

# Murrumbidgee Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

35 Jerilderie Street  
Jerilderie NSW 2716

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

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

## General Purpose Financial Statements

for the year ended 30 June 2019

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### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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 20 January 2020.**

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Ruth McRae

**Mayor**

20 January 2020

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Robert Black

**Councillor**

20 January 2020

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John Scarce

**General Manager**

20 January 2020

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Vicki Sutton

**Responsible Accounting Officer**

20 January 2020

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
5,648	Rates and annual charges	3a	5,523	5,324
3,018	User charges and fees	3b	2,500	2,443
562	Interest and investment revenue	3c	631	591
489	Other revenues	3d	415	331
6,845	Grants and contributions provided for operating purposes	3e,3f	8,222	7,038
10,947	Grants and contributions provided for capital purposes	3e,3f	8,359	1,754
<u>Other income:</u>				
28	Net gains from the disposal of assets	5	117	499
<b>27,537</b>	<b>Total income from continuing operations</b>		<b>25,767</b>	<b>17,980</b>
<b>Expenses from continuing operations</b>				
7,769	Employee benefits and on-costs	4a	7,277	7,372
12	Borrowing costs	4b	12	39
3,127	Materials and contracts	4c	3,682	3,579
4,889	Depreciation and amortisation	4d	5,974	6,134
1,583	Other expenses	4e	2,236	2,147
–	Revaluation decrement / impairment of IPP&E	4d	–	5,243
<b>17,380</b>	<b>Total expenses from continuing operations</b>		<b>19,181</b>	<b>24,514</b>
<b>10,157</b>	<b>Operating result from continuing operations</b>		<b>6,586</b>	<b>(6,534)</b>
<b>10,157</b>	<b>Net operating result for the year</b>		<b>6,586</b>	<b>(6,534)</b>
10,157	Net operating result attributable to council		6,586	(6,534)
(790)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(1,773)</b>	<b>(8,288)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>6,586</b>	<b>(6,534)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	288	4,243
Other movements in reserves - Intangible Asset Revaluation		742	-
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,030</b>	<b>4,243</b>
<b>Total other comprehensive income for the period</b>		<b>1,030</b>	<b>4,243</b>
<b>Total comprehensive income for the year</b>		<b>7,616</b>	<b>(2,291)</b>
Total comprehensive income attributable to Council		7,616	(2,291)

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

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

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	11,742	20,673
Investments	6(b)	19,942	5,120
Receivables	7	2,890	2,472
Inventories	8a	924	1,728
Other	8b	5	35
<b>Total current assets</b>		<u>35,503</u>	<u>30,028</u>
<b>Non-current assets</b>			
Receivables	7	5	7
Inventories	8a	1,083	700
Infrastructure, property, plant and equipment	9	254,230	253,793
Intangible assets	10	1,702	313
<b>Total non-current assets</b>		<u>257,020</u>	<u>254,813</u>
<b>TOTAL ASSETS</b>		<u>292,523</u>	<u>284,841</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	1,198	972
Income received in advance	11	63	–
Borrowings	11	59	100
Provisions	12	2,705	2,814
<b>Total current liabilities</b>		<u>4,025</u>	<u>3,886</u>
<b>Non-current liabilities</b>			
Borrowings	11	41	89
Provisions	12	61	86
<b>Total non-current liabilities</b>		<u>102</u>	<u>175</u>
<b>TOTAL LIABILITIES</b>		<u>4,127</u>	<u>4,061</u>
<b>Net assets</b>		<u>288,396</u>	<u>280,780</u>
<b>EQUITY</b>			
Accumulated surplus	13	283,123	276,537
Revaluation reserves	13	5,273	4,243
<b>Council equity interest</b>		<u>288,396</u>	<u>280,780</u>
<b>Total equity</b>		<u>288,396</u>	<u>280,780</u>

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

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

**Statement of Changes in Equity**  
for the year ended 30 June 2019

	2019			2018 <sup>1</sup>		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance	276,537	4,243	280,780	283,071	-	283,071
<b>Restated opening balance</b>	<b>276,537</b>	<b>4,243</b>	<b>280,780</b>	<b>283,071</b>	<b>-</b>	<b>283,071</b>
Net operating result for the year	6,586	-	6,586	(6,534)	-	(6,534)
<b>Restated net operating result for the period</b>	<b>6,586</b>	<b>-</b>	<b>6,586</b>	<b>(6,534)</b>	<b>-</b>	<b>(6,534)</b>
<b>Other comprehensive income</b>						
- Gain (loss) on revaluation of IPP&E	-	288	288	-	4,243	4,243
- Gain (loss) on revaluation of Intangible Assets	-	742	742	-	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>1,030</b>	<b>1,030</b>	<b>-</b>	<b>4,243</b>	<b>4,243</b>
<b>Total comprehensive income</b>	<b>6,586</b>	<b>1,030</b>	<b>7,616</b>	<b>(6,534)</b>	<b>4,243</b>	<b>(2,291)</b>
<b>Equity – balance at end of the reporting period</b>	<b>283,123</b>	<b>5,273</b>	<b>288,396</b>	<b>276,537</b>	<b>4,243</b>	<b>280,780</b>

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

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



## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
5,648	Rates and annual charges		5,494	5,244
3,018	User charges and fees		2,948	1,217
574	Investment and interest revenue received		608	603
17,792	Grants and contributions		16,057	9,467
–	Bonds, deposits and retention amounts received		16	–
489	Other		1,142	2,177
<u>Payments</u>				
(7,769)	Employee benefits and on-costs		(7,456)	(7,650)
(3,127)	Materials and contracts		(4,092)	(4,755)
(17)	Borrowing costs		(12)	(40)
–	Bonds, deposits and retention amounts refunded		–	(61)
(1,583)	Other		(2,354)	(3,003)
<b>15,025</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>12,351</b>	<b>3,199</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
–	Sale of investment securities		5,120	14,949
150	Sale of real estate assets		389	456
744	Sale of infrastructure, property, plant and equipment		506	790
–	Deferred debtors receipts		3	–
<u>Payments</u>				
–	Purchase of investment securities		(19,942)	(2,620)
(22,206)	Purchase of infrastructure, property, plant and equipment		(6,611)	(8,031)
–	Purchase of real estate assets		(11)	(145)
–	Purchase of intangible assets		(647)	–
–	Deferred debtors and advances made		–	(10)
<b>(21,312)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(21,193)</b>	<b>5,389</b>
<b>Cash flows from financing activities</b>				
<u>Payments</u>				
(89)	Repayment of borrowings and advances		(89)	(82)
<b>(89)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(89)</b>	<b>(82)</b>
<b>(6,376)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,931)</b>	<b>8,506</b>
20,781	Plus: cash and cash equivalents – beginning of year	14a	20,673	12,167
<b>14,405</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>11,742</b>	<b>20,673</b>
15,000	Additional Information: plus: Investments on hand – end of year	6(b)	19,942	5,120
<b>29,405</b>	<b>Total cash, cash equivalents and investments</b>		<b>31,684</b>	<b>25,793</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on dd MMMM yyyy. Council has the power to amend and reissue these financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

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

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

##### **AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018. The adoption of AASB 9 has impacted the following areas:

##### *Classification and measurement of financial assets*

AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost, with the exception of the equity instruments. These equity instruments have transitioned from being held at cost (as an 'available-for-sale asset') under AASB 139, to fair value through profit or loss.

##### *Impairment of financial assets*

Council's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses.

Council has reviewed its receivables and does not anticipate losses greater than the current provision for impairment. The majority of receivables other than rates and charges are current and due from government. Rates and charges are secured against the property. As such, there was no transitional adjustment requirement as at 1 July 2018.

#### (b) Historical cost convention

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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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 infrastructure, property, plant and equipment – refer Note 9
- (ii) employee benefit provisions – refer Note 12.

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

### Monies and other assets received by Council

#### (a) The Consolidated Fund

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

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

- General purpose operations
- Coleambally Town Improvement
- Darlington Point Town Improvement
- Coleambally Water Supply Fund
- Darlington Point Water Supply Fund
- Jerilderie Water Supply Fund
- Coleambally Sewerage Fund
- Darlington Point Sewerage Fund
- Jerilderie Sewerage Fund

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

- Balmeringa Management Committee
- Central Coree Sports Complex Management Committee
- Yamma Recreation Reserve Management Committee
- Jerilderie Tidy Town Committee
- Coleambally Townlife Committee
- Darlington Point Townlife Committee

#### (b) The Trust Fund

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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- Wallis Estate
- Sundry Trust Deposits

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

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been adopted early by Council. The new standards, AASB 16, AASB 15 & AASB 1058 are all effective for Council for the 30 June 2020 reporting period, with transition on 1 July 2019.

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

##### AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment.

This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of the assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117.

Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

##### AASB 15 Revenue from Contracts with Customers and associated amending standards.

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

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

Councils has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council has auspiced a number of grants on behalf of community groups and as at 30 June 2019 there was \$442,936 remaining unspent. As the grants are subject to a deed of agreement under AASB 15 the amounts would be held as a liability and recorded as income when spent.

AASB15 will have no impact on rates and charges paid in advance as council has always accounted for these as a liability. There may be a very minor impact in relation to grants as council is currently auspicing several Stronger Country Communities where the goods/services will not be retained by council.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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#### **AASB 1058 Income of NFP Entities**

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

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

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

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

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

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

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

The majority of capital grants are paid in arrears based on actual expenditure and therefore council will have met all obligations prior to receiving the grant payment. There were however a number of grants, totalling \$12,610,792, under the Stronger Communities and Stronger Country Communities program which were unspent at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed.

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

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

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

As per the NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

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

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>\$ '000</b>										
<b>Functions or activities</b>										
Governance and Administration	16,334	9,427	5,991	8,426	10,343	1,001	10,214	4,164	41,114	33,702
Public Order and Safety	173	167	482	511	(309)	(344)	168	164	1,947	1,844
Health	–	12	43	39	(43)	(27)	–	–	917	909
Environmental Protection	748	1,088	965	1,052	(217)	36	345	760	15,682	15,031
Community Services and Education	320	337	486	497	(166)	(160)	537	242	1,011	1,039
Housing and Community Amenities	627	178	773	827	(146)	(649)	45	45	3,827	3,017
Recreation and Cultural	79	410	1,735	1,666	(1,656)	(1,256)	986	362	14,014	14,235
Mining, Manufacturing and Construction	52	56	334	85	(282)	(29)	–	–	196	195
Transport and Communications	3,911	2,987	4,914	8,184	(1,003)	(5,197)	2,945	2,048	184,564	186,693
Economic Affairs	1,643	1,736	1,613	1,549	30	187	–	2	2,918	2,745
Water Supply	1,198	996	1,175	1,025	23	(29)	–	–	11,959	11,226
Sewerage Services	682	586	670	653	12	(67)	–	–	14,374	14,205
<b>Total functions and activities</b>	<b>25,767</b>	<b>17,980</b>	<b>19,181</b>	<b>24,514</b>	<b>6,586</b>	<b>(6,534)</b>	<b>15,240</b>	<b>7,787</b>	<b>292,523</b>	<b>284,841</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **Governance and Administration**

Governance and administration functions of Council, Council depot and general purpose revenue.

#### **Public Order and Safety**

Animal control, fire and emergency services.

#### **Health**

Health, food control and medical services.

#### **Environmental Protection**

Noxious plants, environmental protection, solid waste management, street cleaning, drainage and stormwater management.

#### **Community Services and Education**

Community services administration, aged and disabled services and children's services.

#### **Housing and Community Amenities**

Public cemeteries, public conveniences, street lighting, town planning and other community amenities.

#### **Recreation and Cultural**

Public libraries, museum, community centres and halls, other cultural activities, sports grounds and venues, swimming pools, parks and gardens, other sport and recreation.

#### **Mining, Manufacturing and Construction**

Building control, quarries and gravel pits.

#### **Transport and Communications**

Roads, bridges, footpaths, car parks, aerodrome, tree maintenance and radio communications.

#### **Economic Affairs**

Caravan parks, industrial development and promotion, real estate development, saleyards, tourism and area promotion, share farming, private works including State Road maintenance contracts and other business activities.

#### **Water Supply**

Provision of water supply to towns.

#### **Sewerage Services**

Provision of sewerage services to towns.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	317	310
Farmland	3,666	3,564
Business	103	101
Less: pensioner rebates (mandatory)	(31)	(30)
<b>Rates levied to ratepayers</b>	<b>4,055</b>	<b>3,945</b>
Pensioner rate subsidies received	16	16
<b>Total ordinary rates</b>	<b>4,071</b>	<b>3,961</b>
<b>Special rates</b>		
Town improvement	52	48
Less: pensioner rebates (mandatory)	(3)	(3)
<b>Rates levied to ratepayers</b>	<b>49</b>	<b>45</b>
Pensioner rate subsidies received:		
– Other	2	2
<b>Total special rates</b>	<b>51</b>	<b>47</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	296	286
Water supply services	556	519
Sewerage services	543	502
Stormwater management services	10	10
Waste management services (non-domestic)	28	28
Less: pensioner rebates (mandatory)	(68)	(66)
<b>Annual charges levied</b>	<b>1,365</b>	<b>1,279</b>
Pensioner subsidies received:		
– Water	11	12
– Sewerage	11	11
– Domestic waste management	14	14
<b>Total annual charges</b>	<b>1,401</b>	<b>1,316</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>5,523</b>	<b>5,324</b>

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

**Accounting policy for rates and charges**

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

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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	523	444
Sewerage services	8	17
Waste management services (non-domestic)	2	4
<b>Total specific user charges</b>	<b>533</b>	<b>465</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	11	9
Building services – other	8	20
Planning and building regulation	81	32
Private works – section 67	275	550
Regulatory/ statutory fees	5	32
Registration fees	2	5
Section 10.7 certificates (EP&A Act)	8	10
Section 603 certificates	8	5
<b>Total fees and charges – statutory/regulatory</b>	<b>398</b>	<b>663</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Community centres	11	1
Fire and emergency services levy (FESL) implementation	–	10
Leaseback fees – Council vehicles	30	29
Park rents	3	1
RMS (formerly RTA) charges (state roads not controlled by Council)	1,287	991
Saleyards	18	15
Waste disposal tipping fees	23	5
Water connection fees	2	4
Cemetery	50	42
Community care services	102	90
Swimming pool	10	12
Other	33	115
<b>Total fees and charges – other</b>	<b>1,569</b>	<b>1,315</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,500</b>	<b>2,443</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	49	39
– Cash and investments	582	552
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>631</u></b>	<b><u>591</u></b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	30	23
General Council cash and investments	438	460

**Restricted investments/funds – external:**

Water fund operations	60	38
Sewerage fund operations	103	70

**Total interest and investment revenue**

<b><u>631</u></b>	<b><u>591</u></b>
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**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

**(d) Other revenues**

Rental income – other council properties	155	182
Fines	–	1
Commissions and agency fees	100	16
Diesel rebate	50	58
Recycling income (non-domestic)	11	–
Insurance incentives	23	21
Insurance rebates	27	14
Miscellaneous sales	11	1
Lease rentals	–	8
Licences and permits	–	1
Other	38	29
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>415</u></b>	<b><u>331</u></b>

**Accounting policy for other revenue**

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

Fines are recognised as revenue when the penalty has been paid.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	2,226	2,022	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance	2,309	2,134	–	–
<b>Total general purpose</b>	<b>4,535</b>	<b>4,156</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Economic development	–	2	–	–
Employment and training programs	3	8	–	–
Environmental programs	–	46	300	630
Heritage and cultural	–	–	–	90
Library	35	41	–	–
Noxious weeds	46	84	–	–
NSW rural fire services	168	156	–	8
Recreation and culture	4	–	–	–
Street lighting	45	45	–	–
Transport (roads to recovery)	910	1,439	–	–
Transport (other roads and bridges funding)	–	–	2,035	609
Other – New Council Implementation Fund	1,225	–	–	–
Other – Stronger Communities Fund	300	–	4,065	–
Community services	205	241	–	–
Stronger Country Communities	–	–	1,274	231
Crown Lands	86	–	–	–
Other	4	1	–	–
<b>Total specific purpose</b>	<b>3,031</b>	<b>2,063</b>	<b>7,674</b>	<b>1,568</b>
<b>Total grants</b>	<b>7,566</b>	<b>6,219</b>	<b>7,674</b>	<b>1,568</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,653	5,775	–	–
– State funding	1,913	444	7,674	1,568
	<b>7,566</b>	<b>6,219</b>	<b>7,674</b>	<b>1,568</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	370	–
S 7.12 – fixed development consent levies		–	–	–	6
<b>Total developer contributions – cash</b>		<u>–</u>	<u>–</u>	<u>370</u>	<u>6</u>
<b>Total developer contributions</b>	22	<u>–</u>	<u>–</u>	<u>370</u>	<u>6</u>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
RMS contributions (regional roads, block grant)		651	819	315	120
Communications Tower		–	–	–	60
Long Service Leave		5	–	–	–
<b>Total other contributions – cash</b>		<u>656</u>	<u>819</u>	<u>315</u>	<u>180</u>
<b>Total other contributions</b>		<u>656</u>	<u>819</u>	<u>315</u>	<u>180</u>
<b>Total contributions</b>		<u>656</u>	<u>819</u>	<u>685</u>	<u>186</u>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<u>8,222</u>	<u>7,038</u>	<u>8,359</u>	<u>1,754</u>

**Accounting policy for grants and contributions**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,258	3,647
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,193	524
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,927)	(2,913)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>1,524</b>	<b>1,258</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	8,164	9,197
<b>Add:</b> capital grants recognised in the current period but not yet spent	5,196	223
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(749)	(1,256)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>12,611</b>	<b>8,164</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	488	426
<b>Add:</b> contributions recognised in the current period but not yet spent	370	488
<b>Less:</b> contributions recognised in a previous reporting period now spent	(74)	(426)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>784</b>	<b>488</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	5,847	5,659
Travel expenses	76	190
Employee leave entitlements (ELE)	956	887
Superannuation	603	667
Workers' compensation insurance	225	276
Fringe benefit tax (FBT)	50	49
Training costs (other than salaries and wages)	46	72
Protective clothing	22	17
Other	45	23
<b>Total employee costs</b>	<b>7,870</b>	<b>7,840</b>
Less: capitalised costs	(593)	(468)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>7,277</b>	<b>7,372</b>
Number of 'full-time equivalent' employees (FTE) at year end	81	82
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	86	88
<b>Accounting policy for employee benefits and on-costs</b>		
Employee benefit expenses are recorded when the service has been provided by the employee.		
<i>Retirement benefit obligations</i>		
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.		
<i>Superannuation plans</i>		
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 17 for more information.		
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	12	19
<b>Total interest bearing liability costs expensed</b>	<b>12</b>	<b>19</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors		
Discount adjustments relating to movements in ELE provisions	–	20
<b>Total other borrowing costs</b>	<b>–</b>	<b>20</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>12</b>	<b>39</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	6,808	4,404
Contractor and consultancy costs	1,941	2,224
– Waste collection	106	94
Auditors remuneration <sup>2</sup>	65	64
<b>Legal expenses:</b>		
– Legal expenses: planning and development	–	8
– Legal expenses: other	6	21
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	8	9
<b>Total materials and contracts</b>	<b>8,934</b>	<b>6,824</b>
Less: capitalised costs	(5,252)	(3,245)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>3,682</b>	<b>3,579</b>

**Accounting policy for operating leases**

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

**1. Operating lease payments are attributable to:**

Printers	8	9
	<b>8</b>	<b>9</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	65	64
<b>Remuneration for audit and other assurance services</b>	<b>65</b>	<b>64</b>
<b>Total Auditor-General remuneration</b>	<b>65</b>	<b>64</b>
<b>Total Auditor remuneration</b>	<b>65</b>	<b>64</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	1,081	1,033
Office equipment	113	114
Furniture and fittings	13	14
Land improvements (depreciable)	311	298
<b>Infrastructure:</b>		
– Buildings – non-specialised	166	165
– Buildings – specialised	513	516
– Other structures	27	20
– Roads	3,207	3,220
– Bridges	79	79
– Footpaths	63	66
– Other road assets	40	40
– Stormwater drainage	143	138
– Water supply network	285	271
– Sewerage network	277	265
– Swimming pools	34	34
– Other open space/recreational assets	41	34
<b>Other assets:</b>		
– Library books	12	8
<b>Total gross depreciation and amortisation costs</b>	<b>6,405</b>	<b>6,315</b>
Less: capitalised costs	(431)	(181)
<b>Total depreciation and amortisation costs</b>	<b>5,974</b>	<b>6,134</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>		
<b>Infrastructure:</b>		
– Buildings – specialised	–	2,476
– Roads	–	2,488
– Bridges	–	279
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>	<b>–</b>	<b>5,243</b>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement	–	5,243
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>	<b>5,974</b>	<b>11,377</b>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

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

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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 that have an indefinite useful life, or are 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 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Contributions/levies to other levels of government		
Advertising	58	16
Bank charges	15	10
– NSW – SES	5	7
– NSW fire brigade levy	19	19
– NSW rural fire service levy	260	267
– Mobile book library contribution	92	69
Councillor expenses – mayoral fee	28	25
Councillor expenses – councillors' fees	107	95
Councillors' expenses (incl. mayor) – other (excluding fees above)	36	50
Donations, contributions and assistance to other organisations (Section 356)	547	578
Election expenses	–	44
Electricity and heating	329	329
Fire control expenses	78	78
Insurance	376	294
Street lighting	92	94
Subscriptions and publications	37	22
Telephone and communications	107	105
Valuation fees	26	16
Rent	–	9
Subscriptions – shires association	24	20
<b>Total other expenses</b>	<b>2,236</b>	<b>2,147</b>
<b>TOTAL OTHER EXPENSES</b>	<b>2,236</b>	<b>2,147</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		506	790
Less: carrying amount of plant and equipment assets sold/written off		(439)	(488)
<b>Net gain/(loss) on disposal</b>		<u>67</u>	<u>302</u>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(49)	(124)
<b>Net gain/(loss) on disposal</b>		<u>(49)</u>	<u>(124)</u>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		389	456
Less: carrying amount of real estate assets sold/written off		(290)	(135)
<b>Net gain/(loss) on disposal</b>		<u>99</u>	<u>321</u>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		5,120	14,949
Less: carrying amount of investments sold/redeemed/matured		(5,120)	(14,949)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>–</u>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<u>117</u>	<u>499</u>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,112	2,550
Cash-equivalent assets		
– Short-term deposits	9,630	18,123
<b>Total cash and cash equivalents</b>	<b>11,742</b>	<b>20,673</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	19,942	–	5,120	–
<b>Total Investments</b>	<b>19,942</b>	<b>–</b>	<b>5,120</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>31,684</b>	<b>–</b>	<b>25,793</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long-term deposits	19,942	–	5,120	–
<b>Total</b>	<b>19,942</b>	<b>–</b>	<b>5,120</b>	<b>–</b>

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

**Financial assets**

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

**Classification**

On initial recognition, Council classifies its financial assets at amortised cost

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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

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

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

#### Accounting policy under AASB 139 – applicable for 2018 comparatives only

##### Classification

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

##### (b) Held to maturity investments

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

##### Recognition and de-recognition

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

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

##### Impairment of financial assets

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	31,684	–	25,793	–
<b>attributable to:</b>				
External restrictions	21,245	–	15,800	–
Internal restrictions	9,448	–	8,378	–
Unrestricted	991	–	1,615	–
	<u>31,684</u>	<u>–</u>	<u>25,793</u>	<u>–</u>

\$ '000	2019	2018
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#### Details of restrictions

##### External restrictions – included in liabilities

Other	27	27
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<b>External restrictions – included in liabilities</b>	<u>27</u>	<u>27</u>
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##### External restrictions – other

Developer contributions – general	376	6
RMS contributions	408	482
Specific purpose unexpended grants	14,135	9,422
Water supplies	1,927	1,745
Sewerage services	3,866	3,612
Domestic waste management	74	74
Other special levies	432	432

<b>External restrictions – other</b>	<u>21,218</u>	<u>15,773</u>
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<b>Total external restrictions</b>	<u>21,245</u>	<u>15,800</u>
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##### Internal restrictions

Plant and vehicle replacement	2,183	1,609
Infrastructure replacement	3,293	2,862
Employees leave entitlement	1,468	1,620
Carry over works	128	102
Deposits, retentions and bonds	32	16
SES	15	15
Local environmental plan	20	20
Financial Assistance Grant advance payment	2,309	2,134

<b>Total internal restrictions</b>	<u>9,448</u>	<u>8,378</u>
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<b>TOTAL RESTRICTIONS</b>	<u>30,693</u>	<u>24,178</u>
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	465	–	436	–
Interest and extra charges	34	–	53	–
User charges and fees	1,424	–	1,605	–
Private works	1	–	58	–
Accrued revenues				
– Interest on investments	113	–	71	–
Deferred debtors	2	5	3	7
Government grants and subsidies	702	–	173	–
Net GST receivable	158	–	84	–
Other debtors	21	–	19	–
<b>Total</b>	<b>2,920</b>	<b>5</b>	<b>2,502</b>	<b>7</b>
<b>Less: provision of impairment</b>				
User charges and fees	(30)	–	(30)	–
<b>Total provision for impairment – receivables</b>	<b>(30)</b>	<b>–</b>	<b>(30)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>2,890</u></b>	<b><u>5</u></b>	<b><u>2,472</u></b>	<b><u>7</u></b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	30	30
<b>Balance at the end of the period</b>	<b>30</b>	<b>30</b>

**Accounting policy for receivables****Recognition and measurement**

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

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

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

**Impairment****Accounting policy under AASB 9 applicable from 1 July 2018**

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

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

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

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

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

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

Rates and annual charges outstanding are secured against the property.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	640	1,083	1,302	700
Stores and materials	284	–	426	–
<b>Total inventories at cost</b>	<b>924</b>	<b>1,083</b>	<b>1,728</b>	<b>700</b>
<b>TOTAL INVENTORIES</b>	<b>924</b>	<b>1,083</b>	<b>1,728</b>	<b>700</b>
<b>(b) Other assets</b>				
Prepayments	–	–	34	–
Work in progress	5	–	1	–
<b>TOTAL OTHER ASSETS</b>	<b>5</b>	<b>–</b>	<b>35</b>	<b>–</b>

#### (i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		541	847	1,002	471
Industrial/commercial		99	236	300	229
<b>Total real estate for resale</b>		<b>640</b>	<b>1,083</b>	<b>1,302</b>	<b>700</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		183	1,035	315	620
Development costs		457	48	987	80
<b>Total costs</b>		<b>640</b>	<b>1,083</b>	<b>1,302</b>	<b>700</b>
<b>Total real estate for resale</b>		<b>640</b>	<b>1,083</b>	<b>1,302</b>	<b>700</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		1,302	700	976	1,016
– Purchases and other costs		11	–	461	(316)
– WDV of sales (expense)	5	(290)	–	(135)	–
– Transfer between current/non-current		(383)	383	–	–
<b>Total real estate for resale</b>		<b>640</b>	<b>1,083</b>	<b>1,302</b>	<b>700</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2019	2018
<b>(b) Current assets not anticipated to be settled within the next 12 months</b>		
Real estate for resale	472	675
	472	675

**Accounting policy for inventories and other assets****Raw materials and stores, work in progress and finished goods**

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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

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

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018										as at 30/6/2019									
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount								
Capital work in progress	1,608	-	1,608	243	418	-	-	(468)	-	1,801	-	1,801								
Plant and equipment	12,214	(7,014)	5,200	-	1,270	(434)	(1,081)	-	-	12,766	(7,811)	4,955								
Office equipment	857	(550)	307	-	43	(5)	(113)	14	-	860	(614)	246								
Furniture and fittings	351	(274)	77	-	9	-	(13)	-	-	360	(287)	73								
<b>Land:</b>																				
- Operational land	2,714	-	2,714	-	64	-	-	-	-	2,778	-	2,778								
- Community land	1,699	-	1,699	-	-	-	-	-	-	1,699	-	1,699								
Land improvements – depreciable	11,324	(2,020)	9,304	-	67	-	(311)	9	-	11,373	(2,304)	9,069								
<b>Infrastructure:</b>																				
- Buildings – non-specialised	7,911	(2,681)	5,230	-	63	-	(166)	40	-	8,014	(2,847)	5,167								
- Buildings – specialised	28,260	(12,133)	16,127	119	204	-	(513)	16	-	28,550	(12,597)	15,953								
- Other structures	741	(32)	709	-	-	-	(27)	-	-	741	(59)	682								
- Roads	163,862	(52,058)	111,804	2,734	1,219	-	(3,207)	253	-	166,121	(53,318)	112,803								
- Bridges	6,649	(3,996)	2,653	-	-	-	(79)	-	-	6,649	(4,075)	2,574								
- Footpaths	3,724	(868)	2,856	5	-	-	(63)	-	-	3,729	(931)	2,798								
- Other road assets	2,091	(915)	1,176	-	-	-	(40)	-	-	2,091	(955)	1,136								
- Bulk earthworks (non-depreciable)	63,942	-	63,942	-	209	-	-	-	-	64,151	-	64,151								
- Stormwater drainage	13,123	(4,434)	8,689	216	-	(49)	(143)	83	-	13,283	(4,487)	8,796								
- Water supply network	17,175	(8,963)	8,212	81	27	-	(285)	2	131	17,557	(9,389)	8,168								
- Sewerage network	19,487	(9,702)	9,785	9	-	-	(277)	-	157	19,803	(10,129)	9,674								
- Swimming pools	1,761	(948)	813	-	-	-	(34)	-	-	1,761	(982)	779								
- Other open space/recreational assets	1,248	(373)	875	-	32	-	(41)	51	-	1,331	(414)	917								
<b>Other assets:</b>																				
- Library books	147	(134)	13	-	10	-	(12)	-	-	141	(130)	11								
<b>Total Infrastructure, property, plant and equipment</b>	<b>360,888</b>	<b>(107,095)</b>	<b>253,793</b>	<b>3,407</b>	<b>3,635</b>	<b>(488)</b>	<b>(6,405)</b>	<b>-</b>	<b>288</b>	<b>365,559</b>	<b>(111,329)</b>	<b>254,230</b>								

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

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

Note 9. Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017		Asset movements during the reporting period										as at 30/6/2018	
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,436	–	2,436	–	776	–	–	–	(1,604)	–	–	1,608	–	1,608
Plant and equipment	12,244	(7,213)	5,031	–	1,655	(488)	(1,033)	–	35	–	–	12,214	(7,014)	5,200
Office equipment	741	(436)	305	–	116	–	(114)	–	–	–	–	857	(550)	307
Furniture and fittings	344	(261)	83	–	8	–	(14)	–	–	–	–	351	(274)	77
<b>Land:</b>														
– Operational land	2,403	–	2,403	–	–	–	–	–	–	–	–	2,714	–	2,714
– Community land	1,588	–	1,588	–	–	–	–	–	–	–	–	1,699	–	1,699
Land improvements – depreciable	10,073	(2,444)	7,629	22	983	(24)	(298)	–	–	–	–	11,324	(2,020)	9,304
<b>Infrastructure:</b>														
– Buildings – non-specialised	7,241	(2,500)	4,741	–	352	–	(165)	–	–	–	–	7,911	(2,681)	5,230
– Buildings – specialised	27,323	(8,410)	18,913	131	75	–	(516)	(2,476)	–	–	–	28,260	(12,133)	16,127
– Other structures	55	(12)	43	–	686	–	(20)	–	–	–	–	741	(32)	709
– Roads	141,420	(27,571)	113,849	1,314	1,643	(75)	(3,220)	(2,488)	781	–	–	163,862	(52,058)	111,804
– Bridges	6,444	(3,433)	3,011	–	–	–	(79)	(279)	–	–	–	6,649	(3,996)	2,653
– Footpaths	3,575	(742)	2,833	–	28	–	(66)	–	–	–	–	3,724	(868)	2,856
– Other road assets	4,850	(1,401)	3,449	–	44	–	(40)	–	–	–	–	2,091	(915)	1,176
– Bulk earthworks (non-depreciable)	62,808	–	62,808	–	98	–	–	–	58	–	–	63,942	–	63,942
– Stormwater drainage	9,420	(4,038)	5,382	15	41	(12)	(138)	–	329	–	–	13,123	(4,434)	8,689
– Water supply network	16,601	(8,510)	8,091	–	95	–	(271)	–	127	–	–	17,175	(8,963)	8,212
– Sewerage network	18,821	(9,239)	9,582	–	4	–	(265)	–	260	–	–	19,487	(9,702)	9,785
– Swimming pools	1,705	(1,015)	690	–	–	–	(34)	–	–	–	–	1,761	(948)	813
– Other open space/recreational assets	1,111	(491)	620	76	50	(13)	(34)	–	–	–	–	1,248	(373)	875
<b>Other assets:</b>														
– Library books	147	(126)	21	–	–	–	(8)	–	–	–	–	147	(134)	13
<b>Total Infrastructure, property, plant and equipment</b>	<b>331,350</b>	<b>(77,842)</b>	<b>253,508</b>	<b>1,558</b>	<b>6,654</b>	<b>(612)</b>	<b>(6,315)</b>	<b>(5,243)</b>	<b>–</b>	<b>–</b>	<b>4,243</b>	<b>360,888</b>	<b>(107,095)</b>	<b>253,793</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five 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.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	3 to 10	Playground equipment	20 to 50
Office furniture	5 to 20	Benches, seats etc.	40 to 50
Computer equipment	5 to 10		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	20 to 75
Other plant and equipment	5 to 20	Buildings: other	20 to 63
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	100	Drains	80 to 100
Bores	5 to 40	Culverts	50 to 80
Reticulation pipes: PVC	50 to 100	Flood control structures	100
Reticulation pipes: other	15 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	18 to 25	Bulk earthworks	infinite
Sealed roads: structure	100	Swimming pools	25 to 60
Unsealed roads	15 to 20	Other open space/recreational assets	25 to 60
Bridge: concrete	100		
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9. Infrastructure, property, plant and equipment (continued)

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#### **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 not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

#### **Crown reserves**

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

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

#### **Rural Fire Service assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	313	313
<b>Net book value – opening balance</b>	<b>313</b>	<b>313</b>
<b>Movements for the year</b>		
– Purchases	647	–
- Revaluation	742	–
<b>Closing values at 30 June</b>		
Gross book value	1,702	313
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>1,702</u></b>	<b><u>313</u></b>
<b>The net book value of intangible assets represents:</b>		
Water licences	1,702	313
	<b><u>1,702</u></b>	<b><u>313</u></b>

**Accounting policy for intangible assets**

## Water Licences

Council holds a number of high and general security water licences which it recognises as an intangible asset.

The water licences are individually tradeable on the open water licence sales market.

The licences were obtained principally through land acquisitions where the water licence was attached to the land.

The water licences are now individually separated from the land and can be sold on a permanent or temporary transfer basis.

At present Council only trades the water entitlement associated with the water licences on a temporary basis.

Income received from the sales of water entitlements are disclosed as other revenue.

No amortisation costs are applicable, as high and general security water licences have an indefinite life.

Water licences purchased are initially recorded at cost and are valued at least every 5 years based on market evidence. Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as impairment loss.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,090	–	828	–
Accrued expenses:				
– Borrowings	1	–	1	–
– Salaries and wages	39	–	50	–
Advances	7	–	32	–
Security bonds, deposits and retentions	32	–	16	–
Other	29	–	45	–
<b>Total payables</b>	<b>1,198</b>	<b>–</b>	<b>972</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	63	–	–	–
<b>Total income received in advance</b>	<b>63</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	59	41	100	89
<b>Total borrowings</b>	<b>59</b>	<b>41</b>	<b>100</b>	<b>89</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,320</u></b>	<b><u>41</u></b>	<b><u>1,072</u></b>	<b><u>89</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

## (a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	189	(89)	–	–	–	100
<b>TOTAL</b>	<b>189</b>	<b>(89)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	271	(82)	–	–	–	189
<b>TOTAL</b>	<b>271</b>	<b>(82)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>189</b>

\$ '000	2019	2018
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## (b) Financing arrangements

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

Credit cards/purchase cards	18	68
<b>Total financing arrangements</b>	<b>18</b>	<b>68</b>

## Drawn facilities as at balance date:

– Credit cards/purchase cards	9	7
<b>Total drawn financing arrangements</b>	<b>9</b>	<b>7</b>

## Undrawn facilities as at balance date:

– Credit cards/purchase cards	9	61
<b>Total undrawn financing arrangements</b>	<b>9</b>	<b>61</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings (continued)

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#### **Accounting policy for payables and borrowings**

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

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

#### **Payables**

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

#### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	731	–	837	–
Long service leave	1,910	59	1,942	85
ELE on-costs	64	2	35	1
<b>Sub-total – aggregate employee benefits</b>	<b>2,705</b>	<b>61</b>	<b>2,814</b>	<b>86</b>
<b>TOTAL PROVISIONS</b>	<b>2,705</b>	<b>61</b>	<b>2,814</b>	<b>86</b>

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

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

Provisions – employees benefits	1,834	1,539
	<b>1,834</b>	<b>1,539</b>

**Accounting policy for provisions**

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

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

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

**Employee benefits****Short-term obligations**

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

**Other long-term employee benefit obligations**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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#### **On-costs**

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

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

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

### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

##### **Other reserves**

###### **Water Licences**

The reserve for water licences is used to record increments/decrements in the value of tradeable water licences.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	11,742	20,673
<b>Balance as per the Statement of Cash Flows</b>		<b>11,742</b>	<b>20,673</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		6,586	(6,534)
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,974	6,134
Net losses/(gains) on disposal of assets		(117)	(499)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		–	5,243
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(419)	(92)
Decrease/(increase) in inventories		142	(139)
Decrease/(increase) in other current assets		30	(32)
Increase/(decrease) in payables		262	(559)
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		(11)	(90)
Increase/(decrease) in other liabilities		38	(42)
Increase/(decrease) in provision for employee benefits		(134)	(190)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>12,351</b>	<b>3,199</b>

## Note 15. Interests in other entities

## Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
<b>Western Riverina Libraries</b>	Provision of library services to member local government areas	(3,272)	434,168

**Reasons for non-recognition**

Council holds an 18.51% share of equity in the Western Riverina Libraries which it does not consider material and hence is not recognised in these statements.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Commitments

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

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

**Property, plant and equipment**

Boat Ramp	1,076	–
Levee Bank	1,455	–
Buildings	714	–
Plant and equipment	666	471
<b>Total commitments</b>	<b>3,911</b>	<b>471</b>

**These expenditures are payable as follows:**

Within the next year	3,911	471
<b>Total payable</b>	<b>3,911</b>	<b>471</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	–	471
Future grants and contributions	2,046	–
Unexpended grants	1,038	–
Internally restricted reserves	827	–
<b>Total sources of funding</b>	<b>3,911</b>	<b>471</b>

**Details of capital commitments**

Construction of boat ramp at Darlington Point  
 Levee bank improvements areas 4 & 5 Darlington Point  
 Toilet block Jerilderie Racecourse  
 Amenities block Coleambally

## (b) Operating lease commitments (non-cancellable)

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

Within the next year	4	9
Later than one year and not later than 5 years	3	7
<b>Total non-cancellable operating lease commitments</b>	<b>7</b>	<b>16</b>

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

Council has a lease on a plan printer

**Conditions relating to finance and operating leases:**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies and other assets/liabilities not recognised

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

**LIABILITIES NOT RECOGNISED****1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

*Description of the funding arrangements.*

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 170,745. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$119,000. Council's expected contribution to the plan for the next annual reporting period is \$175,769.

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

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

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

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to council is 0.27%

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

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

\* Plus promotional increases

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other guarantees**

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) Tips and quarries restoration

Council operates a number of tips and quarries which will require rehabilitation and restoration at some future date.

As at 30 June 2019 Council is unable to reliably estimate the financial cost of such work.

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### (ii) 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.

##### (iii) Western Riverina Libraries

Council is a member of the Western Riverina Libraries and has a 1/5th proportion of voting power of the organisation. Council's share in the assets, liabilities and outputs of the organisation is based on the proportional population share and is considered immaterial in amount. Refer note 15.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management

## Risk management

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

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

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

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

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

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 1% movement in interest rates	316	316	(316)	(316)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	258	258	(258)	(258)

## (b) Credit risk

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

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, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required.

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	371	42	45	7	465
<b>2018</b>						
Gross carrying amount	–	347	40	42	7	436

## 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.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	2,353	–	3	6	98	2,460
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	31.00%	1.23%
<b>ECL provision</b>	–	–	–	–	30	30
<b>2018</b>						
Gross carrying amount	1,988	–	2	5	78	2,073
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	32	1,166	–	–	1,198	1,198
Loans and advances	8.03%	–	65	42	–	107	100
<b>Total financial liabilities</b>		<b>32</b>	<b>1,231</b>	<b>42</b>	<b>–</b>	<b>1,305</b>	<b>1,298</b>
<b>2018</b>							
Trade/other payables	0.00%	16	956	–	–	972	972
Loans and advances	7.97%	–	101	106	–	207	189
<b>Total financial liabilities</b>		<b>16</b>	<b>1,057</b>	<b>106</b>	<b>–</b>	<b>1,179</b>	<b>1,161</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 26/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	5,648	5,523	(125)	(2)% <b>U</b>
<b>User charges and fees</b>	3,018	2,500	(518)	(17)% <b>U</b>
Council had budgeted for private works income of \$650,000 however due to the drought income of only \$275,000 was realised. Income from RMS contract works on State Roads was also \$243,000 less than original budget.				
<b>Interest and investment revenue</b>	562	631	69	12% <b>F</b>
Interest on investments was more than budget due to a higher level of invested funds.				
<b>Other revenues</b>	489	415	(74)	(15)% <b>U</b>
Income from diesel fuel rebate was \$57,000 less than budget.				
<b>Operating grants and contributions</b>	6,845	8,222	1,377	20% <b>F</b>
Council received additional Financial Assistance Grant of \$336,000, New Council Implementation Fund \$1,225,000 however community services grants were down \$107,000 and rural fire service grants down \$77,000.				
<b>Capital grants and contributions</b>	10,947	8,359	(2,588)	(24)% <b>U</b>
Council budgeted for a number of capital grants which were not received or reduced due to the progress of the programs including water infrastructure upgrades \$3,368,000, Stronger Country Communities, \$750,000, levee bank, \$1,462,000, roads construction, \$738,000. Additional grants and contributions were received for Stronger Communities Fund, \$3,265,000 and planning contributions, \$370,000.				
<b>Net gains from disposal of assets</b>	28	117	89	318% <b>F</b>
Sales of real estate were much higher than anticipated in the budget.				

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	7,769	7,277	492	6% F
Borrowing costs	12	12	-	0% F
Materials and contracts	3,127	3,682	(555)	(18)% U
Significant costs were again incurred with the merger implementation.				
Depreciation and amortisation	4,889	5,974	(1,085)	(22)% U
Depreciation was higher on a number of assets classes including roads, bridges and footpaths, \$673,000 due to revaluation in the prior year. Additional depreciation of \$176,000 was also incurred on plant and equipment.				
Other expenses	1,583	2,236	(653)	(41)% U
Council made a donation of \$450,000 towards the construction of the Jerilderie Independent Living Units which was funded through the Stronger Communities Fund. Additional costs were also incurred for electricity \$20,00, advertising \$25,000, telephone \$17,000, insurance \$18,000 and street lighting \$20,000.				
Revaluation decrement / impairment of IPP&E	-	-	-	∞ F

### STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	15,025	12,351	(2,674)	(18)% U
Cash flows from operating activities was down due to reduction in capital grant income and also additional materials costs associated with the merger implementation.				
Net cash provided from (used in) investing activities	(21,312)	(21,193)	119	(1)% F
Net cash provided from (used in) financing activities	(89)	(89)	-	0% F

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Intangible assets

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

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9					
Plant and equipment		30/06/19	–	4,955	–	4,955
Office equipment		30/06/19	–	246	–	246
Furniture & fittings		30/06/19	–	73	–	73
Library books		30/06/19	–	11	–	11
Operational land		01/07/17	–	–	2,778	2,778
Community land		01/07/17	–	–	1,699	1,699
Land improvements – depreciable		01/07/17	–	–	9,069	9,069
Buildings – non specialised		01/07/17	–	5,167	–	5,167
Buildings – specialised		01/07/17	–	–	15,953	15,953
Other structures		01/07/17	–	–	682	682
Roads		01/07/17	–	–	112,803	112,803
Bridges		01/07/17	–	–	2,574	2,574
Footpaths		01/07/17	–	–	2,798	2,798
Other road assets		01/07/17	–	–	1,136	1,136
Bulk earthworks (non depreciable)		01/07/17	–	–	64,151	64,151
Stormwater drainage		01/07/17	–	–	8,796	8,796
Water supply network		30/06/19	–	–	8,168	8,168
Sewerage network		30/06/19	–	–	9,674	9,674
Swimming pools		01/07/17	–	–	779	779
Other open space/recreational		01/07/17	–	–	917	917
<b>Total infrastructure, property, plant and equipment</b>			–	<b>10,452</b>	<b>241,977</b>	<b>252,429</b>
<b>Intangible assets</b>						
Water licences		30/06/19	–	1,702	–	1,702
<b>Total intangible assets</b>			–	<b>1,702</b>	–	<b>1,702</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9					
Plant and equipment		30/06/18	–	5,200	–	5,200
Office equipment		30/06/18	–	307	–	307
Furniture & fittings		30/06/18	–	77	–	77
Library books		30/06/18	–	13	–	13
Operational land		01/07/17	–	–	2,714	2,714
Community land		01/07/17	–	–	1,699	1,699
Land improvements – depreciable		01/07/17	–	–	9,304	9,304
Buildings – non specialised		01/07/17	–	5,230	–	5,230
Buildings – specialised		01/07/17	–	–	16,127	16,127
Other structures		01/07/17	–	–	709	709
Roads		01/07/17	–	–	111,804	111,804
Bridges		01/07/17	–	–	2,653	2,653
Footpaths		01/07/17	–	–	2,856	2,856
Other road assets		01/07/17	–	–	1,176	1,176
Bulk earthworks (non depreciable)		01/07/17	–	–	63,942	63,942
Stormwater drainage		01/07/17	–	–	8,689	8,689
Water supply network		30/06/17	–	–	8,212	8,212
Sewerage network		30/06/17	–	–	9,785	9,785
Swimming pools		01/07/17	–	–	813	813
Other open space/recreational		01/07/17	–	–	875	875
<b>Total infrastructure, property, plant and equipment</b>			–	<b>10,827</b>	<b>241,358</b>	<b>252,185</b>
<b>Intangible assets</b>						
Water licences		13/05/2016	–	313	–	313
<b>Total intangible assets</b>			–	<b>313</b>	–	<b>313</b>

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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

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

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

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

Plant and equipment, office equipment, furniture and fittings and library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

Plant & equipment - Grader, trucks, rollers, tractors, motor vehicles and etc.

Office equipment - Computers, copiers, tablets, phones and etc.

Furniture & fittings - Chairs, desks, cupboards, cabinets and etc.

Library books - Books and other audio visual media

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

Non specialised buildings were valued by JRA (a division of Technology One) as at 1/7/17. The carrying amount of these assets is assumed to approximate market value due to the nature of the items, being substantially residential housing, which provides for regard to supply and demand conditions for this category of property.

The revaluation process identified variations in anticipated useful life of the buildings with a small upward movement in the fair value of these assets.

#### Intangible assets

Water licences are valued at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value, based on water pricing and licence types.

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

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

\$ '000	I,PP&E
<b>2018</b>	
<b>Opening balance</b>	240,891
Purchases (GBV)	6,874
Disposals (WDV)	(124)
Depreciation and impairment	(10,224)
FV gains – other comprehensive income	3,941
<b>Closing balance</b>	<u>241,358</u>
<b>2019</b>	
<b>Opening balance</b>	241,358
Purchases (GBV)	5,400
Disposals (WDV)	(49)
Depreciation and impairment	(5,020)
FV gains – other comprehensive income	288
<b>Closing balance</b>	<u>241,977</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
<b>c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>			
<b>Infrastructure, property, plant and equipment</b>			
Operational land	2,778	Land Values	NSW Valuer General's Valuations
Community Land	1,699	Land Values	NSW Valuer General's Valuations
Land Improvements	9,069	Depreciated Replacement Cost	Pattern of consumption, asset condition
Buildings Specialised	15,953	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other Structures	682	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Roads	112,803	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Bridges	2,574	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Footpaths	2,798	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other road assets	1,136	Gross Replacement Cost	Asset condition, consumption rate, useful life
Bulk Earthworks	64,151	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Stormwater Drainage	8,796	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Water Supply Network	8,168	Depreciated Replacement Cost	Asset condition, components, consumption rate, useful life
Sewerage Network	9,674	Depreciated Replacement Cost	Asset condition, components, consumption rate, useful life
Swimming Pools	779	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other open space/recreational assets	917	Depreciated Replacement Cost	Asset condition, consumption rate, useful life

**d. The valuation process for level 3 fair value measurements**

The valuation processes used have been described above.

Management determines the valuation process and who will undertake the work.

Movements in valuations are reviewed by Council's asset and finance staff.

All valuations were completed by Technology One (formerly JRA) with the exception of Operational and Community Land which were valued using NSW Valuer General's Valuations.

**(5) Highest and best use**

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

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

Note 21. Related Party Transactions

(a) Key management personnel

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

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

	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,308	989
Post-employment benefits	106	99
Other long-term benefits	213	146
Termination benefits	237	158
<b>Total</b>	<b>1,864</b>	<b>1,392</b>

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2019</b>				
Employee expenses relating to close family members of KMP.	502	-	-	-
Related Parties, which are Suppliers of Council, supplying goods and services, such as plumbing works and veterinary services, procured utilising Council's procedures & plans for procurement.	40	-	-	-
		Local Government (State) Award		
		30 days payment		
<b>2018</b>				
Employee expenses relating to close family members of KMP.	440	-	-	-
Related Parties, which are Suppliers of Council, supplying goods and services, such as plumbing works and veterinary services, procured utilising Council's procedures & plans for procurement.	24	-	-	-
		Local Government (State) Award		
		30 days payment		

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 22. Statement of developer contributions**

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

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

**Summary of contributions and levies**

	as at 30/6/2018		Contributions received during the year			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>										
<b>S7.12 levies – under a plan</b>	6	–	370	–	–	–	–	–	376	–
<b>Total S7.11 and S7.12 revenue under plans</b>	6	–	370	–	–	–	–	–	376	–
<b>Total contributions</b>	6	–	370	–	–	–	–	–	376	–

**S7.12 Levies – under a plan**

**MURRUMBIDGEE COUNCIL DEVELOPER CONTRIBUTION PLAN**

Community facilities	6	–	370	–	–	–	–	–	376	–
<b>Total</b>	6	–	370	–	–	–	–	–	376	–

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	4,356	600	567
User charges and fees	1,969	520	11
Interest and investment revenue	471	60	103
Other revenues	396	18	1
Grants and contributions provided for operating purposes	8,222	–	–
Grants and contributions provided for capital purposes	8,359	–	–
<b>Other income</b>			
Net gains from disposal of assets	117	–	–
<b>Total income from continuing operations</b>	<b>23,890</b>	<b>1,198</b>	<b>682</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	6,876	228	173
Borrowing costs	15	–	–
Materials and contracts	3,292	317	73
Depreciation and amortisation	5,403	289	282
Other expenses	1,753	341	142
<b>Total expenses from continuing operations</b>	<b>17,339</b>	<b>1,175</b>	<b>670</b>
<b>Operating result from continuing operations</b>	<b>6,551</b>	<b>23</b>	<b>12</b>
<b>Net operating result for the year</b>	<b>6,551</b>	<b>23</b>	<b>12</b>
<b>Net operating result attributable to each council fund</b>	<b>6,551</b>	<b>23</b>	<b>12</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(1,808)</b>	<b>23</b>	<b>12</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund (continued)

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7,582	1,430	2,730
Investments	18,309	497	1,136
Receivables	2,494	268	128
Inventories	899	25	–
Other	5	–	25
<b>Total current assets</b>	<b>29,289</b>	<b>2,220</b>	<b>4,019</b>
<b>Non-current assets</b>			
Receivables	5	–	–
Inventories	1,083	–	–
Infrastructure, property, plant and equipment	235,019	8,950	10,261
Intangible assets	913	789	–
Other	–	–	94
<b>Total non-current assets</b>	<b>237,020</b>	<b>9,739</b>	<b>10,355</b>
<b>TOTAL ASSETS</b>	<b>266,309</b>	<b>11,959</b>	<b>14,374</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,198	–	–
Income received in advance	63	–	–
Borrowings	84	–	–
Provisions	2,705	–	–
<b>Total current liabilities</b>	<b>4,050</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	135	–	–
Provisions	61	–	–
<b>Total non-current liabilities</b>	<b>196</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>4,246</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>262,063</b>	<b>11,959</b>	<b>14,374</b>
<b>EQUITY</b>			
Accumulated surplus	258,043	11,069	14,011
Revaluation reserves	4,020	890	363
<b>Council equity interest</b>	<b>262,063</b>	<b>11,959</b>	<b>14,374</b>
<b>Total equity</b>	<b>262,063</b>	<b>11,959</b>	<b>14,374</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund (continued)

## Details of individual internal loans for the year ended 30 June 2019

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

Details of individual internal loans	Council ID / Ref	Council ID / Ref
Borrower (by purpose)	Library Construction	Real Estate Development
Lender (by purpose)	Sewer Fund	Sewer Fund
Date of minister's approval	11/9/2008	4/9/2013
Date raised	31/3/2009	1/4/2014
Term (years)	10	10
Dates of maturity	31/3/19	1/04/2024
Rate of interest	variable	variable
Amount originally raised	285,000	250,000
<b>Principal outstanding at end of year</b>	Nil	118,749



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(1,890)</b>				
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>17,291</b>	<b>(10.93)%</b>	(22.53)%	5.45%	>0.00%
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>9,015</b>				
Total continuing operating revenue <sup>1</sup>	<b>25,650</b>	<b>35.15%</b>	49.39%	27.07%	>60.00%
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>13,340</b>				
Current liabilities less specific purpose liabilities	<b>2,164</b>	<b>6.16x</b>	5.67x	4.18x	>1.50x
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>4,096</b>				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>101</b>	<b>40.55x</b>	21.73x	45.49x	>2.00x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>499</b>				
Rates, annual and extra charges collectible	<b>6,007</b>	<b>8.31%</b>	8.47%	7.13%	<10.00%
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>31,684</b>				
Monthly payments from cash flow of operating and financing activities	<b>1,167</b>	<b>27.15 mths</b>	19.85 mths	22.10 mths	>3.00 mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). Statement of performance measures – by fund

	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(12.49)%	(25.30)%	1.92%	3.20%	1.76%	(4.31)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	30.11%	44.12%	99.08%	98.87%	98.39%	98.24%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	6.16x	5.67x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	34.55x	17.16x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	5.91%	5.94%	15.09%	16.74%	17.60%	18.36%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	24.41	16.97	26.10	27.74	119.57	113.47	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 24a above.

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

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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**Independent Auditor's Report**

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

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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**Independent Auditor's Report**

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# Murrumbidgee Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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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).

## Special Purpose Financial Statements

for the year ended 30 June 2019

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### 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, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and 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 20 January 2020.**

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Ruth McRae  
Mayor  
20 January 2020

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Robert Black  
Councillor  
20 January 2020

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John Scarce  
General Manager  
20 January 2020

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Vicki Sutton  
Responsible Accounting Officer  
20 January 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	600	564
User charges	518	456
Fees	2	5
Interest	60	38
Other income	18	1
<b>Total income from continuing operations</b>	<b>1,198</b>	<b>1,064</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	228	181
Materials and contracts	317	282
Depreciation, amortisation and impairment	289	275
Water purchase charges	9	9
Other expenses	332	283
<b>Total expenses from continuing operations</b>	<b>1,175</b>	<b>1,030</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>23</b>	<b>34</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>23</b>	<b>34</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>23</b>	<b>34</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(6)	(9)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>17</b>	<b>25</b>
<b>Plus accumulated surplus</b>	11,046	11,012
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	6	9
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>11,069</b>	<b>11,046</b>
<b>Return on capital %</b>	0.3%	0.4%
<b>Subsidy from Council</b>	95	203
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	17	25
<b>Surplus for dividend calculation purposes</b>	<b>17</b>	<b>25</b>
<b>Potential dividend calculated from surplus</b>	<b>8</b>	<b>12</b>



## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	567	532
User charges	3	20
Liquid trade waste charges	7	–
Fees	1	–
Interest	103	70
Other income	1	4
<b>Total income from continuing operations</b>	<b>682</b>	<b>626</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	173	109
Materials and contracts	73	152
Depreciation, amortisation and impairment	282	271
Other expenses	142	121
<b>Total expenses from continuing operations</b>	<b>670</b>	<b>653</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>12</b>	<b>(27)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>12</b>	<b>(27)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>12</b>	<b>(27)</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(3)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>9</b>	<b>(27)</b>
<b>Plus accumulated surplus</b>	<b>13,999</b>	<b>14,026</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	3	–
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>14,011</b>	<b>13,999</b>
<b>Return on capital %</b>	<b>0.1%</b>	<b>(0.3)%</b>
<b>Subsidy from Council</b>	<b>123</b>	<b>298</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	9	(27)
<b>Surplus for dividend calculation purposes</b>	<b>9</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>4</b>	<b>–</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,430	1,745
Investments	497	–
Receivables	268	252
Inventories	25	25
<b>Total current assets</b>	<b>2,220</b>	<b>2,022</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	8,950	8,994
Intangible assets	789	210
<b>Total non-current assets</b>	<b>9,739</b>	<b>9,204</b>
<b>TOTAL ASSETS</b>	<b>11,959</b>	<b>11,226</b>
<b>NET ASSETS</b>	<b>11,959</b>	<b>11,226</b>
<b>EQUITY</b>		
Accumulated surplus	11,069	11,046
Revaluation reserves	890	180
<b>TOTAL EQUITY</b>	<b>11,959</b>	<b>11,226</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,730	3,612
Investments	1,136	–
Receivables	128	123
Other	25	46
<b>Total current assets</b>	<b>4,019</b>	<b>3,781</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	10,261	10,305
Other	94	119
<b>Total non-current assets</b>	<b>10,355</b>	<b>10,424</b>
<b>TOTAL ASSETS</b>	<b>14,374</b>	<b>14,205</b>
<b>NET ASSETS</b>	<b>14,374</b>	<b>14,205</b>
<b>EQUITY</b>		
Accumulated surplus	14,011	13,999
Revaluation reserves	363	206
<b>TOTAL EQUITY</b>	<b>14,374</b>	<b>14,205</b>

## Murrumbidgee Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

(where gross operating turnover is less than \$2 million)

##### a. Murrumbidgee Council Water Funds

Comprising the whole of the water supply operations and net assets servicing the Council area.

##### b. Murrumbidgee Council Sewerage Funds

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the Council area.

#### Monetary amounts

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

## Murrumbidgee Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies (continued)

##### (i) Taxation equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

##### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

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

##### 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.

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

### Note 1. Significant Accounting Policies (continued)

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

#### (iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

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

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

**Special Purpose Financial Statements**  
for the year ended 30 June 2019

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