

Wagga Wagga City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

*“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 2022

*“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 2022

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Overview

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

Corner Baylis and Morrow 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 B1-2.

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: wagga.nsw.gov.au.

Wagga Wagga City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present 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 2022.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Wagga Wagga City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

To the best of our knowledge and belief, these 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 17 October 2022.

Dallas Tout

Mayor

17 October 2022

Jenny McKinnon

Councillor

17 October 2022

Peter Thompson

General Manager

17 October 2022

Carolyn Rodney

Responsible Accounting Officer

17 October 2022

Wagga Wagga City Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
73,169	Rates and annual charges	B2-1	72,542	71,796
25,133	User charges and fees	B2-2	27,410	25,486
2,161	Other revenues	B2-3	3,460	3,967
12,902	Grants and contributions provided for operating purposes	B2-4	18,326	13,635
82,436	Grants and contributions provided for capital purposes	B2-4	70,375	53,711
2,015	Interest and investment income	B2-5	2,300	2,282
1,368	Other income	B2-6	1,838	2,222
199,184	Total income from continuing operations		196,251	173,099
Expenses from continuing operations				
49,289	Employee benefits and on-costs	B3-1	42,630	43,938
36,252	Materials and services	B3-2	40,399	37,946
3,212	Borrowing costs	B3-3	3,055	3,143
39,287	Depreciation, amortisation and impairment of non-financial assets	B3-4	42,282	39,337
3,183	Other expenses	B3-5	3,975	2,883
—	Net loss from the disposal of assets	B4-1	6,260	4,373
131,223	Total expenses from continuing operations		138,601	131,620
67,961	Operating result from continuing operations		57,650	41,479
67,961	Net operating result for the year attributable to Council		57,650	41,479
(14,475)	Net operating result for the year before grants and contributions provided for capital purposes		(12,725)	(12,232)

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

Wagga Wagga City Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		57,650	41,479
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	233,204	22,737
Other comprehensive income – joint ventures and associates	D2-1	100	6
Total items which will not be reclassified subsequently to the operating result		233,304	22,743
Total other comprehensive income for the year		233,304	22,743
Total comprehensive income for the year attributable to Council		290,954	64,222

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

Wagga Wagga City Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	23,079	28,685
Investments	C1-2	21,809	37,254
Receivables	C1-4	15,574	18,149
Inventories	C1-5	1,880	2,151
Contract assets and contract cost assets	C1-6	8,224	5,229
Non-current assets classified as 'held for sale'	C1-7	–	260
Other	C1-10	584	570
Total current assets		71,150	92,298
Non-current assets			
Investments	C1-2	132,160	96,648
Receivables	C1-4	5	12
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,772,632	1,501,946
Investment property	C1-9	4,510	4,040
Right of use assets	C2-1	1,974	2,326
Investments accounted for using the equity method	D2-1	2,296	2,242
Total non-current assets		1,913,577	1,607,214
Total assets		1,984,727	1,699,512
LIABILITIES			
Current liabilities			
Payables	C3-1	19,619	20,592
Contract liabilities	C3-2	6,789	10,411
Lease liabilities	C2-1	345	335
Borrowings	C3-3	7,374	7,852
Employee benefit provisions	C3-4	12,067	13,233
Provisions	C3-5	815	750
Total current liabilities		47,009	53,173
Non-current liabilities			
Lease liabilities	C2-1	1,710	2,055
Borrowings	C3-3	59,600	58,583
Employee benefit provisions	C3-4	322	416
Provisions	C3-5	2,153	2,306
Total non-current liabilities		63,785	63,360
Total liabilities		110,794	116,533
Net assets		1,873,933	1,582,979
EQUITY			
Accumulated surplus	C4-1	1,047,651	989,901
IPPE revaluation reserve	C4-1	826,282	593,078
Council equity interest		1,873,933	1,582,979
Total equity		1,873,933	1,582,979

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

Wagga Wagga City Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		989,901	593,078	1,582,979	948,416	570,341	1,518,757
Net operating result for the year		57,650	–	57,650	41,479	–	41,479
Net operating result for the period		57,650	–	57,650	41,479	–	41,479
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	233,204	233,204	–	22,737	22,737
Joint ventures and associates	D2-1	100	–	100	6	–	6
Other comprehensive income		100	233,204	233,304	6	22,737	22,743
Total comprehensive income		57,750	233,204	290,954	41,485	22,737	64,222
Closing balance at 30 June		1,047,651	826,282	1,873,933	989,901	593,078	1,582,979

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

Wagga Wagga City Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
73,131	Rates and annual charges		72,290	71,987
25,134	User charges and fees		30,051	28,423
2,074	Interest received		2,251	2,588
95,798	Grants and contributions		79,521	58,207
–	Bonds, deposits and retentions received		488	356
3,169	Other		14,124	12,454
Payments:				
(49,289)	Payments to employees		(43,744)	(43,897)
(35,909)	Payments for materials and services		(52,248)	(48,767)
(3,212)	Borrowing costs		(2,963)	(3,063)
(3,708)	Other		(3,194)	(5,172)
107,188	Net cash provided from (or used in) operating activities	G1-1	96,576	73,116
Cash flows from investing activities				
Receipts:				
35,463	Sale of investments		14,336	10,704
–	Redemption of term deposits		25,000	21,000
805	Proceeds from sale of IPPE		1,279	2,273
–	Deferred debtors receipts		6	6
Payments:				
(15,000)	Purchase of investments		(24,395)	(10,000)
–	Acquisition of term deposits		(36,000)	(27,000)
(133,279)	Payments for IPPE		(82,534)	(62,429)
(1,386)	Contributions paid to joint ventures and associates		–	–
(113,397)	Net cash provided from (or used in) investing activities		(102,308)	(65,446)
Cash flows from financing activities				
Receipts:				
17,679	Proceeds from borrowings		8,315	6,701
Payments:				
(8,237)	Repayment of borrowings		(7,853)	(4,397)
(879)	Principal component of lease payments		(336)	(526)
8,563	Net cash flow provided from (or used in) financing activities		126	1,778
2,354	Net change in cash and cash equivalents		(5,606)	9,448
13,745	Cash and cash equivalents at beginning of year		28,685	19,237
16,099	Cash and cash equivalents at end of year	C1-1	23,079	28,685
144,894	plus: Investments on hand at end of year	C1-2	153,969	133,902
160,993	Total cash, cash equivalents and investments		177,048	162,587

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

Wagga Wagga City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 17 October 2022. 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* (Act) and *Local Government (General) Regulation 2005* (Regulation), 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.

Historical cost convention

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

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 property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. estimated remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and/or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund 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

A1-1 Basis of preparation (continued)

- sewerage service

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by 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 but 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 2022 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 all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1.

COVID-19 Impact on Council's 2021/22 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 buildings.

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 \$2.5M to the forecast Airport net result for the 2021/22 financial year. Council, as part of its 2022/23 Long Term Financial Plan, has estimated that there will be an ongoing

A1-1 Basis of preparation (continued)

impact from COVID-19 over the next 2-3 years at the Airport resulting in an estimated reduction in income of \$1.6M for the 2022/23 financial year.

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.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Community Leadership and Collaboration	67,551	63,156	21,453	19,078	46,098	44,078	19,206	13,919	76,843	72,956
Safe and Healthy Community	19,211	16,969	17,739	16,447	1,472	522	12,716	11,542	359,330	217,024
Growing Economy	28,299	23,086	14,598	13,938	13,701	9,148	18,888	14,185	67,556	52,701
Community Place and Identity	5,318	3,059	8,110	7,375	(2,792)	(4,316)	4,121	1,918	11,955	13,690
The Environment	75,872	66,829	76,701	74,782	(829)	(7,953)	33,770	25,782	1,469,043	1,343,141
Total functions and activities	196,251	173,099	138,601	131,620	57,650	41,479	88,701	67,346	1,984,727	1,699,512

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 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.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	29,127	28,201
Farmland	5,177	5,079
Business	11,344	11,168
Less: pensioner rebates (mandatory)	(606)	(624)
Rates levied to ratepayers	45,042	43,824
Pensioner rate subsidies received	341	346
Total ordinary rates	45,383	44,170
Special rates		
Special rate variation – Levee	(1)	1,646
Rates levied to ratepayers	(1)	1,646
Total special rates	(1)	1,646
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	9,845	9,380
Stormwater management services	723	715
Sewerage services	16,191	15,514
Waste management services (non-domestic)	624	600
Less: pensioner rebates (mandatory)	(508)	(515)
Annual charges levied	26,875	25,694
Pensioner subsidies received:		
– Sewerage	158	159
– Domestic waste management	127	127
Total annual charges	27,160	25,980
Total rates and annual charges	72,542	71,796

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at 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 recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2022	2021
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	1,817	1,542
Sewerage services	4,288	4,298
Waste management services (non-domestic)	5,224	4,344
Total specific user charges	11,329	10,184
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	118	208
Regulatory/statutory fees	764	813
Total fees and charges – statutory/regulatory	882	1,021
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	2,068	1,749
Cemeteries	1,326	1,175
Development services	2,312	2,850
Corporate services	24	21
Library and art gallery	72	77
Livestock Marketing Centre	6,129	5,666
Oasis swimming complex	1,289	1,345
Park and sportsgrounds	965	550
Regional civic theatre	639	643
Visitors information centre	187	73
Other	188	132
Total fees and charges – other	15,199	14,281
Total other user charges and fees	16,081	15,302
Total user charges and fees	27,410	25,486
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	156	141
User charges and fees recognised at a point in time	27,254	25,345
Total user charges and fees	27,410	25,486

Accounting policy

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 such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as joining 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 over the term of the licence.

B2-3 Other revenues

\$ '000	2022	2021
Ex gratia rates	41	40
Fines	731	725
Legal fees recovery – rates and charges (extra charges)	45	3
Diesel rebate	180	192
Insurance claims recoveries	215	46
Other theatre	9	4
Sales – miscellaneous	833	738
Sales – Oasis Aquatic Centre	109	117
Container Deposit Scheme	359	275
Wagga Airport PFAS Removal Reimbursement	585	837
Energy Savings Certificates	51	478
Other	302	512
Total other revenue	3,460	3,967
Timing of revenue recognition for other revenue		
Other revenue recognised over time	–	–
Other revenue recognised at a point in time	3,460	3,967
Total other revenue	3,460	3,967

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods/services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants				
General purpose				
Current year allocation				
Financial assistance	5,552	5,026	–	–
Payment in advance - future year allocation				
Financial assistance	8,537	5,382	–	–
Amount recognised as income during current year	14,089	10,408	–	–
Special purpose grants and non-developer contributions				
Cash grants				
Sewerage services	10	3	–	–
Bushfire and emergency services	56	78	303	29
Community care	220	187	–	–
Domestic waste management	3	3	–	–
Economic development	42	53	5,133	364
Environmental programs	239	145	–	–
Recreation and culture	159	71	12,009	6,919
Family day care	–	6	–	–
Airport	–	–	156	4,508
Drainage	–	–	2	(103)
Heritage and cultural	802	453	81	918
Noxious weeds	108	100	–	–
Family and childrens services – other	46	509	–	–
Street lighting	87	87	–	–
Transport (other roads and bridges funding)	150	85	32,811	22,019
Other specific grants	37	46	200	–
Cash contributions				
Bushfire services	24	35	–	–
Economic development	–	–	3,330	–
Recreation and culture	217	211	7	298
Roads and bridges	–	3	4	–
Transport for NSW contributions (regional roads, block grant)	1,816	903	364	1,522
Sewerage (excl. section 64 contributions)	52	77	–	–
Other contributions	169	172	–	–
Total special purpose grants and non-developer contributions – cash	4,237	3,227	54,400	36,474
Non-cash contributions				
Dedications (other than by s7.11)	–	–	5,632	10,563
Artworks donated	–	–	154	–
Total other contributions – non-cash	–	–	5,786	10,563
Total special purpose grants and non-developer contributions (tied)	4,237	3,227	60,186	47,037
Total grants and non-developer contributions	18,326	13,635	60,186	47,037
Comprising:				
– Commonwealth funding	14,139	10,627	6,169	6,901
– State funding	3,482	1,974	44,625	29,256
– Other funding	705	1,034	9,392	10,880
	18,326	13,635	60,186	47,037

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:	G4				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	5,490	4,062
S 7.12 – fixed development consent levies		–	–	1,262	469
S 64 – sewerage service contributions		–	–	2,225	1,531
S 64 – stormwater contributions		–	–	1,212	612
Total developer contributions – cash		–	–	10,189	6,674
Total developer contributions		–	–	10,189	6,674
Total grants and contributions		18,326	13,635	70,375	53,711
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		228	670	51,988	29,676
Grants and contributions recognised at a point in time		18,098	12,965	18,387	24,035
Total grants and contributions		18,326	13,635	70,375	53,711

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	607	280	8,641	3,641
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Add: Funds received and not recognised as revenue in the current year	856	513	2,890	7,908
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(357)	(186)	(7,643)	(2,908)
Unspent funds at 30 June	1,106	607	3,888	8,641
Contributions				
Unspent funds at 1 July	34,019	33,360	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,724	4,040	–	–
Add: contributions received and not recognised as revenue in the current year	5	7	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1,686)	(3,388)	–	–
Unspent contributions at 30 June	39,062	34,019	–	–

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement. 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.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods/services at a single time (e.g. completion of the project when a report/outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

B2-4 Grants and contributions (continued)

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.

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

Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at 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.

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	199	120
– Cash and investments	2,101	2,161
– Deferred debtors	–	1
Total interest and investment income (losses)	2,300	2,282
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	193	117
General Council cash and investments	1,824	1,425
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	9	88
– Section 64	2	23
Sewerage fund operations	145	350
Domestic waste management operations	32	84
Restricted investments/funds – internal:		
Internally restricted assets	95	195
Total interest and investment income	2,300	2,282

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		470	140
Total fair value increment on investment properties	C1-9	470	140
Fair value increment on investments			
Fair value increment on investments through profit and loss		–	648
Total Fair value increment on investments	C1-2	–	648
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		422	382
Total Investment properties		422	382
Land and Property			
Lease income (excluding variable lease payments not dependent on an index or rate)		866	880
Other lease income			
Leaseback fees - council vehicles		80	90
Total other lease income		946	970
Total rental income	C2-2	1,368	1,352
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	82
Total net share of interests in joint ventures and associates using the equity method	D2-1	–	82
Total other income		1,838	2,222

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	33,931	34,569
Employee leave entitlements (ELE)	4,884	5,572
Superannuation	3,905	3,965
Workers' compensation insurance	1,028	991
Fringe benefit tax (FBT)	62	64
Payroll tax	143	144
Total employee costs	43,953	45,305
Less: capitalised costs	(1,323)	(1,367)
Total employee costs expensed	42,630	43,938
Number of 'full-time equivalent' employees (FTE) at year end	502	484

Accounting policy

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

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.

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 E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		23,850	20,884
Contractor and consultancy costs		9,721	10,959
Audit Fees	F2-1	121	112
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	246	243
Election expenses		420	6
Electricity and heating		1,891	1,760
Insurance		1,341	1,029
Postage		136	128
Street lighting		722	777
Subscriptions and publications		58	52
Telephone and communications		353	392
Cost of sales		523	456
Valuer General Fees		224	219
Water		635	670
Legal expenses:			
– Legal expenses: planning and development		6	11
– Legal expenses: debt recovery		28	–
– Legal expenses: other		124	248
Total materials and services		40,399	37,946
Total materials and services		40,399	37,946

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on leases		63	76
Interest on loans		2,918	2,963
Total interest bearing liability costs		2,981	3,039
Total interest bearing liability costs expensed		2,981	3,039
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Employee leave liabilities	C3-4	(2)	22
– Remediation liabilities	C3-5	(1)	6
Interest applicable on interest free (and favourable) loans to Council		77	76
Total other borrowing costs		74	104
Total borrowing costs expensed		3,055	3,143

Accounting policy

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.

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		2,161	2,079
Office equipment		409	426
Furniture and fittings		20	30
Infrastructure:	C1-8		
– Buildings		2,683	2,666
– Other structures		1,276	1,017
– Roads		13,660	13,780
– Bridges		894	876
– Footpaths		1,459	1,006
– Stormwater drainage		3,257	3,194
– Sewerage network		5,706	5,361
– Swimming pools		80	80
– Other open space/recreational assets		1,955	1,247
– Airport infrastructure		6,709	5,718
– Rail infrastructure		94	–
Right of use assets	C2-1	353	430
Other assets:	C1-8		
– Other		1,705	1,654
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-8	26	22
– Quarry assets	C3-5,C1-8	54	46
Total gross depreciation and amortisation costs		42,501	39,632
Less: capitalised costs		(219)	(295)
Total depreciation and amortisation costs		42,282	39,337
Total depreciation, amortisation and impairment for non-financial assets		42,282	39,337

Accounting policy

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.

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 not tested for impairment since 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.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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.

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		36	69
Total impairment of receivables	C1-4	36	69
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		46	—
Total net share of interests in joint ventures and associates using the equity method	D2-1	46	—
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		992	—
Total Fair value decrement on investments	C1-2	992	—
Other			
Bushfire fighting fund		502	461
Canberra Region Joint Organisation Contribution		73	72
Emergency Services Levy (includes FRNSW, SES, and RFS levies)		96	109
NSW Fire Brigade Levy		522	482
Riverina Regional Library Member Contribution		1,372	1,330
Donations, contributions and assistance to other organisations (Section 356)		336	355
PCYC Contribution		—	5
Total other		2,901	2,814
Total other expenses		3,975	2,883

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		350	1,060
Less: carrying amount of property assets sold/written off		(270)	(244)
Gain (or loss) on disposal		80	816
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		929	1,213
Less: carrying amount of plant and equipment assets sold/written off		(816)	(935)
Gain (or loss) on disposal		113	278
Gain (or loss) on disposal of infrastructure			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(6,453)	(5,467)
Gain (or loss) on disposal		(6,453)	(5,467)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		14,336	10,704
Less: carrying amount of investments sold/redeemed/matured		(14,336)	(10,704)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		25,000	21,000
Less: carrying amount of term deposits sold/redeemed/matured		(25,000)	(21,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(6,260)	(4,373)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	73,169	72,542	(627)	(1)% U
User charges and fees	25,133	27,410	2,277	9% F
Other revenues	2,161	3,460	1,299	60% F
Council received additional unbudgeted income during the year from Centrelink Paid Parental Leave, Jury Duty, Long Service Leave income & Insurance Claims. The most significant unbudgeted amounts were received for the removal of PFAS at the Airport during the Runway Works, income from the Operations Resource Recovery Centre, the sale of recyclables at Gregadoo Waste Management Centre and Container Deposit Scheme income.				
Operating grants and contributions	12,902	18,326	5,424	42% F
Council received additional unbudgeted operating grants & contributions income due to the advanced payment of the 2022/23 Financial Assistance Grants (FAGs).				
Capital grants and contributions	82,436	70,375	(12,061)	(15)% U
The construction and the delivery of the 2021/22 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 2B Terminal Works, RIFL Stage 2C Industrial Subdivision, RIFL Stage 3D Relocation of Power, RIFL Road Surfacing & Guttering, Dunns Road Roads and Traffic Facilities, Active Travel Plan, Botanic Gardens Museum Site Redevelopment, Riverside Stage 2 and Old Narrandera Road Sealing.				
Interest and investment revenue	2,015	2,300	285	14% F
The City of Wagga Wagga's interest on investments outperformed budget for the 2021/22 financial year. This is due to the size of the investment portfolio maintaining a larger balance than expected. The larger balance is mainly a result of a number of large capital projects originally budgeted that are not as advanced as originally predicted.				
Other income	1,368	1,838	470	34% F
Other Income exceeded the budget due to Council's Investment Properties at 36-40 Gurwood Street and 99 Peter Street increasing significantly in value during the financial year.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Expenses

Employee benefits and on-costs 49,289 42,630 6,659 14% **F**

Council experienced a reduction in employee benefits and on-cost expenditure due to the number of positions that were vacant in the organisation during the year. This along with a reduction in Workers Compensation claims meant savings in Workers Compensation Premiums for the organisation.

Materials and services 36,252 40,399 (4,147) (11)% **U**

Council experienced additional unbudgeted expenses for materials & services due to increased fleet management costs, insurance claims at various locations and the expenditure of grants and contributions that were secured during the year.

Borrowing costs 3,212 3,055 157 5% **F**

Depreciation, amortisation and impairment of non-financial assets 39,287 42,282 (2,995) (8)% **U**

Other expenses 3,183 3,975 (792) (25)% **U**

Council experienced additional unbudgeted other expenses due to a fair value decrement on investments through the profit and loss statement.

Net losses from disposal of assets – 6,260 (6,260) ∞ **U**

Statement of cash flows

Cash flows from operating activities 107,188 96,576 (10,612) (10)% **U**

Cash flows from investing activities (113,397) (102,308) 11,089 (10)% **F**

Cash flows from financing activities 8,563 126 (8,437) (99)% **U**

This variation is a result of Council not requiring to undertake the originally budgeted level of external borrowings for 2021/22. This is due to a delay in the commencement and completion of a number of projects that utilise loan borrowings as a funding source.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	12,984	19,633
Cash equivalent assets		
– Deposits at call	10,095	9,052
Total cash and cash equivalents	23,079	28,685

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	23,079	28,685
Balance as per the Statement of Cash Flows	23,079	28,685

Accounting policy

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.

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	–	1,682	–	1,824
Floating rate notes	2,809	36,124	2,254	38,824
Fixed rate bonds	–	2,354	–	–
Total	2,809	40,160	2,254	40,648
Debt securities at amortised cost				
Long term deposits	19,000	76,000	35,000	49,000
Government and semi-government bonds	–	16,000	–	7,000
Total	19,000	92,000	35,000	56,000
Total financial investments	21,809	132,160	37,254	96,648
Total cash assets, cash equivalents and investments	44,888	132,160	65,939	96,648

Accounting policy

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.

C1-2 Financial investments (continued)

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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 of floating rate notes and managed funds in the Statement of Financial Position.

C1-3 Restricted and allocated cash, cash equivalents and investments

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	177,048	162,587
Less: Externally restricted cash, cash equivalents and investments	(111,457)	(105,051)
Cash, cash equivalents and investments not subject to external restrictions	65,591	57,536
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	3,682	8,685
Employee leave – sewer and waste	514	622
External restrictions – included in liabilities	4,196	9,307
External restrictions – other		
Developer contributions – general	38,434	33,397
Sewer fund	32,015	29,448
Sewerage services – unexpended contributions	106	98
Domestic waste management	24,685	21,253
Stormwater management	5,150	4,589
Other unexpended contributions	514	520
Special rate variation – Levee bank	6,357	6,439
External restrictions – other	107,261	95,744
Total external restrictions	111,457	105,051

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	65,591	57,536
Less: Internally restricted cash, cash equivalents and investments	(54,097)	(47,718)
Unrestricted and unallocated cash, cash equivalents and investments	11,494	9,818
Internal allocations		
Airport	—	—
Bridge	297	297
Building	1,089	1,047
CBD carparking	—	498
CCTV	101	101
Cemetery	883	828
Civic Theatre	44	40
Civil infrastructure	9,317	9,787
Community works	160	172
Council election	235	543
Economic development	419	437
Emergency events	640	231
Employees leave entitlement	3,454	3,798
Environmental conservation	117	117
Event attraction	492	302
Financial Assistance Grants in advance	8,537	5,382
Grant Co-Funding	500	—
Gravel pit	817	821
Information services	1,835	1,052
Insurance savings	50	50
Internal loans	3,650	3,022
Lake Albert	106	85
Livestock marketing centre	6,032	4,447
Net zero emissions	394	376
Oasis	1,085	1,266
Other operational	93	81
Parks and recreation	1,357	943
Planning legals	100	60
Plant	4,336	4,302
Project carryovers	3,098	3,816
Public art	211	177
Stormwater drainage	158	158
Strategic real property	766	800
Subdivision tree planting	369	487
Unexpended external loans	3,144	2,004
Workers compensation	211	191
Total internal allocations	54,097	47,718

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	4,310	–	3,610	–
Interest and extra charges	297	–	264	–
User charges and fees	4,038	–	3,289	–
Accrued revenues				
– Interest on investments	744	–	728	–
– Other income accruals	73	–	226	–
Deferred debtors	7	5	6	12
Government grants and subsidies	3,613	–	7,472	–
Net GST receivable	1,873	–	2,017	–
Other debtors	812	–	717	–
Total	15,767	5	18,329	12
Less: provision for impairment				
User charges and fees	(193)	–	(180)	–
Total provision for impairment – receivables	(193)	–	(180)	–
Total net receivables	15,574	5	18,149	12
Externally restricted receivables				
Sewerage services				
– Rates and availability charges	1,161	–	950	–
– Other	1,317	–	1,166	–
Domestic waste management	1,489	–	1,174	–
Stormwater management	48	–	42	–
Other				
– Unexpended grants	1,306	–	563	–
– Unexpended contributions	4	–	2	–
Total external restrictions	5,325	–	3,897	–
Internally restricted receivables				
– Livestock marketing centre	440	–	409	–
– Airport	806	–	831	–
Internally restricted receivables	1,246	–	1,240	–
Unrestricted receivables	9,003	5	13,012	12
Total net receivables	15,574	5	18,149	12

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year	180	116
+ new provisions recognised during the year	17	72
– amounts already provided for and written off this year	(3)	(4)
– previous impairment losses reversed	(1)	(4)
Balance at the end of the year	193	180

C1-4 Receivables (continued)

Accounting policy

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.

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	1,794	–	2,063	–
Trading stock	86	–	88	–
Total inventories at cost	1,880	–	2,151	–
Total inventories	1,880	–	2,151	–

Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Sewerage				
Stores and materials	79	–	188	–
Total sewerage	79	–	188	–
Total externally restricted assets	79	–	188	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,801	–	1,963	–
Total inventories	1,880	–	2,151	–

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on 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.

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	8,224	–	5,229	–
Total contract assets and contract cost assets	8,224	–	5,229	–

Contract assets

Capital grants and contributions to be received	8,224	–	5,229	–
Total contract assets	8,224	–	5,229	–

C1-6 Contract assets and Contract cost assets (continued)

(i) Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Internally restricted assets				
Airport	–	–	1,117	–
Total internally restricted assets	–	–	1,117	–
Total restricted assets	–	–	1,117	–
Total unrestricted assets	8,224	–	4,112	–
Total contract assets and contract cost asset	8,224	–	5,229	–

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

C1-7 Non-current assets classified as held for sale

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Non-current assets held for sale				
Land and Building	–	–	260	–
Total non-current assets held for sale	–	–	260	–
Total non-current assets classified as held for sale	–	–	260	–

Accounting policy

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 and are measured at the lower of their carrying amount and fair value less costs to sell.

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.

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	44,395	–	44,395	4,843	22,291	(911)	–	(29,378)	–	–	41,241	–	41,241
Plant and equipment	31,687	(11,497)	20,190	2,121	501	(816)	(2,161)	291	–	–	33,082	(12,954)	20,128
Office equipment	3,577	(2,617)	960	211	90	–	(409)	–	–	–	3,878	(3,026)	852
Furniture and fittings	2,304	(2,199)	105	–	22	–	(20)	–	–	–	2,325	(2,218)	107
Land:													
– Operational land	71,447	–	71,447	–	–	–	–	–	–	71,976	143,423	–	143,423
– Community land	83,082	–	83,082	–	716	–	–	420	–	78,850	163,068	–	163,068
– Land under roads	8,569	–	8,569	–	13	–	–	–	–	2,663	11,245	–	11,245
Infrastructure:													
– Buildings	167,738	(42,160)	125,578	1,856	774	(675)	(2,683)	4,113	–	7,032	187,109	(51,114)	135,995
– Other structures	45,577	(10,270)	35,307	5	3,403	(3)	(1,276)	211	–	1,988	51,787	(12,153)	39,634
– Roads	738,519	(282,984)	455,535	16,122	2,908	(3,633)	(13,660)	3,162	–	4,514	753,604	(288,657)	464,947
– Bridges	85,913	(30,054)	55,859	–	420	–	(894)	52	–	4,263	93,028	(33,329)	59,699
– Footpaths	58,143	(22,564)	35,579	2,561	2,285	(483)	(1,459)	1,721	–	–	63,686	(23,482)	40,204
– Stormwater drainage	302,937	(89,625)	213,312	–	1,380	–	(3,257)	3,029	–	12,289	324,957	(98,205)	226,752
– Sewerage network	382,101	(104,360)	277,741	1,292	1,349	(380)	(5,706)	7,708	–	47,033	440,559	(111,523)	329,036
– Swimming pools	4,000	(1,281)	2,719	–	–	–	(80)	–	–	880	5,500	(1,980)	3,520
– Other open space/recreational assets	35,585	(12,061)	23,524	3,146	4,482	(284)	(1,955)	3,586	–	1,716	48,775	(14,559)	34,216
– Airport infrastructure (leasehold improvements)	91,611	(72,683)	18,928	253	–	–	(6,709)	–	–	–	91,864	(79,392)	12,472
– Rail infrastructure	–	–	–	–	11,964	–	(94)	2,264	–	–	14,227	(94)	14,133
Other assets:													
– Artworks	5,914	–	5,914	–	162	–	–	–	–	–	6,076	–	6,076
– Other	29,554	(8,627)	20,927	139	1,679	(84)	(1,705)	2,821	–	–	34,034	(10,258)	23,776
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	1,812	(503)	1,309	–	–	–	(26)	–	14	–	1,826	(529)	1,297
– Quarry assets	1,406	(440)	966	–	–	–	(54)	–	(102)	–	1,304	(493)	811
Total infrastructure, property, plant and equipment	2,195,871	(693,925)	1,501,946	32,549	54,439	(7,269)	(42,148)	–	(88)	233,204	2,516,598	(743,966)	1,772,632

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

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Transfers to right of use assets	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	31,277	–	31,277	7,956	24,495	(1,086)	–	(18,247)	–	–	–	44,395	–	44,395
Plant and equipment	29,724	(10,915)	18,809	2,707	1,666	(934)	(2,079)	21	–	–	–	31,687	(11,497)	20,190
Office equipment	3,317	(2,191)	1,126	243	17	–	(426)	–	–	–	–	3,577	(2,617)	960
Furniture and fittings	2,296	(2,168)	128	–	8	–	(30)	–	–	–	–	2,304	(2,199)	105
Land:														
– Operational land	71,387	–	71,387	–	60	–	–	–	–	–	–	71,447	–	71,447
– Community land	82,906	–	82,906	–	362	(244)	–	59	–	–	–	83,082	–	83,082
– Land under roads (post 30/6/08)	8,548	–	8,548	–	22	–	–	–	–	–	–	8,569	–	8,569
Infrastructure:														
– Buildings	167,012	(39,835)	127,177	891	126	(157)	(2,666)	205	–	–	–	167,738	(42,160)	125,578
– Other structures	38,870	(12,879)	25,991	360	3,162	(173)	(1,017)	225	–	–	6,758	45,577	(10,270)	35,307
– Roads	727,981	(273,906)	454,075	6,850	4,161	(2,740)	(13,780)	7,010	(42)	–	–	738,519	(282,984)	455,535
– Bridges	74,513	(29,449)	45,064	2,492	–	(30)	(876)	9,167	42	–	–	85,913	(30,054)	55,859
– Footpaths	54,622	(21,819)	32,803	1,473	2,489	(422)	(1,006)	243	–	–	–	58,143	(22,564)	35,579
– Stormwater drainage	298,655	(86,435)	212,220	206	3,462	(76)	(3,194)	693	–	–	–	302,937	(89,625)	213,312
– Sewerage network	374,377	(98,179)	276,198	1,855	2,785	(330)	(5,361)	62	–	–	2,532	382,101	(104,360)	277,741
– Swimming pools	4,000	(1,201)	2,799	–	–	–	(80)	–	–	–	–	4,000	(1,281)	2,719
– Other open space/recreational assets	28,068	(13,043)	15,025	786	653	(165)	(1,247)	119	–	–	8,353	35,585	(12,061)	23,524
– Airport infrastructure (leasehold improvements)	91,008	(71,580)	19,428	5,157	–	(273)	(5,718)	334	–	–	–	91,611	(72,683)	18,928
Other assets:														
– Artworks	5,363	–	5,363	–	32	–	–	1	–	–	518	5,914	–	5,914
– Other	27,273	(10,071)	17,202	44	667	(16)	(1,654)	108	–	–	4,576	29,554	(8,627)	20,927
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	1,593	(481)	1,112	–	–	–	(22)	–	220	–	–	1,812	(503)	1,309
– Quarry assets	1,229	(393)	836	–	–	–	(46)	–	176	–	–	1,406	(440)	966
Total infrastructure, property, plant and equipment	2,124,019	(674,545)	1,449,474	31,020	44,167	(6,646)	(39,202)	–	396	–	22,737	2,195,871	(693,925)	1,501,946

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

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:

	Useful lives (years)
Equipment, furniture and fittings	1 to 100
Infrastructure:	
– Buildings and other structures	1 to 195
– Roads, bridges and footpaths	8 to 110
– Stormwater drainage	25 to 100
– Sewerage network	5 to 210
– Open space/recreational assets	1 to 50
– Airport infrastructure	3 to 40
– Rail infrastructure	20 to 100
Other assets	1 to 50
Tip and quarry assets	17 to 50

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 3-5 years, however the carrying amount of assets is assessed by Council 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 Department of Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

C1-8 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".

Council has assessed that they do not control the firefighting equipment associated with the Rural Fire Service and as such has not recognised these assets within these financial statements. Council will continue to not recognise these assets until such time as discussions between local Council's and the NSW Government on this matter have concluded and the legislation changed.

Council has recognised, and will continue to recognise, rural fire service buildings that are built on Council owned or managed land.

C1-9 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	4,510	4,040
Total owned investment property	4,510	4,040

Owned investment property

At fair value

Opening balance at 1 July	4,040	3,900
Net gain/(loss) from fair value adjustments	470	140
Closing balance at 30 June	4,510	4,040

Accounting policy

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

C1-10 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	584	–	570	–
Total other assets	584	–	570	–

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	30	–	4	–
Total unrestricted assets	554	–	566	–
Total other assets	584	–	570	–

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land 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

Council leases land at Forest Hill for the operation of the Wagga Airport. This lease is for a 30 year period and does not include 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 has options for lease extensions in its waste collection contract to provide certainty to Council operations. The extension options in Council's waste collection contract 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 the potential future lease extension options within its lease liability for the waste collection contract.

(a) Right of use assets

\$ '000	Land	Plant and Equipment	Buildings	Total
2022				
Opening balance at 1 July	86	2,240	–	2,326
Depreciation charge	(21)	(331)	–	(352)
Balance at 30 June	65	1,909	–	1,974
2021				
Opening balance at 1 July	108	2,571	1,045	3,724
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	(968)	(968)
Depreciation charge	(22)	(331)	(77)	(430)
Balance at 30 June	86	2,240	–	2,326

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	345	1,710	335	2,055
Total lease liabilities	345	1,710	335	2,055

(c) (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
2022					
Cash flows	399	1,547	281	2,227	2,055
2021					
Cash flows	399	1,571	656	2,626	2,390

(ii) Lease liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Domestic Waste Management	323	1,665	314	1,988
Lease liabilities relating to externally restricted assets	323	1,665	314	1,988
Internally restricted assets				
Airport	22	45	21	67
Lease liabilities relating to internally restricted assets	22	45	21	67
Total lease liabilities relating to restricted assets	345	1,710	335	2,055
Total lease liabilities	345	1,710	335	2,055

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	63	76
Variable lease payments based on usage not included in the measurement of lease liabilities	97	72
Income from sub-leasing right of use assets	(235)	(290)
Depreciation of right of use assets	353	430
Expenses relating to short-term leases	51	58
Expenses relating to Peppercorn leases	3	3
Lease modifications (ordinary leases)	–	(90)

continued on next page ...

C2-1 Council as a lessee (continued)

	332	259
\$ '000	2022	2021
(e) Statement of Cash Flows		
Income from sub-leasing right-of-use assets	(235)	(290)
Interest payments on lease liabilities	63	79
Variable lease payments	97	72
Expenses relating to Peppercorn leases	3	3
Expenses relating to Short term leases	51	58
Lease Liability Payments	335	435
	314	357

(f) 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

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 received. The right-of-use asset 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.

C2-2 Council as a lessor

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	2022	2021
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(i) Assets held as investment property

Investment property operating leases relate to Council owned buildings at 36-40 Gurwood St and 99 Peter St, that are currently leased out by Council.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	422	382
Total income relating to operating leases for investment property assets	422	382

Operating lease expenses

Investment Property

Direct operating expenses that generated rental income	78	59
Total expenses relating to operating leases	78	59

(ii) Assets held as property, plant and equipment

Council provides operating leases on some Council owned buildings, as well as entering into leaseback arrangements with some staff for use of Council owned vehicles. The table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	946	970
Total income relating to operating leases for Council assets	946	970

Operating lease expenses

Land and Property

Direct operating expenses that generated rental income	104	269
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Other leased assets expenses

Leaseback vehicle expenses	95	99
Total expenses relating to other leases assets	199	368

(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	527	414
1–2 years	352	361
2–3 years	183	223
3–4 years	72	82
4–5 years	34	16
> 5 years	18	71
Total undiscounted lease payments to be received	1,186	1,167

C2-2 Council as a lessor (continued)

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.

If the lease contains lease and non-lease components, 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 for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	5,411	–	6,054	–
Goods and services – capital expenditure	5,820	–	7,450	–
Accrued expenses:				
– Interest on loans	242	–	227	–
– Interest on leases	2	–	2	–
– Salaries and wages	994	–	745	–
– Other expenditure accruals	96	–	62	–
Security bonds, deposits and retentions	4,351	–	3,863	–
Prepaid rates	2,571	–	2,123	–
Other	132	–	66	–
Total payables	19,619	–	20,592	–

Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Sewer	998	–	1,010	–
Domestic waste management	429	–	417	–
Payables relating to externally restricted assets	1,427	–	1,427	–
Internally restricted assets				
Livestock marketing centre	125	–	224	–
Airport	460	–	450	–
Payables relating to internally restricted assets	585	–	674	–
Total payables relating to restricted assets	2,012	–	2,101	–
Total payables relating to unrestricted assets	17,607	–	18,491	–
Total payables	19,619	–	20,592	–

Accounting policy

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.

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,888	—	8,642	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,105	—	606	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	412	—	416	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	14	—	13	—
Total grants received in advance		5,419	—	9,677	—
User fees and charges received in advance:					
Upfront fees – leisure centre	(iii)	115	—	121	—
Property leases and licences		123	—	128	—
Wagga Civic Theatre ticketing	(iv)	420	—	475	—
Planning applications		359	—	—	—
Other		353	—	10	—
Total user fees and charges received in advance		1,370	—	734	—
Total contract liabilities		6,789	—	10,411	—

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.

(iv) Upfront ticket payments for theatre shows 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 once the performance has occurred.

C3-2 Contract Liabilities (continued)

Contract liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,682	—	8,685	—
Domestic waste management	2	—	2	—
Contract liabilities relating to externally restricted assets	3,684	—	8,687	—
Internally restricted assets				
Airport	443	—	443	—
Contract liabilities relating to internally restricted assets	443	—	443	—
Total contract liabilities relating to restricted assets	4,127	—	9,130	—
Total contract liabilities relating to unrestricted assets	2,662	—	1,281	—
Total contract liabilities	6,789	—	10,411	—

Accounting policy

Contract liabilities are recorded when 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.

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	7,374	59,600	7,852	58,583
Total borrowings	7,374	59,600	7,852	58,583

(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 E1-1.

Borrowings relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Sewer	1,189	28,916	1,112	30,042
Borrowings relating to externally restricted assets	1,189	28,916	1,112	30,042
Internally restricted assets				
Airport	1,241	4,790	1,204	6,031
Borrowings relating to internally restricted assets	1,241	4,790	1,204	6,031
Total borrowings relating to restricted assets	2,430	33,706	2,316	36,073
Total borrowings relating to unrestricted assets	4,944	25,894	5,536	22,510
Total borrowings	7,374	59,600	7,852	58,583

(a) Changes in liabilities arising from financing activities

\$ '000	2021	Non-cash movements				2022
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	66,435	(7,775)	8,314	–	–	66,974
Lease liability (Note C2-1b)	2,390	(335)	–	–	–	2,055
Total liabilities from financing activities	68,825	(8,110)	8,314	–	–	69,029

\$ '000	2020	Non-cash movements					2021
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	64,055	(4,321)	6,701	–	–	–	66,435
Lease liability (Note C2-1b)	3,884	(436)	–	–	–	(1,058)	2,390
Total liabilities from financing activities	67,939	(4,757)	6,701	–	–	(1,058)	68,825

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	500	500
Bank guarantees	75	75
Total financing arrangements	1,075	1,075
Drawn facilities		
– Credit cards/purchase cards	–	72
– Bank guarantees	73	53
Total drawn financing arrangements	73	125
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	500	428
– Bank guarantees	2	22
Total undrawn financing arrangements	1,002	950

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

Accounting policy

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.

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.

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 borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	4,290	–	4,713	–
Long service leave	7,602	322	8,346	416
Other leave – TOIL	163	–	167	–
Other leave – RDO	12	–	7	–
Total employee benefit provisions	12,067	322	13,233	416

Employee benefit provisions relating to restricted assets

Externally restricted assets

Sewer	579	13	712	11
Domestic waste management	259	25	247	17
Employee benefit provisions relating to externally restricted assets	838	38	959	28

Internally restricted assets

Livestock Marketing Centre	397	8	388	8
Airport	128	6	60	11
Employee benefit provisions relating to internally restricted assets	525	14	448	19

Total employee benefit provisions relating to restricted assets

1,363	52	1,407	47
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Total employee benefit provisions relating to unrestricted assets

10,704	270	11,826	369
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Total employee benefit provisions	12,067	322	13,233	416
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Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	8,033	8,773
	8,033	8,773

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

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

C3-4 Employee benefit provisions (continued)

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.

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	815	2,153	750	2,306
Sub-total – asset remediation/restoration	815	2,153	750	2,306
Total provisions	815	2,153	750	2,306

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	557	865	510	899
Provisions relating to externally restricted assets	557	865	510	899
Total provisions relating to restricted assets	557	865	510	899
Total provisions relating to unrestricted assets	258	1,288	240	1,407
Total provisions	815	2,153	750	2,306

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2022		
At beginning of year	3,056	3,056
Remeasurement effects	(88)	(88)
Total other provisions at end of year	2,968	2,968
2021		
At beginning of year	2,654	2,654
Additional provisions	396	396
Unwinding of discount	6	6
Total other provisions at end of year	3,056	3,056

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the Council tip, quarries and treatment works as a result of past operations.

Accounting policy

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 a borrowing cost.

C3-5 Provisions (continued)

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

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 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.

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the sewer column are restricted for use for this activity.

D1-1 Income Statement by fund

\$ '000	General ¹ 2022	Sewer 2022
Income from continuing operations		
Rates and annual charges	56,612	15,930
User charges and fees	22,862	4,548
Interest and investment revenue	2,152	148
Other revenues	3,338	122
Grants and contributions provided for operating purposes	18,274	52
Grants and contributions provided for capital purposes	66,937	3,438
Other income	1,838	—
Total income from continuing operations	172,013	24,238
Expenses from continuing operations		
Employee benefits and on-costs	40,647	1,983
Materials and services	29,512	10,887
Borrowing costs	928	2,127
Depreciation, amortisation and impairment of non-financial assets	36,571	5,711
Other expenses	3,969	6
Net losses from the disposal of assets	5,880	380
Total expenses from continuing operations	117,507	21,094
Operating result from continuing operations	54,506	3,144
Net operating result for the year	54,506	3,144
Net operating result attributable to each council fund	54,506	3,144
Net operating result for the year before grants and contributions provided for capital purposes	(12,431)	(294)

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

D1-2 Statement of Financial Position by fund

\$ '000	General ¹ 2022	Sewer 2022
ASSETS		
Current assets		
Cash and cash equivalents	14,962	8,117
Investments	21,809	—
Receivables	13,096	2,478
Inventories	1,801	79
Contract assets and contract cost assets	8,224	—
Other	584	—
Total current assets	60,476	10,674
Non-current assets		
Investments	108,262	23,898
Receivables	5	—
Infrastructure, property, plant and equipment	1,435,224	337,408
Investments accounted for using the equity method	2,296	—
Investment property	4,510	—
Right of use assets	1,974	—
Total non-current assets	1,552,271	361,306
Total assets	1,612,747	371,980
LIABILITIES		
Current liabilities		
Payables	18,621	998
Contract liabilities	6,789	—
Lease liabilities	345	—
Borrowings	6,185	1,189
Employee benefit provision	11,488	579
Provisions	815	—
Total current liabilities	44,243	2,766
Non-current liabilities		
Lease liabilities	1,710	—
Borrowings	30,684	28,916
Employee benefit provision	309	13
Provisions	2,153	—
Total non-current liabilities	34,856	28,929
Total liabilities	79,099	31,695
Net assets	1,533,648	340,285
EQUITY		
Accumulated surplus	971,919	75,732
Revaluation reserves	561,729	264,553
Council equity interest	1,533,648	340,285
Total equity	1,533,648	340,285

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

D1-3 Details of internal loans

(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	\$2,500,000
Rate of interest (%)	1.29%
Total repaid during year (principal and interest)	\$81,253
Principal outstanding at end of year	\$8,798,704

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2022	2021
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	2,296	2,242
Total net share of interests in joint ventures and associates using the equity method – assets	2,296	2,242
Total Council's share of net assets	2,296	2,242

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2022	2021	2022	2021
Riverina Regional Library Service	Wagga Wagga	Joint Venture	46.4%	46.2%	2,296	2,242
Total carrying amounts – material joint ventures					2,296	2,242

Material joint ventures

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

Details

Principal activity		Measurement method
Riverina Regional Library Service	Public Library	Equity Method

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2022	2021	2022	2021
Riverina Regional Library Service	46.4%	46.2%	46.4%	46.2%

Summarised financial information for joint ventures

\$ '000	Riverina Regional Library Service	
	2022	2021
Statement of financial position		
Current assets		
Cash and cash equivalents	3,450	3,249
Other current assets	26	26
Non-current assets	2,555	2,480

D2-1 Interests in joint arrangements (continued)

Current liabilities		
Other current liabilities	1,071	899
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	7	4
Net assets	4,953	4,852
Statement of comprehensive income		
Income	3,261	3,142
Interest income	12	26
Depreciation and amortisation	(954)	(925)
Other expenses	(2,419)	(2,066)
Profit/(loss) from continuing operations	(100)	177
Profit/(loss) for the period	(100)	177
Total comprehensive income	(100)	177
Share of income – Council (%)	46.4%	46.2%
Profit/(loss) – Council (\$)	(46)	82
Total comprehensive income – Council (\$)	(46)	82
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,852	4,675
Profit/(loss) for the period	(100)	177
Closing net assets	4,752	4,852
Council's share of net assets (%)	46.4%	46.2%
Council's share of net assets (\$)	2,296	2,242

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

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 where the investment is initially recognised at 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 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.

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.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	23,079	28,685	23,079	28,685
Receivables ¹	13,706	16,144	13,706	16,144
Investments				
– Debt securities at amortised cost	111,000	91,000	111,000	91,000
Fair value through profit and loss				
Investments				
– Held for trading	42,969	42,902	42,969	42,902
Total financial assets	190,754	178,731	190,754	178,731
Financial liabilities				
Payables	19,619	20,592	19,619	20,592
Loans/advances	66,974	66,435	66,974	66,435
Lease liabilities	2,055	2,390	2,055	2,390
Total financial liabilities	88,648	89,417	88,648	89,417

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 measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **at fair value through profit and loss** or (ii) **at fair value through other comprehensive income** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks 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 cash and investments.

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

E1-1 Risks relating to financial instruments held (continued)

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
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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.

Impact of a 1% movement in interest rates

– Equity / Income Statement	571	1,321
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Impact of a 1% movement in price of investments

– Equity / Income Statement	430	429
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(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

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

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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 recover these debts as a secured charge over the land; 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 payment.

\$ '000	overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	4,288	22	4,310
2021				
Gross carrying amount	–	3,588	22	3,610

E1-1 Risks relating to financial instruments held (continued)

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	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	16,031	531	271	59	921	17,813
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	20.96%	1.08%
ECL provision	—	—	—	—	193	193
2021						
Gross carrying amount	16,466	256	26	682	513	17,943
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	35.08%	1.00%
ECL provision	—	—	—	—	180	180

(c) Liquidity risk

Payables, lease liabilities and borrowings are subject to liquidity risk; this is, 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. 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.

	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
\$ '000				1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	4,351	15,268	–	–	19,619	19,619
Borrowings	4.73%	–	10,500	36,714	44,592	91,806	66,974
Lease liabilities	0.00%	–	399	1,547	281	2,227	2,055
Total financial liabilities		4,351	26,167	38,261	44,873	113,652	88,648
2021							
Payables	0.00%	3,863	16,729	–	–	20,592	20,592
Borrowings	4.48%	–	10,830	34,825	46,676	92,331	66,435
Lease liabilities	0.00%	–	399	1,571	656	2,626	2,390
Total financial liabilities		3,863	27,958	36,396	47,332	115,549	89,417

E2-1 Fair value measurement

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

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

Fair value hierarchy

All assets and liabilities measured at fair value are 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: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss – designated at fair value on initial recognition		42,969	42,902	–	–	42,969	42,902
Amortised Cost		111,000	91,000	–	–	111,000	91,000
Total financial assets		153,969	133,902	–	–	153,969	133,902
Investment property							
Commercial property	C1-9	4,510	4,040	–	–	4,510	4,040
Total investment property		4,510	4,040	–	–	4,510	4,040
Infrastructure, property, plant and equipment							
Plant and equipment	C1-8	20,128	20,190	–	–	20,128	20,190
Office equipment		–	–	852	960	852	960
Furniture and fittings		–	–	107	105	107	105
Operational land		91,616	41,282	51,807	30,165	143,423	71,447
Community land		25,308	8,980	137,760	74,102	163,068	83,082
Land under roads		–	–	11,245	8,569	11,245	8,569
Buildings		140	845	135,855	124,732	135,995	125,577
Other structures		–	–	39,634	35,306	39,634	35,306
Roads		–	–	464,947	455,535	464,947	455,535
Bridges		–	–	59,699	55,859	59,699	55,859
Footpaths		–	–	40,204	35,579	40,204	35,579
Stormwater drainage		–	–	226,752	213,312	226,752	213,312
Sewerage network		–	–	329,036	277,741	329,036	277,741
Swimming pools		–	–	3,520	2,719	3,520	2,719
Other open space/recreational assets		–	–	34,216	23,525	34,216	23,525
Airport infrastructure		–	–	12,472	18,928	12,472	18,928
Rail infrastructure		–	–	14,133	–	14,133	–
Artworks		6,076	5,914	–	–	6,076	5,914
Other assets		–	–	23,776	20,927	23,776	20,927
Tip remediation assets		–	–	1,297	1,309	1,297	1,309
Quarry assets		–	–	811	966	811	966
Total infrastructure, property, plant and equipment		143,268	77,211	1,588,123	1,380,339	1,731,391	1,457,550

E2-1 Fair value measurement (continued)

Valuation techniques

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 2021/22. These properties were valued as at 30/06/2022 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 (IPPE)

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.

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.

E2-1 Fair value measurement (continued)

Footpaths

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

This asset class was revalued as part of the Roads and associated 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 APV Valuers & Asset Management during 2021/22 using both the market value and cost approaches. 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.

Community Land

Council's Community Land was valued externally by APV Valuers & Asset Management during 2021/22 using both the market value and cost approaches. The valuation took into account the available market evidence for identical and comparable assets and included applying a discount factor to land parcels where a restriction over the use of the land may be applicable.

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.

Land under Roads

Land Under Roads was valued internally during 2021/22 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.

Buildings

Council's Buildings were valued externally by APV Valuers & Asset Management during 2021/22 using the cost and market approaches. The valuation took into account the components of each individual building.

Council values 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.

E2-1 Fair value measurement (continued)

Other Structures

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

Other Structures were revalued internally in 2020/21 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 2020/21 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.

Airport Infrastructure

Council's Airport Infrastructure include runways, aprons, taxiways, buildings and other associated assets located at the Wagga Airport. These assets are leasehold improvements on land leased by Council.

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.

E2-1 Fair value measurement (continued)

Swimming Pools

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

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

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

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

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

Other Open Space/Recreational Assets

Council's Other Open Space/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 2020/21 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 2020/21 by Helen Maxwell using Market Value. The asset class is valued using Level 2 inputs such as comparable market prices and values.

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 Pty Ltd, to produce the remediation cost estimates for the Quarry Assets for 2021/22. 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 Pty Ltd, to produce the remediation cost estimates for the Tip Assets for 2021/22. 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.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Community land		Buildings		Other structures		Roads	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	74,102	73,925	124,731	126,317	35,306	25,991	455,533	454,074
Transfers from/(to) another asset class	–	–	–	–	–	–	–	(42)
Purchases (GBV)	1,136	421	6,743	1,222	3,620	3,747	22,193	18,021
Disposals (WDV)	–	(244)	(675)	(157)	(3)	(173)	(3,633)	(2,740)
Depreciation and impairment	–	–	(2,668)	(2,651)	(1,276)	(1,017)	(13,660)	(13,780)
Other movement (revaluation)	62,522	–	7,724	–	1,987	6,758	4,514	–
Closing balance	137,760	74,102	135,855	124,731	39,634	35,306	464,947	455,533

\$ '000	Bridges		Footpaths		Stormwater drainage		Sewerage network	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	55,859	45,064	35,580	32,803	213,311	212,220	277,740	276,197
Transfers from/(to) another asset class	–	42	–	–	–	–	–	–
Purchases (GBV)	471	11,659	6,566	4,205	4,409	4,361	10,349	4,702
Disposals (WDV)	–	(30)	(483)	(422)	–	(76)	(380)	(330)
Depreciation and impairment	(894)	(876)	(1,459)	(1,006)	(3,257)	(3,194)	(5,706)	(5,361)
Other movement (revaluation)	4,263	–	–	–	12,289	–	47,033	2,532
Closing balance	59,699	55,859	40,204	35,580	226,752	213,311	329,036	277,740

\$ '000	Swimming pools		Other open space/rec assets		Airport infrastructure		Other assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	2,720	2,800	23,525	15,026	18,928	19,428	20,927	17,202
Purchases (GBV)	–	–	11,213	1,558	253	5,491	4,638	819
Disposals (WDV)	–	–	(284)	(165)	–	(273)	(84)	(16)
Depreciation and impairment	(80)	(80)	(1,955)	(1,247)	(6,709)	(5,718)	(1,705)	(1,654)
Other movement (revaluation)	880	–	1,717	8,353	–	–	–	4,576
Closing balance	3,520	2,720	34,216	23,525	12,472	18,928	23,776	20,927

E2-1 Fair value measurement (continued)

\$ '000	Tip assets		Quarry assets		Furniture and fittings, office equip		Operational Land	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	1,309	1,112	966	837	1,065	1,253	30,165	30,105
Purchases (GBV)	–	–	–	–	323	268	–	60
Depreciation and impairment	(26)	(22)	(54)	(46)	(429)	(456)	–	–
Other movement (revaluation)	–	–	–	–	–	–	21,642	–
Adjustments and transfers	14	219	(101)	175	–	–	–	–
Closing balance	1,297	1,309	811	966	959	1,065	51,807	30,165

\$ '000	Land under Roads		Rail infrastructure		Total	
	2022	2021	2022	2021	2022	2021
Opening balance	8,570	8,548	–	–	1,380,337	1,342,902
Purchases (GBV)	12	22	14,227	–	86,153	56,556
Disposals (WDV)	–	–	–	–	(5,542)	(4,626)
Depreciation and impairment	–	–	(94)	–	(39,972)	(37,108)
Other movement (revaluation)	2,663	–	–	–	167,234	22,219
Adjustments and transfers	–	–	–	–	(87)	394
Closing balance	11,245	8,570	14,133	–	1,588,123	1,380,337

Highest and best use

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

E3-1 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 future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, 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 per annum for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service 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. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

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 2022 was \$ 403,781.74. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$254,688.96.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.91%.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.5% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022.

(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 guarantees other than those listed above.

E3-1 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.

Council has identified that the former Wiradjuri landfill site contains contaminants and will require some form of remedial works in the near future. At this stage, Council has not yet been able to determine the costs associated with the remediation works required at this site. As a result of this, Council, to date, has not made any provision for future remediation works and a provision will be made once costings are available.

(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.

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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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	2022	2021
Compensation:		
Short-term benefits	1,765	1,732
Post-employment benefits	151	149
Other long-term benefits	20	52
Termination benefits	136	169
Total	2,072	2,102

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			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2022						
Fees and Charges Income	1	47	5	30 day debtor account	–	–
Lease/Rental Income	2	52	–	30 day debtor account	–	–
Reimbursements for Council related expenses		6	–	30 day creditor payment terms	–	–
Payment for goods/services received		19	4	30 day creditor payment terms	–	–
Grants and other assistance provided		–	–	30 day creditor payment terms	–	–
Refund of fees (no longer required)		12	–	30 day creditor payment terms	–	–
Provision of Labour Hire staff	3	–	–	30 day creditor payment terms	–	–
Reimbursement for Ticket Income		–	–	30 day creditor payment terms	–	–

F1-1 Key management personnel (KMP) (continued)

Nature of the transaction			Outstanding balances including		Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year	commitments	Terms and conditions		
2021						
Fees and Charges Income	1	13	11	30 day debtor account	—	—
Lease/Rental Income	2	39	6	30 day debtor account	—	—
Reimbursements for Council related expenses		7	4	30 day creditor payment terms	—	—
Payment for goods/services received		5	—	30 day creditor payment terms	—	—
Grants and other assistance provided		20	10	30 day creditor payment terms	—	—
Refund of fees (no longer required)		2	—	30 day creditor payment terms	—	—
Provision of Labour Hire staff	3	81	5	30 day creditor payment terms	—	—
Reimbursement for Ticket Income		8	—	30 day creditor payment terms	—	—

During 2021/22, there was one development application with an estimated value of works of \$25,000 submitted to Council for approval from KMPs and their related parties. The 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 Council entered into a contract with Group Training Employment Services (GTES) for labour hire services

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	42	44
Councillors' fees	172	181
Conferences and seminars	21	8
Information Technology expenses	2	2
Travelling	7	5
Telephone and Communication	2	3
Total	246	243

F1-3 Other related parties

\$ '000	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
2022						
Contribution to Riverina Regional Library	1	1,372	–	30 day creditor payment terms	–	–
2021						
Contribution to Riverina Regional Library	1	1,330	–	30 day creditor payment terms	–	–
1	Council's contribution to the Riverina Regional Library joint venture as per the RRL Deed of Agreement.					

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
---------	------	------

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

	121	112
Remuneration for audit and other assurance services	121	112

Total Auditor-General remuneration	121	112
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Total audit fees	121	112
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G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	57,650	41,479
Add / (less) non-cash items:		
Depreciation and amortisation	42,282	39,337
(Gain) / loss on disposal of assets	6,260	4,373
Non-cash capital grants and contributions	(5,786)	(10,563)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	992	(648)
– Investment property	(470)	(140)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	77	76
Unwinding of discount rates on reinstatement provisions	–	6
Share of net (profits)/losses of associates/joint ventures using the equity method	46	(82)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	2,563	(4,006)
Increase / (decrease) in provision for impairment of receivables	13	64
(Increase) / decrease of inventories	271	(234)
(Increase) / decrease of other current assets	(14)	(43)
(Increase) / decrease of contract asset	(2,995)	(523)
Increase / (decrease) in payables	(643)	(2,737)
Increase / (decrease) in accrued interest payable	15	(2)
Increase / (decrease) in other accrued expenses payable	283	209
Increase / (decrease) in other liabilities	1,002	618
Increase / (decrease) in contract liabilities	(3,622)	5,620
Increase / (decrease) in employee benefit provision	(1,260)	(84)
Increase / (decrease) in other provisions	(88)	396
Net cash flows from operating activities	96,576	73,116

(b) Non-cash investing and financing activities

Dedications (other than by s7.11)	5,632	10,563
Artworks donated	154	–
Total non-cash investing and financing activities	5,786	10,563

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
---------	------	------

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

Property, plant and equipment

Buildings	2,941	479
Plant and equipment	3,394	1,627
Parks and sportsgrounds	613	7,974
Sewerage infrastructure	332	370
Waste management services	219	304
Infrastructure	3,910	7,100
RiFL Stages 2 and 3	8,677	34,979
Other	69	662
Total commitments	20,155	53,495

These expenditures are payable as follows:

Within the next year	20,155	53,495
Total payable	20,155	53,495

Sources for funding of capital commitments:

Unrestricted general funds	482	715
Future grants and contributions	13,795	43,427
Externally restricted reserves	1,145	1,254
Internally restricted reserves	4,515	2,188
New loans (to be raised)	218	5,911
Total sources of funding	20,155	53,495

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	101	—	—	—	—	—	101	—
Community facilities	134	—	—	—	(16)	—	118	—
Plan Management	(25)	—	—	—	—	—	(25)	—
Transport and Traffic Works	12,327	2,993	—	—	(668)	—	14,652	—
Planning Studies	1	45	—	—	(18)	—	28	—
Recreation and Open Space - Future Works	6,466	1,431	—	—	(926)	—	6,971	—
Recreation and Open Space - Recoupment	30	119	—	—	—	—	149	—
Community Facilities - Recoupment	81	54	—	—	—	—	135	—
Transport and Traffic Works - Recoupment	163	107	—	—	—	—	270	—
Acquisition Open Space Land	4,322	155	—	—	(50)	—	4,427	—
Administration of Plan	117	161	—	8	(156)	—	130	—
Borrowings - Low Interest Loans - Interest Cost	137	114	—	—	(61)	—	190	—
Borrowings - Ordinary Loans	471	311	—	—	—	—	782	—
Recoupment 2006-2019 Plan - Oasis Aquatic Centre	1,684	—	—	—	—	—	1,684	—
Recoupment 2006-2019 Plan - Civic Centre	1,240	—	—	—	(474)	—	766	—
Recoupment 2006-2019 Plan - Main Street (Baylis/Fitzmaurice St's) Wagga Wagga	466	—	—	—	—	—	466	—
2006-2019 Plan - Estella Open Space	24	—	—	—	(3)	—	21	—
2006-2019 Plan - Estella Bike Track	85	—	—	—	(3)	—	82	—
2006-2019 Plan - Hudson Drive	101	—	—	—	(2)	—	99	—
S7.11 contributions – under a plan	27,925	5,490	—	8	(2,377)	—	31,046	—
S7.12 levies – under a plan	(464)	1,262	—	—	(522)	—	276	—
Total S7.11 and S7.12 revenue under plans	27,461	6,752	—	8	(2,899)	—	31,322	—
S64 contributions	5,936	3,437	—	2	(2,263)	—	7,112	—
Total contributions	33,397	10,189	—	10	(5,162)	—	38,434	—

G4-1 Summary of developer contributions (continued)

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.

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – 1993 to 2004								
Drainage	101	–	–	–	–	–	101	–
Community facilities	134	–	–	–	(16)	–	118	–
Plan Management	(25)	–	–	–	–	–	(25)	–
Total	210	–	–	–	(16)	–	194	–
CONTRIBUTION PLAN – 2019 to 2034								
Transport and Traffic Works	12,327	2,993	–	–	(668)	–	14,652	–
Planning Studies	1	45	–	–	(18)	–	28	–
Recreation and Open Space - Future Works	6,466	1,431	–	–	(926)	–	6,971	–
Recreation and Open Space - Recoupment	30	119	–	–	–	–	149	–
Community Facilities - Recoupment	81	54	–	–	–	–	135	–
Transport and Traffic Works - Recoupment	163	107	–	–	–	–	270	–
Acquisition Open Space Land	4,322	155	–	–	(50)	–	4,427	–
Administration of Plan	117	161	–	8	(156)	–	130	–
Borrowings - Low Interest Loans - Interest Cost	137	114	–	–	(61)	–	190	–
Borrowings - Ordinary Loans	471	311	–	–	–	–	782	–
Recoupment 2006-2019 Plan - Oasis Aquatic Centre	1,684	–	–	–	–	–	1,684	–
Recoupment 2006-2019 Plan - Civic Centre	1,240	–	–	–	(474)	–	766	–
Recoupment 2006-2019 Plan - Main Street (Baylis/Fitzmaurice St's) Wagga Wagga	466	–	–	–	–	–	466	–
2006-2019 Plan - Estella Open Space	24	–	–	–	(3)	–	21	–
2006-2019 Plan - Estella Bike Track	85	–	–	–	(3)	–	82	–
2006-2019 Plan - Hudson Drive	101	–	–	–	(2)	–	99	–
Total	27,715	5,490	–	8	(2,361)	–	30,852	–

G4-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – 2019 to 2034								
Section 7.12 levy	(464)	1,262	–	–	(522)	–	276	–
Total	(464)	1,262	–	–	(522)	–	276	–

G4-3 S64 contributions

CONTRIBUTION PLAN – STORMWATER 2007

Stormwater Projects	5,936	1,212	–	2	(38)	–	7,112	–
Total	5,936	1,212	–	2	(38)	–	7,112	–

CONTRIBUTION PLAN – SEWER 2013

Sewer Projects	–	2,225	–	–	(2,225)	–	–	–
Total	–	2,225	–	–	(2,225)	–	–	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,861)	(4.67)%	(7.31)%	(4.98)%	(5.47)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	125,406					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	107,080	54.69%	60.90%	66.78%	66.23%	> 60.00%
Total continuing operating revenue	195,781					
3. Unrestricted current ratio						
Current assets less all external restrictions	65,746	2.12x	2.54x	2.43x	2.88x	> 1.50x
Current liabilities less specific purpose liabilities	30,958					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	39,476	3.51x	4.19x	4.56x	1.54x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,244					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	4,607	6.01%	5.12%	5.20%	4.63%	< 10.00%
Rates and annual charges collectable	76,660					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	118,079	12.84	12.78	11.76	8.79	> 3.00
Monthly payments from cash flow of operating and financing activities	9,195	mths	mths	mths	mths	mths

(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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2022	2021	2022	2021	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5.69)%	(10.08)%	0.41%	6.01%	> 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	50.33%	57.33%	85.60%	82.20%	> 60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	2.10x	2.50x	8.14x	8.74x	> 1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.94x	4.97x	2.43x	2.90x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	6.03%	5.11%	5.94%	5.16%	< 10.00%
Rates and annual charges collectable					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	14.02	13.27	6.01	9.75	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note G5-1 above.

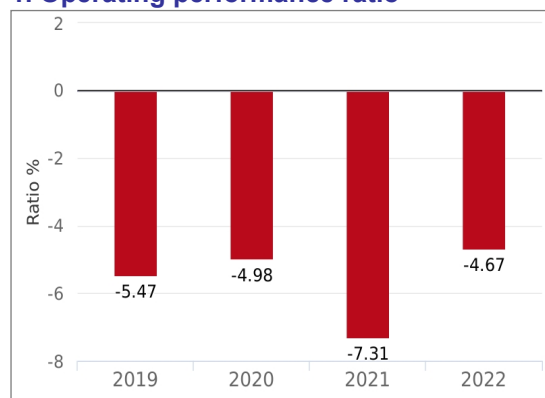
(3) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 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 2021/22 result

2021/22 ratio (4.67)%

Council's operating performance ratio has increased from -7.31% in 2020/21 to -4.67% in 2021/22. This is a result of increased operating grants and contributions being received in 2021/22, mainly due to Council receiving 75% of its 2022/23 Financial Assistance Grants during the 2021/22 financial year.

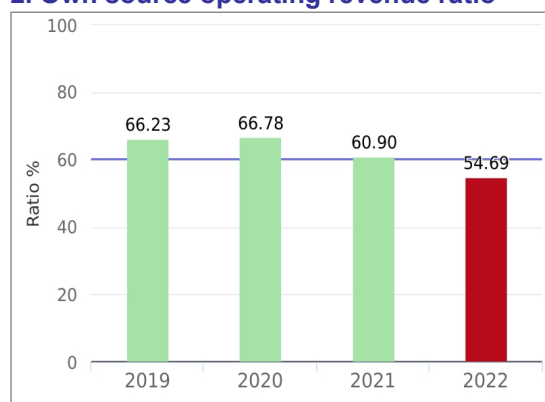
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 54.69%

Council's own source operating revenue ratio has decreased to 54.69% for 2021/22, down from 60.90% in 2020/21. This reduction is due to an increase in the value of grants and contributions received by Council during 2021/22. These grants and contributions mainly relate to the delivery of a number of significant capital works project by Council.

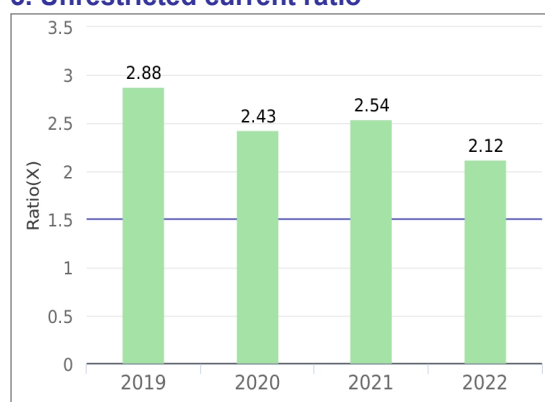
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 2.12x

Council's unrestricted current ratio of 2.12x indicates that it continues to have sufficient unrestricted current assets available to service its unrestricted current liabilities. A ratio of 2.12x is considered sound and demonstrates Council's continued ability to satisfy its short term obligations.

Benchmark: — > 1.50x

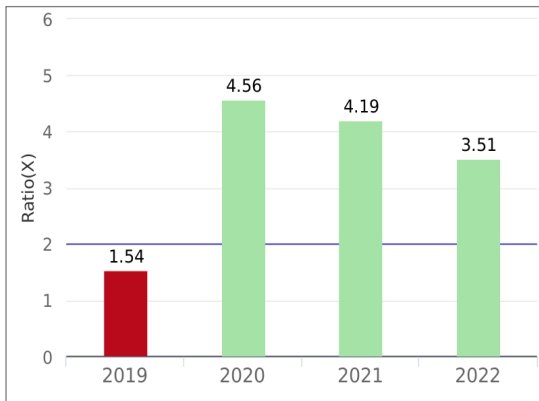
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

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 2021/22 result

2021/22 ratio 3.51x

Council's debt service ratio has decreased to 3.51x for 2021/22, down from 4.19x in 2020/21. This decrease is a result of increased loan repayments associated with Council's past years loan borrowings programs. Council continues to exceed the 2.00x benchmark for this ratio.

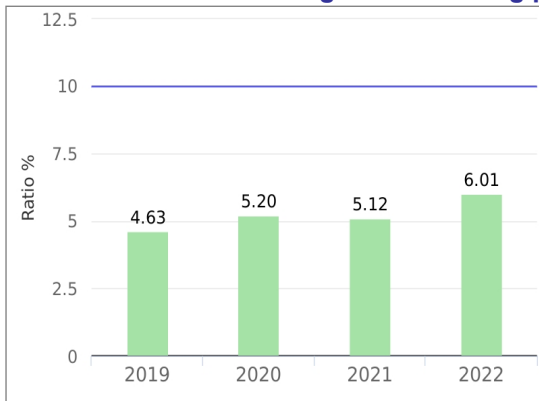
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 6.01%

This ratio indicates the outstanding rates and annual charges at the end of the financial year. As at 30 June 2022, Council had 6.01% of its rates and charges outstanding. This is an increase from the 5.12% outstanding at 30 June 2021. Council continues to be below the benchmark of 10.00%.

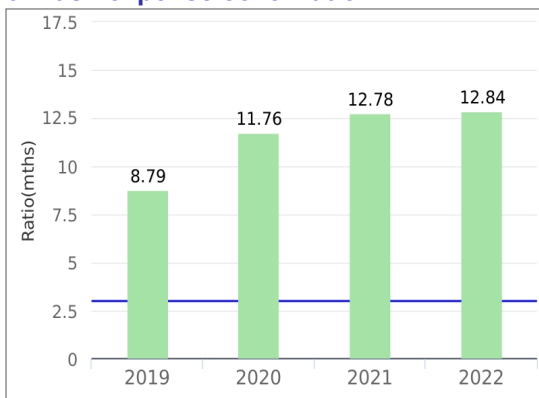
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2021/22 result

2021/22 ratio 12.84 mths

Council's cash expense cover ratio result of 12.84 months indicates its continued ability to be able to cover its immediate expenses without having to rely on additional cash flows. Council continues to exceed the benchmark of 3.00 months.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

Cnr Baylis and Morrow Streets
Wagga Wagga NSW 2650

Contact details**Mailing Address:**

PO Box 20
Wagga Wagga NSW 2650

Opening hours:

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

Telephone: 1300 292 442

Facsimile: 02 6926 9199

Internet: 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, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Elected members**Mayor**

Dallas Tout

Councillors

Dallas Tout
Jenny McKinnon
Amelia Parkins
Dan Hayes
Georgie Davies
Rod Kendall
Tim Koschel
Michael Henderson
Richard Foley

Other information

ABN: 56 044 159 537

Wagga Wagga City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

Wagga Wagga City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

Wagga Wagga City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

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



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Background

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

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

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

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

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

Wagga Wagga City Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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 17 October 2022.

Dallas Tout

Mayor

17 October 2022

Jenny McKinnon

Councillor

17 October 2022

Peter Thompson

General Manager

17 October 2022

Carolyn Rodney

Responsible Accounting Officer

17 October 2022

Wagga Wagga City Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	15,930	15,247
User charges	4,548	4,525
Interest and investment income	148	350
Grants and contributions provided for operating purposes	52	85
Other income	122	197
Total income from continuing operations	20,800	20,404
Expenses from continuing operations		
Employee benefits and on-costs	1,983	2,195
Borrowing costs	2,127	2,166
Materials and services	10,887	9,448
Depreciation, amortisation and impairment	5,711	5,363
Loss on disposal of assets	380	332
Calculated taxation equivalents	122	33
Other expenses	6	5
Total expenses from continuing operations	21,216	19,542
Surplus (deficit) from continuing operations before capital amounts	(416)	862
Grants and contributions provided for capital purposes	3,438	4,316
Surplus (deficit) from continuing operations after capital amounts	3,022	5,178
Surplus (deficit) from all operations before tax	3,022	5,178
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(224)
Surplus (deficit) after tax	3,022	4,954
Opening accumulated surplus	81,509	76,331
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	122	33
– Corporate taxation equivalent	–	224
Less:		
– Tax equivalent dividend paid	(122)	(33)
Closing accumulated surplus	84,531	81,509
Return on capital %	0.5%	1.0%
Subsidy from Council	10,638	1,277
Calculation of dividend payable:		
Surplus (deficit) after tax	3,022	4,954
Less: capital grants and contributions (excluding developer contributions)	(2,225)	(1,531)
Surplus for dividend calculation purposes	797	3,423
Potential dividend calculated from surplus	399	1,712

Wagga Wagga City Council

Income Statement – Livestock Marketing Centre

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Fees	6,135	5,671
Interest and investment income	525	525
Other income	34	93
Total income from continuing operations	6,694	6,289
Expenses from continuing operations		
Employee benefits and on-costs	961	974
Borrowing costs	–	1
Materials and services	2,463	2,364
Depreciation, amortisation and impairment	878	732
Net loss from the disposal of assets	–	143
Calculated taxation equivalents	70	20
Total expenses from continuing operations	4,372	4,234
Surplus (deficit) from continuing operations before capital amounts	2,322	2,055
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	2,322	2,055
Surplus (deficit) from all operations before tax	2,322	2,055
Less: corporate taxation equivalent (25%) [based on result before capital]	(581)	(534)
Surplus (deficit) after tax	1,741	1,521
Opening accumulated surplus	16,326	14,812
Plus/less: other adjustments	(15)	(5)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	70	20
– Corporate taxation equivalent	581	534
Less:		
– Dividend paid	(548)	(556)
Closing accumulated surplus	18,155	16,326
Return on capital %	6.6%	6.6%
Subsidy from Council	–	–

Wagga Wagga City Council

Income Statement – Wagga Airport

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Fees	2,068	1,749
Other income	918	1,161
Total income from continuing operations	2,986	2,910
Expenses from continuing operations		
Employee benefits and on-costs	639	456
Borrowing costs	161	176
Materials and services	2,073	2,386
Depreciation, amortisation and impairment	6,731	5,742
Net loss from the disposal of assets	–	273
Total expenses from continuing operations	9,604	9,033
Surplus (deficit) from continuing operations before capital amounts	(6,618)	(6,123)
Grants and contributions provided for capital purposes	156	4,508
Surplus (deficit) from continuing operations after capital amounts	(6,462)	(1,615)
Surplus (deficit) from all operations before tax	(6,462)	(1,615)
Surplus (deficit) after tax	(6,462)	(1,615)
Opening accumulated surplus	299	2,062
Plus/less: other adjustments	121	(148)
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	(6,042)	299
Return on capital %	(51.3)%	(31.2)%
Subsidy from Council	6,918	6,231

Wagga Wagga City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	8,117	11,943
Receivables	11,277	8,415
Inventories	79	188
Total current assets	19,473	20,546
Non-current assets		
Investments	23,898	17,505
Infrastructure, property, plant and equipment	337,408	288,933
Total non-current assets	361,306	306,438
Total assets	380,779	326,984
LIABILITIES		
Current liabilities		
Payables	998	1,010
Borrowings	1,189	1,112
Employee benefit provisions	579	712
Total current liabilities	2,766	2,834
Non-current liabilities		
Borrowings	28,916	30,042
Employee benefit provisions	13	11
Total non-current liabilities	28,929	30,053
Total liabilities	31,695	32,887
Net assets	349,084	294,097
EQUITY		
Accumulated surplus	84,531	81,509
Revaluation reserves	264,553	212,588
Total equity	349,084	294,097

Wagga Wagga City Council

Statement of Financial Position – Livestock Marketing Centre

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	9,482	7,376
Receivables	3,729	3,880
Other	10	3
Total current assets	13,221	11,259
Non-current assets		
Infrastructure, property, plant and equipment	35,437	30,927
Total non-current assets	35,437	30,927
Total assets	48,658	42,186
LIABILITIES		
Current liabilities		
Payables	125	224
Employee benefit provisions	381	376
Total current liabilities	506	600
Non-current liabilities		
Employee benefit provisions	24	21
Total non-current liabilities	24	21
Total liabilities	530	621
Net assets	48,128	41,565
EQUITY		
Accumulated surplus	18,155	16,326
Revaluation reserves	29,973	25,239
Total equity	48,128	41,565

Wagga Wagga City Council

Statement of Financial Position – Wagga Airport

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Receivables	930	2,051
Total current assets	930	2,051
Non-current assets		
Right of use assets	65	87
Infrastructure, property, plant and equipment	12,592	19,047
Total non-current assets	12,657	19,134
Total assets	13,587	21,185
LIABILITIES		
Current liabilities		
Bank overdraft	4,004	5,000
Payables	460	450
Contract liabilities	443	443
Lease liabilities	22	21
Borrowings	2,953	2,023
Employee benefit provisions	231	164
Total current liabilities	8,113	8,101
Non-current liabilities		
Borrowings	4,790	6,031
Lease liabilities	45	68
Employee benefit provisions	6	11
Total non-current liabilities	4,841	6,110
Total liabilities	12,954	14,211
Net assets	633	6,974
EQUITY		
Accumulated surplus	(6,042)	299
Revaluation reserves	6,675	6,675
Total equity	633	6,974

Note – Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value 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, and returns 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.

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 – **25%** (20/21 26%)

Note – Significant Accounting Policies (continued)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the Department of Planning, Industry & Environment – 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 Act. Achievement of substantial compliance to the DPIE – 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 25%.

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 25% 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 for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the 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

Note – Significant Accounting Policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

(iii) Dividends

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

Local government sewerage businesses are permitted to pay an annual dividend from its sewerage business surplus. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed:

- 50% of the relevant surplus in any one year, or
- the number of sewerage assessments at 30 June 2022 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 DPIE – Water.

Wagga Wagga City Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Wagga Wagga City Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

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



Wagga Wagga City Council

Special Schedules

for the year ended 30 June 2022

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Wagga Wagga City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	46,915	46,520
Plus or minus adjustments ²	b	390	201
Notional general income	$c = a + b$	47,305	46,721
Permissible income calculation			
Special variation percentage ³	d	0.00%	2.00%
Or rate peg percentage	e	2.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	(1,630)	—
Plus special variation amount	$h = d \times (c + g)$	—	934
Or plus rate peg amount	$i = e \times (c + g)$	914	—
Or plus Crown land adjustment and rate peg amount	$j = f \times (c + g)$	—	—
Sub-total	$k = (c + g + h + i + j)$	46,589	47,655
Plus (or minus) last year's carry forward total	l	32	90
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	32	90
Total permissible income	$o = k + n$	46,621	47,745
Less notional general income yield	p	46,520	47,729
Catch-up or (excess) result	$q = o - p$	101	17
Plus income lost due to valuation objections claimed ⁴	r	—	—
Less unused catch-up ⁵	s	(11)	—
Carry forward to next year ⁶	$t = q + r + s$	90	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 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the 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 10 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 Act. 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.

Permissible income for general rates

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Wagga Wagga City Council

Report on infrastructure assets as at 30 June 2022

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	2021/22 Required maintenance ^c	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
Buildings	Buildings	33,211	8,381	2,332	3,613	135,995	187,109	49.5%	32.7%	16.1%	1.7%	0.0%
	Sub-total	33,211	8,381	2,332	3,613	135,995	187,109	49.5%	32.7%	16.1%	1.7%	0.0%
Other structures	Fences	3,353	744	—	88	12,320	18,191	9.0%	71.6%	10.9%	6.1%	2.4%
	Shelters	1,538	2,350	—	—	8,749	11,641	26.6%	59.5%	8.5%	4.9%	0.4%
	Shade sails	60	—	—	—	1,083	1,336	63.3%	32.0%	2.6%	2.1%	0.0%
	Other	98	—	—	3	17,482	20,619	44.4%	55.1%	0.5%	0.0%	0.0%
	Sub-total	5,049	3,094	—	91	39,634	51,787	28.5%	61.3%	6.0%	3.3%	0.9%
Roads	Sealed roads	70,513	153,452	6,853	6,509	365,057	587,443	46.1%	21.0%	19.5%	12.8%	0.7%
	Unsealed roads	21,446	22,061	3,110	2,876	31,647	59,767	39.4%	24.7%	25.0%	10.9%	0.1%
	Bridges	31,982	14,756	689	369	59,699	93,028	21.5%	41.4%	19.9%	16.3%	0.8%
	Footpaths	22,660	6,192	439	336	28,627	50,315	35.8%	16.0%	35.9%	10.6%	1.7%
	Shared Paths & Cycleways	746	307	71	8	11,577	13,371	88.2%	5.1%	4.4%	2.3%	0.0%
	Kerb & Gutter	7,169	6,442	—	151	33,579	50,084	33.5%	51.1%	14.7%	0.7%	0.0%
	Carparks	2,119	1,932	164	85	5,023	7,602	41.9%	30.2%	16.1%	9.2%	2.6%
	Culverts	17,170	7,874	1,639	520	29,108	47,933	14.8%	46.6%	27.9%	8.4%	2.2%
	Bus & Taxi Shelters	112	—	—	115	533	775	63.9%	20.6%	14.0%	1.5%	0.0%
	Sub-total	173,917	213,016	12,965	10,969	564,850	910,318	40.8%	25.9%	20.7%	11.8%	0.8%
Sewerage network	Sewer Mains	—	18,882	2,643	2,208	210,386	246,731	64.1%	35.9%	0.0%	0.0%	0.0%
	Sewer Nodes	—	783	—	—	35,263	55,120	100.0%	0.0%	0.0%	0.0%	0.0%
	Pumping Stations	1,278	1,939	38	844	17,461	30,312	11.3%	20.5%	63.9%	4.0%	0.2%
	Treatment Plants	7,110	3,663	2,236	498	65,926	108,396	1.1%	52.7%	39.6%	6.6%	0.0%
	Sub-total	8,388	25,267	4,917	3,550	329,036	440,559	49.4%	34.5%	14.2%	1.9%	0.0%
Stormwater drainage	Stormwater Pits & Pipes	8,521	35,295	1,422	747	157,357	212,048	36.4%	41.4%	13.1%	5.2%	3.8%
	Levee Banks	358	8,832	141	48	25,314	34,900	13.8%	73.1%	12.0%	1.1%	0.0%
	Open Drains, Channels, Flood Gates, Gross Pollutant Traps & Flood Pumps	15,700	10,109	—	—	44,081	78,009	8.5%	42.3%	28.0%	10.8%	10.5%
	Sub-total	24,579	54,236	1,563	795	226,752	324,957	27.3%	45.0%	16.6%	6.1%	5.0%

Wagga Wagga City Council

Report on infrastructure assets as at 30 June 2022 (continued)

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	2021/22 Required maintenance ^c	2021/22 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	—	—	193	126	3,520	5,500	0.0%	100.0%	0.0%	0.0%	0.0%
	Playgrounds	1,658	1,529	116	113	4,172	6,297	13.3%	59.0%	22.0%	5.7%	0.0%
	Irrigation	3,363	2,411	29	5	3,554	6,554	15.1%	30.9%	36.5%	10.0%	7.5%
	Park Accessories	1,247	1,368	253	—	6,905	8,556	53.8%	30.9%	10.2%	4.4%	0.8%
	Sporting Equipment	4,983	5,506	180	99	16,366	21,278	45.2%	30.1%	21.5%	2.2%	1.0%
	Other	4,465	—	41	340	3,219	6,090	8.2%	14.6%	77.2%	0.0%	0.0%
	Sub-total	15,716	10,814	812	683	37,736	54,275	30.5%	39.0%	25.7%	3.4%	1.4%
Total – all assets		260,860	314,808	22,589	19,701	1,334,003	1,969,005	40.7%	32.9%	17.9%	7.3%	1.2%

(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

Wagga Wagga City Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	29,738					
Depreciation, amortisation and impairment	30,970	96.02%	76.93%	131.12%	75.24%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	260,860					
Net carrying amount of infrastructure assets	1,373,979	18.99%	20.39%	20.85%	20.24%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	19,701					
Required asset maintenance	22,589	87.22%	62.88%	67.75%	62.88%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	314,808	15.99%	10.26%	10.57%	11.44%	
Gross replacement cost	1,969,005					

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

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