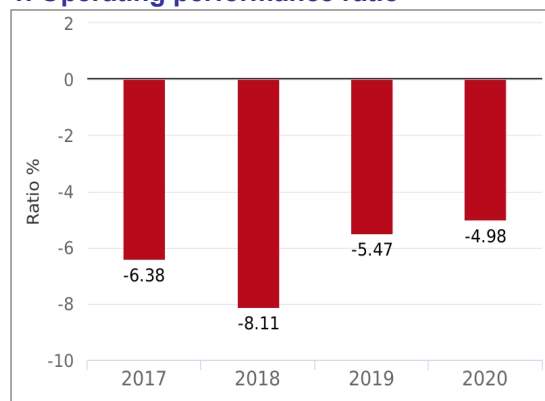
(3) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(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 2019/20 result

2019/20 ratio (4.98)%

Council's Operating Performance ratio has increased from -5.47% in 2018/19 to -4.98% in 2019/20. Council continues to trend towards the benchmark of 0.00%.

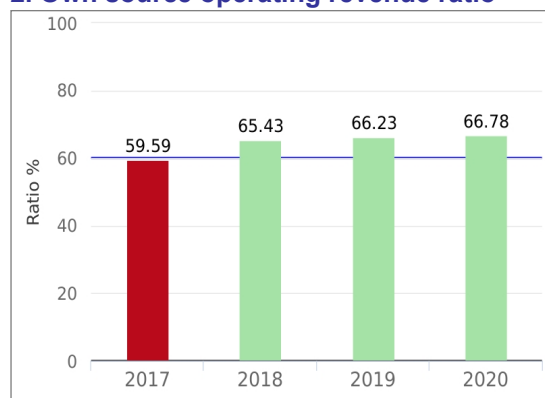
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 66.78%

Council's Own source operating revenue ratio has increased to 66.78% for 2019/20, up from 66.23% in 2018/19. Council continues to exceed the benchmark of 60.00%.

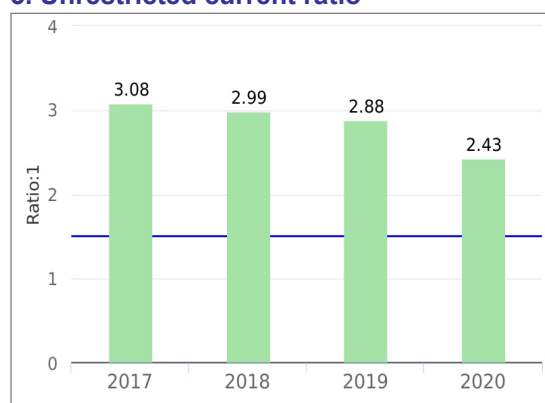
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 2.43x

Council's unrestricted current ratio indicates that it currently has \$2.43 of unrestricted assets available to service \$1.00 of its unrestricted current liabilities including loan repayments and payables. A ratio of 2.43x is considered sound and demonstrates Council's continued ability to satisfy short term obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

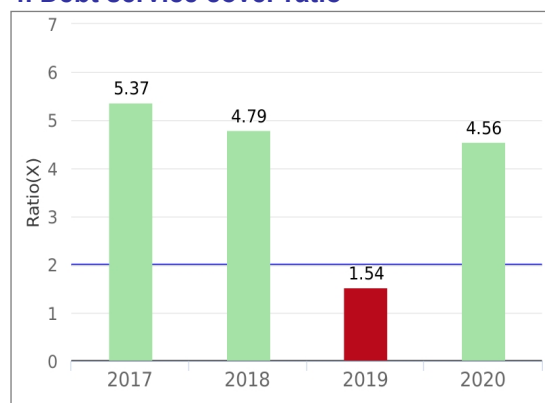
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(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 2019/20 result

2019/20 ratio 4.56x

Council's Debt service ratio has increased to 4.56x for the 2019/20 financial year. This increase is a result of Council refinancing a number of existing loans within its portfolio during 2018/19. The 2019/20 ratio is consistent with prior years results.

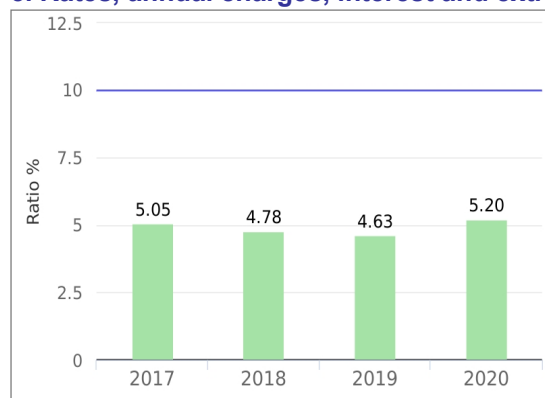
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 5.20%

This ratio indicates the outstanding rates and annual charges at the end of the financial year. As at 30 June 2020, Council had 5.20% of rates and annual charges outstanding. This is a slight increase from 4.63% at 30 June 2019 and is a result of the ongoing COVID-19 pandemic.

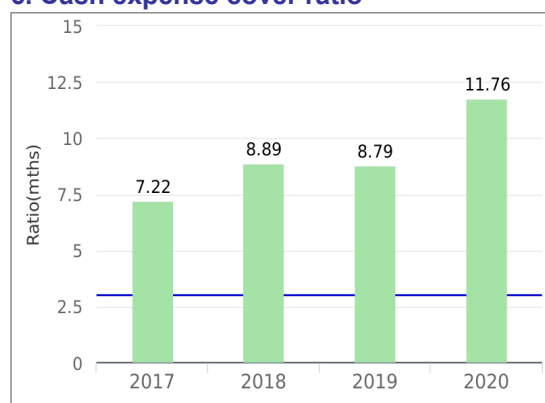
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 11.76 mths

Council's cash expense cover ratio result of 11.76 months indicates it's continued ability to be able to cover its immediate expenses without additional cash flows. 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 #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. 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

Ingrid Hensley

Auditors

Audit Office of New South Wales
Level 19, 201 Sussex Street
Darling Park Tower 2
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

General Purpose Financial Statements
for the year ended 30 June 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Wagga Wagga City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

*“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 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Sewerage Business Activity	4
Income Statement – Livestock Marketing Centre	5
Income Statement – Wagga Airport	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Livestock Marketing Centre	8
Statement of Financial Position – Wagga Airport	9
Note 1 – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	14

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).

Special Purpose Financial Statements

for the year ended 30 June 2020

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 26 October 2020.

Greg Conkey OAM
Mayor
26 October 2020

Dallas Tout
Councillor
26 October 2020

Peter Thompson
General Manager
26 October 2020

Carolyn Rodney
Responsible Accounting Officer
26 October 2020

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019 Restated
Income from continuing operations		
Access charges	14,683	13,721
User charges	4,698	4,825
Interest	347	497
Grants and contributions provided for non-capital purposes	41	187
Other income	201	11
Total income from continuing operations	19,970	19,241
Expenses from continuing operations		
Employee benefits and on-costs	1,997	1,776
Borrowing costs	2,225	2,276
Materials and contracts	7,164	6,680
Depreciation, amortisation and impairment	5,359	5,267
Loss on disposal of assets	783	229
Calculated taxation equivalents	28	34
Other expenses	3,067	2,873
Total expenses from continuing operations	20,623	19,135
Surplus (deficit) from continuing operations before capital amounts	(653)	106
Grants and contributions provided for capital purposes	3,059	3,862
Surplus (deficit) from continuing operations after capital amounts	2,406	3,968
Surplus (deficit) from all operations before tax	2,406	3,968
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(29)
SURPLUS (DEFICIT) AFTER TAX	2,406	3,939
Opening accumulated surplus	73,925	69,957
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	28	34
– Corporate taxation equivalent	–	29
Less:		
– Tax equivalent dividend paid	(28)	(34)
Closing accumulated surplus	76,331	73,925
Return on capital %	0.6%	0.8%
Subsidy from Council	941	1,350
Calculation of dividend payable:		
Surplus (deficit) after tax	2,406	3,939
Less: capital grants and contributions (excluding developer contributions)	(1,261)	(1,633)
Surplus for dividend calculation purposes	1,145	2,306
Potential dividend calculated from surplus	573	1,153

Income Statement – Livestock Marketing Centre

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Fees	6,752	5,751
Interest	525	–
Other income	53	50
Total income from continuing operations	7,330	5,801
Expenses from continuing operations		
Employee benefits and on-costs	1,011	834
Borrowing costs	2	3
Materials and contracts	1,701	1,844
Depreciation, amortisation and impairment	713	608
Loss on disposal of assets	2	13
Calculated taxation equivalents	21	21
Other expenses	962	1,094
Total expenses from continuing operations	4,412	4,417
Surplus (deficit) from continuing operations before capital amounts	2,918	1,384
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	2,918	1,384
Surplus (deficit) from all operations before tax	2,918	1,384
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(802)	(381)
SURPLUS (DEFICIT) AFTER TAX	2,116	1,003
Opening accumulated surplus	11,862	10,430
Plus/less: other adjustments	716	473
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	21	21
– Corporate taxation equivalent	802	381
Less:		
– Dividend paid	(705)	(446)
Closing accumulated surplus	14,812	11,862
Return on capital %	11.8%	5.4%
Subsidy from Council	–	–

Income Statement – Wagga Airport

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Fees	3,143	3,825
Other income	291	266
Total income from continuing operations	3,434	4,091
Expenses from continuing operations		
Employee benefits and on-costs	466	489
Borrowing costs	206	397
Materials and contracts	1,748	1,971
Depreciation, amortisation and impairment	2,837	2,594
Calculated taxation equivalents	–	73
Other expenses	258	290
Total expenses from continuing operations	5,515	5,814
Surplus (deficit) from continuing operations before capital amounts	(2,081)	(1,723)
Grants and contributions provided for capital purposes	73	–
Surplus (deficit) from continuing operations after capital amounts	(2,008)	(1,723)
Surplus (deficit) from all operations before tax	(2,008)	(1,723)
SURPLUS (DEFICIT) AFTER TAX	(2,008)	(1,723)
Opening accumulated surplus	4,101	5,760
Plus/less: other adjustments	(31)	(9)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	73
Closing accumulated surplus	2,062	4,101
Return on capital %	(9.4)%	(3.9)%
Subsidy from Council	2,050	1,772

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020	2019 Restated
\$ '000		
ASSETS		
Current assets		
Cash and cash equivalents	8,130	9,986
Receivables	8,374	2,031
Inventories	188	212
Other	1	12
Total current assets	16,693	12,241
Non-current assets		
Investments	16,668	20,626
Infrastructure, property, plant and equipment	285,517	281,173
Total non-current assets	302,185	301,799
TOTAL ASSETS	318,878	314,040
LIABILITIES		
Current liabilities		
Payables	1,442	846
Borrowings	847	789
Provisions	792	778
Total current liabilities	3,081	2,413
Non-current liabilities		
Borrowings	29,422	30,266
Provisions	10	2
Total non-current liabilities	29,432	30,268
TOTAL LIABILITIES	32,513	32,681
NET ASSETS	286,365	281,359
EQUITY		
Accumulated surplus	76,331	73,925
Revaluation reserves	210,034	207,434
TOTAL EQUITY	286,365	281,359

Statement of Financial Position – Livestock Marketing Centre

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	7,548	3,709
Receivables	4,060	4,097
Other	8	8
Total current assets	11,616	7,814
Non-current assets		
Infrastructure, property, plant and equipment	24,836	25,546
Total non-current assets	24,836	25,546
TOTAL ASSETS	36,452	33,360
LIABILITIES		
Current liabilities		
Payables	194	121
Provisions	297	240
Total current liabilities	491	361
Non-current liabilities		
Provisions	25	14
Total non-current liabilities	25	14
TOTAL LIABILITIES	516	375
NET ASSETS	35,936	32,985
EQUITY		
Accumulated surplus	14,812	11,862
Revaluation reserves	21,124	21,123
TOTAL EQUITY	35,936	32,985

Statement of Financial Position – Wagga Airport

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	626	832
Total current assets	626	832
Non-current assets		
Right of use assets	108	–
Infrastructure, property, plant and equipment	19,911	33,801
Total non-current assets	20,019	33,801
TOTAL ASSETS	20,645	34,633
LIABILITIES		
Current liabilities		
Contract liabilities	116	–
Lease liabilities	21	–
Bank overdraft	3,238	2,944
Payables	531	747
Income received in advance	–	34
Borrowings	1,247	1,226
Provisions	151	143
Total current liabilities	5,304	5,094
Non-current liabilities		
Lease liabilities	89	–
Borrowings	6,507	7,611
Provisions	8	6
Total non-current liabilities	6,604	7,617
TOTAL LIABILITIES	11,908	12,711
NET ASSETS	8,737	21,922
EQUITY		
Accumulated surplus	2,062	4,101
Revaluation reserves	6,675	17,821
TOTAL EQUITY	8,737	21,922

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

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 2020

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 \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – 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 2020

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 0.88% at 30/6/20.

(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 Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.

Correction of errors relating to a previous reporting period

During the completion of the 2019/20 Financial Statements, Council identified an error in the application of unit rates for Sewer developer contributed assets contributed to Council during the 2018/19 financial year. This error had resulted in Council overstating the value of Sewerage assets dedicated to Council by \$1.5M for 2018/19.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

As a result of this error, Council has restated the balances for 2018/19 in both the Income Statement and Statement of Financial Position for the Sewerage Business Activity.

Special Purpose Financial Statements
for the year ended 30 June 2020

Wagga Wagga City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*"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 2020

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	45,251	43,595
Plus or minus adjustments ²	b	496	477
Notional general income	$c = a + b$	45,747	44,072
Permissible income calculation			
Special variation percentage ³	d	0.00%	0.00%
Or rate peg percentage	e	2.60%	2.70%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c + g)$	—	—
Or plus rate peg amount	$i = e \times (c + g)$	1,189	1,190
Or plus Crown land adjustment and rate peg amount	$j = f \times (c + g)$	—	—
Sub-total	$k = (c + g + h + i + j)$	46,936	45,262
Plus (or minus) last year's carry forward total	l	17	6
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	17	6
Total permissible income	$o = k + n$	46,953	45,268
Less notional general income yield	p	46,915	45,251
Catch-up or (excess) result	$q = o - p$	38	17
Plus income lost due to valuation objections claimed ⁴	r	—	—
Less unused catch-up ⁵	s	(6)	—
Carry forward to next year ⁶	$t = q + r + s$	32	17

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.

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20 Required maintenance ^c	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		to bring assets to satisfactory standard ^a	to bring to the agreed level of service set by Council ^b										
		\$ '000	\$ '000					\$ '000	\$ '000	\$ '000	\$ '000	1	2

(a) Report on Infrastructure Assets - Values

Buildings	Buildings	22,385	5,177	2,176	1,491	127,177	167,013	44.5%	35.0%	12.3%	1.3%	6.9%
	Sub-total	22,385	5,177	2,176	1,491	127,177	167,013	44.5%	35.0%	12.3%	1.3%	6.9%
Other structures	Fences	2,655	674	—	—	9,782	15,740	13.4%	69.8%	12.2%	4.4%	0.4%
	Shelters	2,608	2,128	930	—	5,822	9,248	19.7%	52.1%	19.4%	8.9%	0.0%
	Shade sails	216	—	—	—	212	511	10.4%	48.7%	19.6%	20.4%	0.9%
	Other	90	—	—	—	10,175	13,370	25.5%	73.9%	0.7%	0.0%	0.0%
	Sub-total	5,569	2,802	930	—	25,991	38,869	19.0%	66.7%	10.0%	4.1%	0.2%
Roads	Sealed roads	73,632	105,130	5,995	5,342	357,130	571,525	42.2%	21.3%	21.1%	14.7%	0.7%
	Unsealed roads	24,754	18,112	2,809	2,350	33,756	60,280	34.1%	24.8%	27.2%	13.8%	0.1%
	Bridges	32,283	9,396	695	315	45,064	74,512	8.6%	48.0%	23.1%	19.1%	1.1%
	Footpaths	24,273	—	—	396	25,876	46,153	30.0%	17.4%	39.1%	11.6%	1.9%
	Shared Paths & Cycleways	999	1,171	333	—	6,927	8,469	71.5%	16.7%	8.2%	3.6%	0.0%
	Kerb & Gutter	7,380	5,366	—	162	30,226	44,527	32.0%	51.5%	15.8%	0.8%	0.0%
	Carparks	2,449	1,268	107	133	4,692	7,181	33.6%	32.3%	17.0%	13.0%	4.1%
	Culverts	17,170	6,603	4,155	774	27,707	43,748	13.3%	47.4%	28.4%	8.6%	2.3%
	Bus & Taxi Shelters	112	—	—	120	564	720	63.9%	20.6%	14.0%	1.5%	0.0%
	Sub-total	183,052	147,046	14,094	9,592	531,942	857,115	36.3%	26.6%	22.6%	13.7%	0.8%
Sewerage network	Sewer Mains	—	13,703	2,134	2,279	158,679	191,386	61.5%	38.4%	0.0%	0.0%	0.0%
	Sewer Nodes	—	—	—	—	38,395	48,356	100.0%	0.0%	0.0%	0.0%	0.0%
	Pumping Stations	4,458	8,320	1,321	989	19,374	32,483	42.7%	26.1%	17.5%	11.2%	2.6%
	Treatment Plants	4,451	756	782	540	59,750	102,152	7.2%	60.1%	28.3%	4.4%	0.0%
	Sub-total	8,909	22,779	4,237	3,808	276,198	374,377	50.1%	38.3%	9.3%	2.2%	0.2%
Stormwater drainage	Stormwater Pits & Pipes	8,521	2,177	1,493	1,194	145,274	192,757	33.8%	43.1%	13.7%	5.5%	4.0%
	Levee Banks	358	—	140	10	24,482	32,882	0.0%	86.9%	12.1%	1.1%	0.0%
	Open Drains, Channels & Gross Pollutant Traps	15,700	—	20	—	42,464	73,016	7.5%	42.8%	28.3%	10.9%	10.6%
	Sub-total	24,579	2,177	1,653	1,204	212,220	298,655	23.7%	47.8%	17.1%	6.3%	5.1%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^b	2019/20 Required maintenance ^c	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	—	123	2,799	4,000	0.0%	100.0%	0.0%	0.0%	0.0%
	Playgrounds	846	1,385	105	80	3,433	5,361	31.0%	53.3%	15.8%	0.0%	0.0%
	Irrigation	3,223	2,183	846	—	1,627	5,077	18.2%	18.4%	25.6%	17.6%	20.3%
	Park Accessories	790	1,239	229	—	1,727	3,041	30.3%	43.7%	21.6%	4.0%	0.4%
	Sporting Equipment	1,643	2,041	51	—	6,821	10,416	24.7%	60.0%	10.4%	4.2%	0.7%
	Other	3,388	—	—	179	1,417	4,174	5.0%	13.9%	79.5%	1.7%	0.0%
	Sub-total	9,890	6,848	1,231	382	17,824	32,069	19.6%	49.7%	22.4%	4.8%	3.5%
	TOTAL - ALL ASSETS	254,384	186,829	24,321	16,477	1,191,352	1,768,098	37.2%	34.8%	17.6%	8.4%	2.0%

(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.

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 2020

	Amounts 2020	Indicator 2020	2019 Restated	Prior periods 2018	2017	Benchmark
\$ '000						
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	21,564					
Depreciation, amortisation and impairment	27,950	77.15%	43.21%	42.15%	39.74%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	254,384					
Net carrying amount of infrastructure assets	1,191,352	21.35%	20.52%	23.16%	28.42%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	16,477					
Required asset maintenance	24,321	67.75%	62.88%	63.11%	55.80%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	186,829	10.57%	11.44%	11.90%	11.87%	
Gross replacement cost	1,768,098					

(*) 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.