

# Murrumbidgee Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## General Purpose Financial Statements

for the year ended 30 June 2020

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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).

# Murrumbidgee Council

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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 27 October 2020.



Ruth McRae

Mayor

27 October 2020



Robert Black

Councillor

27 October 2020



John Scarce

General Manager

27 October 2020



Vicki Sutton

Responsible Accounting Officer

27 October 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
5,762	Rates and annual charges	3a	5,710	5,523
2,703	User charges and fees	3b	2,305	2,500
289	Other revenues	3c	213	415
6,726	Grants and contributions provided for operating purposes	3d,3e	8,615	8,222
5,283	Grants and contributions provided for capital purposes	3d,3e	6,253	8,359
550	Interest and investment income	4	500	631
–	Net gains from the disposal of assets	6	17	117
171	Rental income	13c	165	–
21,484	<b>Total income from continuing operations</b>		<b>23,778</b>	<b>25,767</b>
<b>Expenses from continuing operations</b>				
6,802	Employee benefits and on-costs	5a	7,249	7,133
6	Borrowing costs	5b	6	12
3,786	Materials and contracts	5c	3,834	3,704
5,706	Depreciation and amortisation	5d	5,935	5,974
1,704	Other expenses	5e	2,082	2,358
18,004	<b>Total expenses from continuing operations</b>		<b>19,106</b>	<b>19,181</b>
3,480	<b>Operating result from continuing operations</b>		<b>4,672</b>	<b>6,586</b>
3,480	<b>Net operating result for the year</b>		<b>4,672</b>	<b>6,586</b>
3,480	Net operating result attributable to council		4,672	6,586
(1,803)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(1,581)</b>	<b>(1,773)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,672</b>	<b>6,586</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10(a)	893	288
Gain on revaluation of intangible assets	11	—	742
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>893</b>	<b>1,030</b>
<b>Total other comprehensive income for the period</b>		<b>893</b>	<b>1,030</b>
<b>Total comprehensive income for the year</b>		<b>5,565</b>	<b>7,616</b>
 Total comprehensive income attributable to Council		 5,565	 7,616

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

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

# Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	11,323	11,742
Investments	7(b)	15,756	19,942
Receivables	8	2,549	2,890
Inventories	9a	1,024	924
Contract assets	12a	1,173	—
Other	9b	40	5
<b>Total current assets</b>		<b>31,865</b>	<b>35,503</b>
<b>Non-current assets</b>			
Receivables	8	2	5
Inventories	9a	1,119	1,083
Infrastructure, property, plant and equipment	10(a)	261,338	254,230
Intangible Assets	11	1,741	1,702
<b>Total non-current assets</b>		<b>264,200</b>	<b>257,020</b>
<b>Total assets</b>		<b>296,065</b>	<b>292,523</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	1,343	1,261
Contract liabilities	12b	10,005	—
Borrowings	14	41	59
Provisions	15	3,045	2,705
<b>Total current liabilities</b>		<b>14,434</b>	<b>4,025</b>
<b>Non-current liabilities</b>			
Borrowings	14	—	41
Provisions	15	67	61
<b>Total non-current liabilities</b>		<b>67</b>	<b>102</b>
<b>Total liabilities</b>		<b>14,501</b>	<b>4,127</b>
<b>Net assets</b>		<b>281,564</b>	<b>288,396</b>
<b>EQUITY</b>			
Accumulated surplus	16	275,398	283,123
Revaluation reserves	16	6,166	5,273
<b>Council equity interest</b>		<b>281,564</b>	<b>288,396</b>
<b>Total equity</b>		<b>281,564</b>	<b>288,396</b>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		283,123	5,273	288,396	276,537	4,243	280,780
Changes due to AASB 1058 and AASB 15 adoption	16	(12,397)	–	(12,397)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
<b>Opening balance</b>		<b>270,726</b>	<b>5,273</b>	<b>275,999</b>	<b>276,537</b>	<b>4,243</b>	<b>280,780</b>
Net operating result for the year		4,672	–	4,672	6,586	–	6,586
<b>Net operating result for the period</b>		<b>4,672</b>	<b>–</b>	<b>4,672</b>	<b>6,586</b>	<b>–</b>	<b>6,586</b>
<b>Other comprehensive income</b>							
– Gain on revaluation of IPP&E	10(a)	–	893	893	–	288	288
- Gain on revaluation of intangible assets	10	–	–	–	–	742	742
<b>Other comprehensive income</b>		<b>–</b>	<b>893</b>	<b>893</b>	<b>–</b>	<b>1,030</b>	<b>1,030</b>
<b>Total comprehensive income</b>		<b>4,672</b>	<b>893</b>	<b>5,565</b>	<b>6,586</b>	<b>1,030</b>	<b>7,616</b>
<b>Equity – balance at end of the reporting period</b>		<b>275,398</b>	<b>6,166</b>	<b>281,564</b>	<b>283,123</b>	<b>5,273</b>	<b>288,396</b>

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

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

# Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
5,762	Rates and annual charges		5,748	5,494
2,703	User charges and fees		2,831	2,948
553	Investment and interest revenue received		541	608
12,009	Grants and contributions		12,005	16,057
–	Bonds, deposits and retention amounts received		–	16
460	Other		1,213	1,142
<b>Payments:</b>				
(6,802)	Employee benefits and on-costs		(6,720)	(7,456)
(3,786)	Materials and contracts		(5,798)	(4,092)
(9)	Borrowing costs		(7)	(12)
–	Bonds, deposits and retention amounts refunded		(5)	–
(1,705)	Other		(2,256)	(2,354)
9,185	<b>Net cash provided (or used in) operating activities</b>	17b	7,552	12,351
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		19,942	5,120
100	Sale of real estate assets		159	389
936	Sale of infrastructure, property, plant and equipment		731	506
–	Deferred debtors receipts		2	3
<b>Payments:</b>				
–	Purchase of investment securities		(15,756)	(19,942)
(14,901)	Purchase of infrastructure, property, plant and equipment		(12,912)	(6,611)
–	Purchase of real estate assets		(39)	(11)
–	Purchase of intangible assets		(39)	(647)
(13,865)	<b>Net cash provided (or used in) investing activities</b>		(7,912)	(21,193)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(59)	Repayment of borrowings and advances		(59)	(89)
(59)	<b>Net cash provided or (used in) financing activities</b>		(59)	(89)
(4,739)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(419)	(8,931)
24,254	Plus: cash and cash equivalents – beginning of year	17a	11,742	20,673
19,515	<b>Cash and cash equivalents – end of the year</b>	17a	11,323	11,742
7,000	plus: Investments on hand – end of year	7(b)	15,756	19,942
26,515	<b>Total cash, cash equivalents and investments</b>		27,079	31,684

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 27 October 2020. 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.

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated fair values of intangible assets - refer Note 11
- (iii) employee benefit provisions – refer Note 15.

#### COVID-19 Impacts

COVID-19 has caused a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Council has incurred some additional costs in cleaning of council facilities.

Rate collections have not been impacted and the outstanding rate percentage is actually less than 2019. Other receivables have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID-19. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID-19.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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For assets where fair value is determined by market value Council has no evidence of material changes to these values. With COVID-19 emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

#### 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 8.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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/Australia Day Committee
- Coleambally Australia Day Committee
- Jerilderie Australia Day Committee
- Heritage Darlington Point
- Murrumbidgee Economic & Tourism Advisory Group

##### (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:

- 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council does not make use of volunteer services.

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

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018–5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 *Fair Value Measurement* and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

#### New accounting standards adopted during the year

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

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Governance and Administration	14,573	16,334	6,675	5,991	7,898	10,343	7,944	10,214	38,503	41,114
Public Order and Safety	278	173	615	482	(337)	(309)	271	168	1,953	1,947
Health	13	–	42	43	(29)	(43)	–	–	888	917
Environmental Protection	1,518	748	1,050	965	468	(217)	1,162	345	16,707	15,682
Community Services and Education	399	320	544	486	(145)	(166)	292	537	1,037	1,011
Housing and Community Amenities	293	627	600	773	(307)	(146)	46	45	4,531	3,827
Recreation and Cultural	618	79	1,708	1,735	(1,090)	(1,656)	2,266	986	16,934	14,014
Mining, Manufacturing and Construction	44	52	13	334	31	(282)	–	–	226	196
Transport and Communications	2,630	3,911	5,011	4,914	(2,381)	(1,003)	1,550	2,945	185,400	184,564
Economic Affairs	1,473	1,643	1,069	1,613	404	30	–	–	3,112	2,918
Water Supply	1,311	1,198	1,082	1,175	229	23	151	–	12,334	11,959
Sewerage Services	628	682	697	670	(69)	12	–	–	14,440	14,374
<b>Total functions and activities</b>	<b>23,778</b>	<b>25,767</b>	<b>19,106</b>	<b>19,181</b>	<b>4,672</b>	<b>6,586</b>	<b>13,682</b>	<b>15,240</b>	<b>296,065</b>	<b>292,523</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### 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 2020

### Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	330	317
Farmland	1058 (1)	3,784	3,666
Business	1058 (1)	109	103
Less: pensioner rebates (mandatory)	1058 (1)	(32)	(31)
<b>Rates levied to ratepayers</b>		<b>4,191</b>	<b>4,055</b>
Pensioner rate subsidies received	1058 (1)	18	16
<b>Total ordinary rates</b>		<b>4,209</b>	<b>4,071</b>
<b>Special rates</b>			
Town improvement	1058 (1)	54	52
Less: pensioner rebates (mandatory)	1058 (1)	(3)	(3)
<b>Rates levied to ratepayers</b>		<b>51</b>	<b>49</b>
Pensioner rate subsidies received:			
– Other	1058 (1)	2	2
<b>Total special rates</b>		<b>53</b>	<b>51</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	202	296
Stormwater management services	1058 (1)	10	10
Water supply services	1058 (1)	598	556
Waste management services (non-domestic)	1058 (1)	105	28
Sewerage services	1058 (1)	563	543
Less: pensioner rebates (mandatory)	1058 (1)	(68)	(68)
<b>Annual charges levied</b>		<b>1,410</b>	<b>1,365</b>
Pensioner subsidies received:			
– Water	1058 (1)	12	11
– Sewerage	1058 (1)	12	11
– Domestic waste management	1058 (1)	14	14
<b>Total annual charges</b>		<b>1,448</b>	<b>1,401</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>5,710</b>	<b>5,523</b>

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

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

#### Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

#### **2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	509	523
Sewerage services	15 (1)	6	8
Waste management services (non-domestic)	15 (1)	28	2
<b>Total specific user charges</b>		<b>543</b>	<b>533</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	15 (1)	17	11
Building services – other	15 (1)	8	8
Planning and building regulation	15 (1)	68	81
Private works – section 67	15 (1)	380	275
Regulatory/ statutory fees	15 (1)	6	5
Registration fees	15 (1)	4	2
Section 10.7 certificates (EP&A Act)	15 (1)	12	8
Section 603 certificates	15 (1)	7	8
<b>Total fees and charges – statutory/regulatory</b>		<b>502</b>	<b>398</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Community centres	15 (1)	5	11
Leaseback fees – Council vehicles	15 (1)	48	30
Library	15 (1)	2	–
Park rents	15 (1)	3	3
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	1,012	1,287
Saleyards	15 (1)	21	18
Waste disposal tipping fees	15 (1)	10	23
Water connection fees	15 (1)	–	2
Cemetery	15 (1)	48	50
Community care services	15 (1)	80	102
Swimming pool	15 (1)	–	10
Other	15 (1)	31	33
<b>Total fees and charges – other</b>		<b>1,260</b>	<b>1,569</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>2,305</b>	<b>2,500</b>

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

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

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

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

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

#### Accounting policy for user charges and fees

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### 2019 accounting policy

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	155
Commissions and agency fees	15 (1)	90	100
Diesel rebate	1058 (1)	55	50
Recycling income (non-domestic)	15 (1)	6	11
Insurance incentives	1058 (1)	–	23
Insurance rebates	1058 (1)	37	27
Miscellaneous sales	15 (1)	3	11
Temporary water transfer	15 (1)	7	–
Other	15 (1)	15	38
<b>TOTAL OTHER REVENUE</b>		<b>213</b>	<b>415</b>

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

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

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

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

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

#### Accounting policy for other revenue

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

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

#### 2019 accounting policy:

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

Fines are recognised as revenue when the 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 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	1058 (1)	2,283	2,226	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	1058 (1)	2,420	2,309	–	–
<b>Total general purpose</b>		<b>4,703</b>	<b>4,535</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (1)	–	–	151	–
Child care	1058 (1)	80	–	22	–
Employment and training programs	1058 (1)	–	3	–	–
Environmental programs	15 (2)	40	–	1,076	300
Heritage and cultural	1058 (1)	–	–	27	–
Library	1058 (1)	73	35	–	–
Noxious weeds	1058 (1)	45	46	–	–
Bushfire and emergency services	1058 (1)	58	–	–	–
NSW rural fire services	1058 (1)	167	168	42	–
Recreation and culture	15 (2)	–	4	2,167	–
Street lighting	1058 (1)	46	45	–	–
Transport (roads to recovery)	1058 (1)	1,512	910	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	38	2,035
Other – New Council Implementation Fund	1058 (2)	–	1,225	–	–
Other – Stronger Communities Fund	1058 (2)	–	300	2,301	4,065
Community services	1058 (1)	188	205	–	–
Stronger Country Communities	15 (2)	–	–	159	1,274
Crown Lands	1058 (1)	–	86	–	–
Other	1058 (1)	6	4	–	–
Drought Communities	1058 (2)	781	–	–	–
<b>Total specific purpose</b>		<b>2,996</b>	<b>3,031</b>	<b>5,983</b>	<b>7,674</b>
<b>Total grants</b>		<b>7,699</b>	<b>7,566</b>	<b>5,983</b>	<b>7,674</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		7,185	5,653	–	–
– State funding		514	1,913	5,983	7,674
		<b>7,699</b>	<b>7,566</b>	<b>5,983</b>	<b>7,674</b>

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

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

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

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

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

**15 (2) & 1058 (1)** indicates both items as above

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) 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		1058 (1)	–	–	–	370
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	65	–
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>65</b>	<b>370</b>
<b>Total developer contributions</b>	25		<b>–</b>	<b>–</b>	<b>65</b>	<b>370</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Community services		1058 (1)	20	–	–	–
Recreation and culture		1058 (1)	–	–	5	–
RMS contributions (regional roads, block grant)		1058 (1)	880	651	200	315
Other		1058 (1)	5	–	–	–
Long Service Leave		15 (1)	11	5	–	–
<b>Total other contributions – cash</b>			<b>916</b>	<b>656</b>	<b>205</b>	<b>315</b>
<b>Total other contributions</b>			<b>916</b>	<b>656</b>	<b>205</b>	<b>315</b>
<b>Total contributions</b>			<b>916</b>	<b>656</b>	<b>270</b>	<b>685</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>8,615</b>	<b>8,222</b>	<b>6,253</b>	<b>8,359</b>

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

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

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

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

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

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

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

The performance obligations are varied based on the agreement but include performance obligations within AASB 15 grants, such as completion of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Grant income

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
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## (f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

**Operating grants**

Unexpended at the close of the previous reporting period	1,524	1,258
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	3	2,193
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(923)	(1,927)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>604</b>	<b>1,524</b>

**Capital grants**

Unexpended at the close of the previous reporting period	12,611	8,164
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	–	5,196
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(12,611)	(749)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>–</b>	<b>12,611</b>

**Contributions**

Unexpended at the close of the previous reporting period	784	488
<b>Add:</b> contributions recognised as income in the current period but not yet spent	83	370
<b>Less:</b> contributions recognised in a previous reporting period now spent	(408)	(74)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>459</b>	<b>784</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	37	49
– Cash and investments	463	582
<b>Total Interest and investment income</b>	<b>500</b>	<b>631</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	16	30
General Council cash and investments	371	438
<b>Restricted investments/funds – external:</b>		
Water fund operations	45	60
Sewerage fund operations	68	103
<b>Total interest and investment revenue</b>	<b>500</b>	<b>631</b>

**Accounting policy for interest and investment revenue**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	5,593	5,847
Employee leave entitlements (ELE)	1,198	956
Superannuation	753	603
Workers' compensation insurance	197	225
Fringe benefit tax (FBT)	44	50
Other	3	45
<b>Total employee costs</b>	<b>7,788</b>	<b>7,726</b>
Less: capitalised costs	(539)	(593)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>7,249</b>	<b>7,133</b>
Number of 'full-time equivalent' employees (FTE) at year end	82	81
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	86	86

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	6	12
<b>Total interest bearing liability costs</b>	<b>6</b>	<b>12</b>
<b>Total interest bearing liability costs expensed</b>	<b>6</b>	<b>12</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>6</b>	<b>12</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 as incurred.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	13,245	6,830
Contractor and consultancy costs	2,882	1,941
– Waste collection	135	106
Auditors remuneration <sup>2</sup>	68	65
<b>Legal expenses:</b>		
– Legal expenses: other	12	6
Expenses from leases of low value assets (2020 only)	4	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	8
<b>Total materials and contracts</b>	<b>16,346</b>	<b>8,956</b>
Less: capitalised costs	(12,512)	(5,252)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>3,834</b>	<b>3,704</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

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

Printers	–	8
	–	8

**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	68	65
<b>Remuneration for audit and other assurance services</b>	<b>68</b>	<b>65</b>
<b>Total Auditor-General remuneration</b>	<b>68</b>	<b>65</b>
<b>Total Auditor remuneration</b>	<b>68</b>	<b>65</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,061	1,081
Office equipment		113	113
Furniture and fittings		7	13
Land improvements (depreciable)		300	311
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		172	166
– Buildings – specialised		524	513
– Other structures		27	27
– Roads		3,207	3,207
– Bridges		79	79
– Footpaths		67	63
– Other road assets		41	40
– Stormwater drainage		144	143
– Water supply network		291	285
– Sewerage network		279	277
– Swimming pools		34	34
– Other open space/recreational assets		44	41
<b>Other assets:</b>			
– Library books		7	12
<b>Total gross depreciation and amortisation costs</b>		<b>6,397</b>	<b>6,405</b>
Less: capitalised costs		(462)	(431)
<b>Total depreciation and amortisation costs</b>		<b>5,935</b>	<b>5,974</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b><u>5,935</u></b>	<b><u>5,974</u></b>

**Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets****Depreciation and amortisation**

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

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

**Impairment of non-financial assets**

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

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	2020	2019
<b>(e) Other expenses</b>		
Training costs (other than salaries and wages)	121	46
Travel expenses	20	76
Advertising	28	58
Bank charges	14	15
Contributions/levies to other levels of government		
– NSW – SES	6	5
– NSW fire brigade levy	21	19
– NSW rural fire service levy	327	260
– Mobile book library contribution	98	92
Councillor expenses – mayoral fee	27	28
Councillor expenses – councillors' fees	108	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	46	36
Donations, contributions and assistance to other organisations (Section 356)	170	547
Electricity and heating	297	329
Fire control expenses	124	78
Insurance	396	376
Street lighting	90	92
Subscriptions and publications	59	37
Telephone and communications	88	107
Valuation fees	20	26
Subscriptions – shires association	22	24
<b>Total other expenses</b>	<b>2,082</b>	<b>2,358</b>
<b>TOTAL OTHER EXPENSES</b>	<b>2,082</b>	<b>2,358</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 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		731	506
Less: carrying amount of plant and equipment assets sold/written off		(455)	(439)
<b>Net gain/(loss) on disposal</b>		<b>276</b>	<b>67</b>
<b>Infrastructure</b>	10(a)		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(307)	(49)
<b>Net gain/(loss) on disposal</b>		<b>(307)</b>	<b>(49)</b>
<b>Real estate assets held for sale</b>	9		
Proceeds from disposal – real estate assets		159	389
Less: carrying amount of real estate assets sold/written off		(111)	(290)
<b>Net gain/(loss) on disposal</b>		<b>48</b>	<b>99</b>
<b>Investments</b>	7(b)		
Proceeds from disposal/redemptions/maturities – investments		19,942	5,120
Less: carrying amount of investments sold/redeemed/matured		(19,942)	(5,120)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>17</b>	<b>117</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,504	2,112
Cash-equivalent assets		
– Short-term deposits	8,819	9,630
<b>Total cash and cash equivalents</b>	<b>11,323</b>	<b>11,742</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 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity' (2018)	15,756	–	19,942	–
<b>Total Investments</b>	<b>15,756</b>	<b>–</b>	<b>19,942</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>27,079</b>	<b>–</b>	<b>31,684</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long-term deposits	15,756	–	19,942	–
<b>Total</b>	<b>15,756</b>	<b>–</b>	<b>19,942</b>	<b>–</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

On initial recognition, Council classifies its financial assets 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.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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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 the Income Statement.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	27,079	–	31,684	–
<b>attributable to:</b>				
External restrictions	17,950	–	21,245	–
Internal restrictions	8,578	–	9,448	–
Unrestricted	551	–	991	–
	27,079	–	31,684	–

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	10,005	–
Other	–	27

<b>External restrictions – included in liabilities</b>	<b>10,005</b>	<b>27</b>
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**External restrictions – other**

Developer contributions – general	441	376
RMS contributions	18	408
Specific purpose unexpended grants (recognised as revenue) – general fund	604	14,135
Water supplies	2,289	1,927
Sewerage services	4,087	3,866
Other special levies	432	432
Domestic waste management	74	74

<b>External restrictions – other</b>	<b>7,945</b>	<b>21,218</b>
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<b>Total external restrictions</b>	<b>17,950</b>	<b>21,245</b>
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**Internal restrictions**

Plant and vehicle replacement	1,663	2,183
Infrastructure replacement	3,016	3,293
Employees leave entitlement	1,220	1,468
Carry over works	197	128
Deposits, retentions and bonds	27	32
SES	15	15
Local environmental plan	20	20
Financial Assistance Grant advance payment	2,420	2,309

<b>Total internal restrictions</b>	<b>8,578</b>	<b>9,448</b>
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<b>TOTAL RESTRICTIONS</b>	<b>26,528</b>	<b>30,693</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	444	–	465	–
Interest and extra charges	40	–	34	–
User charges and fees	1,060	–	1,424	–
Private works	–	–	1	–
Accrued revenues				
– Interest on investments	66	–	113	–
– Other income accruals	16	–	–	–
Deferred debtors	3	2	2	5
Government grants and subsidies	–	–	702	–
Net GST receivable	939	–	158	–
Other debtors	11	–	21	–
<b>Total</b>	<b>2,579</b>	<b>2</b>	<b>2,920</b>	<b>5</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>2,549</u></b>	<b><u>2</u></b>	<b><u>2,890</u></b>	<b><u>5</u></b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Other	264	–	268	–
<b>Sewerage services</b>				
– Other	124	–	128	–
<b>Total external restrictions</b>	<b>388</b>	<b>–</b>	<b>396</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>2,161</b>	<b>2</b>	<b>2,494</b>	<b>5</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,549</b>	<b>2</b>	<b>2,890</b>	<b>5</b>

\$ '000	2020	2019
<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 (calculated in accordance with AASB 9)</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Impairment

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

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

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

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

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

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

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

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

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.

Rates and annual charges outstanding are secured against the property.

#### COVID-19

Council's rate and user charges collections have not been impacted by the COVID-19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until September 30 and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	532	1,119	640	1,083
Stores and materials	492	–	284	–
<b>Total inventories at cost</b>	<b>1,024</b>	<b>1,119</b>	<b>924</b>	<b>1,083</b>
<b>TOTAL INVENTORIES</b>	<b>1,024</b>	<b>1,119</b>	<b>924</b>	<b>1,083</b>

### (b) Other assets

Prepayments	35	–	–	–
Work in progress	5	–	5	–
<b>TOTAL OTHER ASSETS</b>	<b>40</b>	<b>–</b>	<b>5</b>	<b>–</b>

### Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Water</b>				
Stores and materials	24	–	25	–
<b>Total water</b>	<b>24</b>	<b>–</b>	<b>25</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>24</b>	<b>–</b>	<b>25</b>	<b>–</b>
<b>Total internally restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>1,040</b>	<b>1,119</b>	<b>904</b>	<b>1,083</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>1,064</b>	<b>1,119</b>	<b>929</b>	<b>1,083</b>

### (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		441	884	541	847
Industrial/commercial		91	235	99	236
<b>Total real estate for resale</b>		<b>532</b>	<b>1,119</b>	<b>640</b>	<b>1,083</b>

(Valued at the lower of cost and net realisable value)

#### Represented by:

Acquisition costs	127	1,052	183	1,035
Development costs	405	67	457	48
<b>Total costs</b>	<b>532</b>	<b>1,119</b>	<b>640</b>	<b>1,083</b>
<b>Total real estate for resale</b>	<b>532</b>	<b>1,119</b>	<b>640</b>	<b>1,083</b>

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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets (continued)

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Movements:</b>					
Real estate assets at beginning of the year		640	1,083	1,302	700
– Purchases and other costs		3	36	11	–
– WDV of sales (expense)	6	(111)	–	(290)	–
– Transfer between current/non-current		–	–	(383)	383
<b>Total real estate for resale</b>		<b>532</b>	<b>1,119</b>	<b>640</b>	<b>1,083</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets (continued)

**(b) Current assets not anticipated to be settled within the next 12 months**

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

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
Real estate for resale	431	472
	<u>431</u>	<u>472</u>

**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.

**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 2020

### Note 10(a). Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	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	1,801	–	1,801	–	833	–	–	(1,105)	–	1,529	–	1,529
Plant and equipment	12,766	(7,811)	4,955	–	3,020	(455)	(1,061)	–	–	13,428	(6,969)	6,459
Office equipment	860	(614)	246	–	38	–	(113)	–	–	897	(726)	171
Furniture and fittings	360	(287)	73	–	10	–	(7)	–	–	369	(293)	76
<b>Land:</b>												
– Operational land	2,778	–	2,778	–	–	–	–	–	518	3,296	–	3,296
– Community land	1,699	–	1,699	–	–	–	–	–	203	1,902	–	1,902
Land improvements – depreciable	11,373	(2,304)	9,069	–	1,536	–	(300)	418	–	12,690	(1,967)	10,723
<b>Infrastructure:</b>												
– Buildings – non-specialised	8,014	(2,847)	5,167	–	210	–	(172)	–	–	8,221	(3,016)	5,205
– Buildings – specialised	28,550	(12,597)	15,953	468	1,536	(62)	(524)	58	–	30,132	(12,703)	17,429
– Other structures	741	(59)	682	–	87	–	(27)	–	–	828	(86)	742
– Roads	166,121	(53,318)	112,803	3,490	–	–	(3,207)	–	–	167,336	(54,250)	113,086
– Bridges	6,649	(4,075)	2,574	–	–	–	(79)	–	–	6,649	(4,154)	2,495
– Footpaths	3,729	(931)	2,798	49	399	(23)	(67)	–	–	4,129	(973)	3,156
– Other road assets	2,091	(955)	1,136	–	59	–	(41)	–	–	2,150	(996)	1,154
– Bulk earthworks (non-depreciable)	64,151	–	64,151	–	107	–	–	–	–	64,258	–	64,258
– Stormwater drainage	13,283	(4,487)	8,796	11	–	(2)	(144)	–	–	13,287	(4,626)	8,661
– Water supply network	17,557	(9,389)	8,168	151	71	–	(291)	128	78	17,922	(9,617)	8,305
– Sewerage network	19,803	(10,129)	9,674	29	24	–	(279)	439	94	20,480	(10,499)	9,981
– Swimming pools	1,761	(982)	779	1,079	–	(220)	(34)	62	–	1,738	(72)	1,666
– Other open space/recreational assets	1,331	(414)	917	113	32	–	(44)	–	–	1,378	(360)	1,018
<b>Other assets:</b>												
– Library books	141	(130)	11	–	22	–	(7)	–	–	43	(17)	26
<b>Total Infrastructure, property, plant and equipment</b>	<b>365,559</b>	<b>(111,329)</b>	<b>254,230</b>	<b>5,390</b>	<b>7,984</b>	<b>(762)</b>	<b>(6,397)</b>	<b>–</b>	<b>893</b>	<b>372,662</b>	<b>(111,324)</b>	<b>261,338</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 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	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 2020

## Note 10(a). 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. 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>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
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 120
Bores	5 to 40	Culverts	50 to 200
Reticulation pipes: PVC	50 to 100	Flood control structures	80 to 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	80 to 150		
Bridge: other	80 to 150		
Road pavements	60		
Kerb, gutter and footpaths	15 to 100		

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 2020

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

**Land under roads**

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

Council has elected 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.

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>\$ '000</b>						
<b>Water supply</b>						
WIP	555	—	555	682	—	682
Plant and equipment	102	46	56	93	43	50
Land						
– Operational land	28	—	28	23	—	23
– Improvements – depreciable	33	27	6	33	26	7
Buildings	20	2	18	20	1	19
Infrastructure	17,922	9,617	8,305	17,557	9,388	8,169
<b>Total water supply</b>	<b>18,660</b>	<b>9,692</b>	<b>8,968</b>	<b>18,408</b>	<b>9,458</b>	<b>8,950</b>
<b>Sewerage services</b>						
WIP	—	—	—	440	—	440
Plant and equipment	80	42	38	79	38	41
Land						
– Operational land	115	—	115	105	—	105
– Improvements – depreciable	34	33	1	34	33	1
Infrastructure	20,480	10,499	9,981	19,803	10,129	9,674
<b>Total sewerage services</b>	<b>20,709</b>	<b>10,574</b>	<b>10,135</b>	<b>20,461</b>	<b>10,200</b>	<b>10,261</b>
<b>Domestic waste management</b>						
Plant and equipment	12	7	5	12	6	6
Land						
– Operational land	91	—	91	121	—	121
– Improvements – depreciable	451	132	319	451	118	333
Buildings	83	18	65	83	17	66
<b>Total DWM</b>	<b>637</b>	<b>157</b>	<b>480</b>	<b>667</b>	<b>141</b>	<b>526</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
\$ '000						
<u>TOTAL RESTRICTED IPP&amp;E</u>	40,006	20,423	19,583	39,536	19,799	19,737

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Water Licenses</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,702	313
<b>Net book value – opening balance</b>	<b>1,702</b>	<b>313</b>
<b>Movements for the year</b>		
- Purchases	39	647
- Revaluation	–	742
<b>Closing values at 30 June</b>		
Gross book value	1,741	1,702
<b>Total water licenses – net book value</b>	<b>1,741</b>	<b>1,702</b>
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>1,741</u></b>	<b><u>1,702</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.

Water licences are 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, with income received from the sales of water entitlements 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 licencers 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 2020

## Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
<b>(a) Contract assets</b>			
Other		1,173	—
<b>Total Contract assets</b>		<b>1,173</b>	<b>—</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	10,005	—
<b>Total grants received in advance</b>		<b>10,005</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>10,005</b>	<b>—</b>

**Notes**

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

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	3,029
Operating grants (received prior to performance obligation being satisfied)	63
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>3,092</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Contract assets and liabilities (continued)

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Leases

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

#### (i) Council as a lessee

Council has a lease for a plan printer. Information relating to the leases in place and associated balances and transactions is provided below.

#### Terms and conditions of leases

##### Office and IT equipment

Council has a lease for a plan printer which is a low value asset. The lease is for 5 years and will expire in the 2020/21 financial year with no renewal option, the payments are fixed.

\$ '000	2020
---------	------

#### (a) Income Statement

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

Expenses relating to low-value leases	4
	<u>4</u>

#### (b) Statement of Cash Flows

Total cash outflow for leases	4
	<u>4</u>

#### Accounting policy

##### Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

**Exceptions to lease accounting**

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

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

Refer to Note 5c and Note 19.

**(ii) Council as a lessor****(c) Operating leases**

Council leases out a number of housing properties to staff and other properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in IPP&E (refer in this note below) in the Statement of Financial Position.

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Property Rental	48
Housing Rental	117
<b>Total income relating to operating leases</b>	<b>165</b>

**(iv) Maturity analysis of contractual lease income**

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

< 1 year	168
1–2 years	145
2–3 years	140
3–4 years	125
4–5 years	122
> 5 years	113
<b>Total undiscounted contractual lease income receivable</b>	<b>813</b>

**Accounting policy**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	971	–	1,090	–
Accrued expenses:				
– Borrowings	–	–	1	–
– Salaries and wages	241	–	39	–
Advances	10	–	7	–
Security bonds, deposits and retentions	27	–	32	–
Other	14	–	29	–
Prepaid rates	80	–	63	–
<b>Total payables</b>	<b>1,343</b>	<b>–</b>	<b>1,261</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	41	–	59	41
<b>Total borrowings</b>	<b>41</b>	<b>–</b>	<b>59</b>	<b>41</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,384</u></b>	<b><u>–</u></b>	<b><u>1,320</u></b>	<b><u>41</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 21.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

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

	as at 30/06/19		Non-cash changes	as at 30/06/20
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Closing balance
\$ '000				
Loans – secured	100	(59)	–	41
<b>TOTAL</b>	<b>100</b>	<b>(59)</b>	<b>–</b>	<b>41</b>

	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
\$ '000						
Loans – secured	189	(89)	–	–	–	100
<b>TOTAL</b>	<b>189</b>	<b>(89)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100</b>

\$ '000	2020	2019
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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	18
<b>Total financing arrangements</b>	<b>18</b>	<b>18</b>

## Drawn facilities as at balance date:

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

## Undrawn facilities as at balance date:

- Credit cards/purchase cards	18	9
<b>Total undrawn financing arrangements</b>	<b>18</b>	<b>9</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. 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 2020

### Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	849	–	731	–
Long service leave	2,135	66	1,910	59
ELE on-costs	61	1	64	2
<b>Sub-total – aggregate employee benefits</b>	<b>3,045</b>	<b>67</b>	<b>2,705</b>	<b>61</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,045</u></b>	<b><u>67</u></b>	<b><u>2,705</u></b>	<b><u>61</u></b>

\$ '000	2020	2019
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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	2,446	1,834
	<u>2,446</u>	<u>1,834</u>

#### 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 2020

### Note 15. 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. 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, including intangible assets.

#### (ii) AASB 15 and AASB 1058

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

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

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

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

#### Principal v agent

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

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

#### Prepaid rates

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

#### Grants – operating

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

#### Grants – capital

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

#### Changes in presentation

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

- Additional line items of contract liabilities have been created.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

	Balance at 1 July 2019
<b>\$ '000</b>	
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	63
– Under AASB 1058	12,334
<b>Total Contract liabilities</b>	<u>12,397</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

## Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	11,323	—	—	11,323	
Investments	15,756	—	—	15,756	
Receivables	2,549	991	—	3,540	
Inventories	1,024	—	—	1,024	
Contract assets	1,173	(991)	—	182	
Other	40	—	—	40	
<b>Total current assets</b>	<b>31,865</b>	<b>—</b>	<b>—</b>	<b>31,865</b>	
<b>Current liabilities</b>					
Payables	1,343	—	—	1,343	
Contract liabilities	10,005	—	(10,005)	—	
Borrowings	41	—	—	41	
Provisions	3,045	—	—	3,045	
<b>Total current liabilities</b>	<b>14,434</b>	<b>—</b>	<b>(10,005)</b>	<b>4,429</b>	
<b>Non-current assets</b>					
Receivables	2	—	—	2	
Inventories	1,119	—	—	1,119	
Infrastructure, property, plant and equipment	261,338	—	—	261,338	
Intangible assets	1,741	—	—	1,741	
<b>Total non-current assets</b>	<b>264,200</b>	<b>—</b>	<b>—</b>	<b>264,200</b>	
<b>Non-current liabilities</b>					
Provisions	67	—	—	67	
<b>Total Non-current liabilities</b>	<b>67</b>	<b>—</b>	<b>—</b>	<b>67</b>	
<b>Net assets</b>	<b>281,564</b>	<b>—</b>	<b>10,005</b>	<b>291,569</b>	
<b>Equity</b>					
Accumulated surplus	275,398	—	10,005	285,403	
Revaluation reserves	6,166	—	—	6,166	
<b>Council equity interest</b>	<b>281,564</b>	<b>—</b>	<b>10,005</b>	<b>291,569</b>	
<b>Total equity</b>	<b>281,564</b>	<b>—</b>	<b>10,005</b>	<b>291,569</b>	

Funds under AASB 15 and AASB 1058 which have been received prior to the satisfaction of the performance obligation.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Income Statement**

<b>\$ '000</b>	<b>Income Statement and comprehensive income under AASB 15 and AASB 1058</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>Income Statement and comprehensive income under previous revenue standards</b>	<b>Notes</b>
<u><b>Income from continuing operations</b></u>					
Rates and annual charges	5,710	—	—	5,710	
User charges and fees	2,305	—	—	2,305	
Other revenues	213	—	—	213	
Grants and contributions provided for operating purposes	8,615	—	—	8,615	
Grants and contributions provided for capital purposes	6,253	—	700	6,953	
Interest and investment income	500	—	—	500	
Net gains from the disposal of assets	17	—	—	17	
Rental income	165	—	—	165	
<b>Total Income from continuing operations</b>	<b>23,778</b>	<b>—</b>	<b>700</b>	<b>24,478</b>	
<u><b>Expenses from continuing operations</b></u>					
Employee benefits and on-costs	7,249	—	—	7,249	
Borrowing costs	6	—	—	6	
Materials and contracts	3,834	—	—	3,834	
Depreciation and amortisation	5,935	—	—	5,935	
Other expenses	2,082	—	—	2,082	
<b>Total Expenses from continuing operations</b>	<b>19,106</b>	<b>—</b>	<b>—</b>	<b>19,106</b>	
<b>Total Operating result from continuing operations</b>	<b>4,672</b>	<b>—</b>	<b>700</b>	<b>5,372</b>	
<b>Net operating result for the year</b>	<b>4,672</b>	<b>—</b>	<b>700</b>	<b>5,372</b>	
<b>Total comprehensive income</b>	<b>5,565</b>	<b>—</b>	<b>700</b>	<b>6,265</b>	

Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total assets</b>	<b>292,523</b>	<b>–</b>	<b>292,523</b>
Contract liabilities	–	12,397	12,397
<b>Total liabilities</b>	<b>4,127</b>	<b>12,397</b>	<b>16,524</b>
Accumulated surplus	283,123	(12,397)	270,726
<b>Total equity</b>	<b>288,396</b>	<b>(12,397)</b>	<b>275,999</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

**Financial statement impact of adoption of AASB 16**

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for copiers which are all low value assets.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>7</b>

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>7</b>
<b>Less:</b>	
Leases for low-value assets included in commitments note	(7)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>—</b>

**Council as a lessor**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	6a	11,323	11,742
<b>Balance as per the Statement of Cash Flows</b>		<b>11,323</b>	<b>11,742</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		4,672	6,586
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,935	5,974
Net losses/(gains) on disposal of assets		(17)	(117)
Adoption of AASB 15/1058		(12,397)	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		342	(419)
Decrease/(increase) in inventories		(208)	142
Decrease/(increase) in other current assets		(35)	30
Decrease/(increase) in contract assets		(1,173)	–
Increase/(decrease) in payables		(119)	262
Increase/(decrease) in accrued interest payable		(1)	–
Increase/(decrease) in other accrued expenses payable		202	(11)
Increase/(decrease) in other liabilities		–	38
Increase/(decrease) in contract liabilities		10,005	–
Increase/(decrease) in provision for employee benefits		346	(134)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>7,552</b>	<b>12,351</b>

## Note 18. 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	2020	2020
		(\$'000) Net profit	(\$'000) Net assets
<b>Western Riverina Libraries</b>	Provision of library services to member local government areas	4	564

**Reasons for non-recognition**

Council holds an 17.64% 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 2020

## Note 19. Commitments

\$ '000	2020	2019
---------	------	------

## (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	907	1,076
Levee Bank	–	1,455
Buildings	2,774	714
Plant and equipment	706	666
<b>Total commitments</b>	<b>4,387</b>	<b>3,911</b>

**These expenditures are payable as follows:**

Within the next year	4,387	3,911
<b>Total payable</b>	<b>4,387</b>	<b>3,911</b>

**Sources for funding of capital commitments:**

Future grants and contributions	1,457	2,046
Unexpended grants	2,224	1,038
Internally restricted reserves	706	827
<b>Total sources of funding</b>	<b>4,387</b>	<b>3,911</b>

**Details of capital commitments**

Construction of boat ramp at Darlington Point  
 Construction of display & amenities at Darlington Point  
 Upgrade of Darlington Point sports ground facilities  
 Upgrade of Jerilderie swimming pool and amenities  
 Construct change rooms & amenities at Coleambally sports precinct  
 Construct gymnasium and amenities at Coleambally sports precinct  
 Upgrade clubhouse/stadium at Coleambally sports precinct  
 Upgrade Yamma Hall amenities

\$ '000	2020	2019
---------	------	------

## (b) Non-cancellable operating lease commitments (2019 only)

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

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

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

Refer to Note 13 for information relating to leases for 2020.  
 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 2020

### Note 20. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 175,570. The last valuation of the Scheme was performed by Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$103,100. Council's expected contribution to the plan for the next annual reporting period is \$172,684.

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

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

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

Based on a Past Service Liabilities methodology, the share of the deficit that can be attributed to council is 0.26%.

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

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

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

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 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 2020 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 June 2008.

##### (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 18.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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>2020</b>				
Possible impact of a 1% movement in interest rates	270	270	(270)	(270)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	316	316	(316)	(316)



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (b) Credit risk

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

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

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>2020</b>						
Gross carrying amount	–	354	40	43	7	444
<b>2019</b>						
Gross carrying amount	–	371	42	45	7	465

## 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 2020 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>2020</b>						
Gross carrying amount	2,040	–	3	5	89	2,137
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	33.71%	1.40%
<b>ECL provision</b>	–	–	–	–	30	30
<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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (c) Liquidity risk

Payables, lease liabilities 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 for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	27	1,236	–	–	1,263	1,263
Loans and advances	8.03%	–	43	–	–	43	41
<b>Total financial liabilities</b>		<b>27</b>	<b>1,279</b>	<b>–</b>	<b>–</b>	<b>1,306</b>	<b>1,304</b>
<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>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>5,762</b>	<b>5,710</b>	<b>(52)</b>	<b>(1)% U</b>
<b>User charges and fees</b>	<b>2,703</b>	<b>2,305</b>	<b>(398)</b>	<b>(15)% U</b>
Council's private works income has been significantly reduced as a result of the ongoing drought conditions				
<b>Other revenues</b>	<b>289</b>	<b>213</b>	<b>(76)</b>	<b>(26)% U</b>
Decreased income from other agencies together with incorrect budgeting for diesel fuel rebates are the primary reasons for variation.				
<b>Operating grants and contributions</b>	<b>6,726</b>	<b>8,615</b>	<b>1,889</b>	<b>28% F</b>
Additional grant funding for drought extension, financial assistance grants and roads to recovery are the primary reasons for this favourable outcome.				
<b>Capital grants and contributions</b>	<b>5,283</b>	<b>6,253</b>	<b>970</b>	<b>18% F</b>
Council budgeted for a number of capital grants which were not received or have been deferred including Safe & Secure Water, Levee Bank Restoration and Heavy Vehicle Safety funding totalling approximately \$4,248,000.				
Council has received additional funding for various programs including Stronger Country Communities, Boating Now and Crown Land improvement programs together with additional developer contributions, totalling approximately \$2,127,000.				
In addition, Council has recognised grants and contributions in the amount of \$3,091,000 under the new accounting standards, for Stronger Communities Fund and Stronger Country Communities Funds which had been recognised in prior years.				
<b>Interest and investment revenue</b>	<b>550</b>	<b>500</b>	<b>(50)</b>	<b>(9)% U</b>
Declining interest rates have contributed to this variation.				
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>17</b>	<b>17</b>	<b>∞ F</b>
<b>Rental income</b>	<b>171</b>	<b>165</b>	<b>(6)</b>	<b>(4)% U</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	6,802	7,249	(447)	(7)% U
Borrowing costs	6	6	–	0% F
Materials and contracts	3,786	3,834	(48)	(1)% U
Depreciation and amortisation	5,706	5,935	(229)	(4)% U
Other expenses	1,704	2,082	(378)	(22)% U
Increased costs have been incurred for Emergency Services Levies, Insurances, Donations and Staff Training costs.				

### STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	<b>9,185</b>	<b>7,552</b>	<b>(1,633)</b>	<b>(18)%</b>	<b>U</b>
Cash flows from operating activities were reduced due to increased costs of various expenses including those previous listed, together with continuing merger implementation costs.					
<b>Cash flows from investing activities</b>	<b>(13,865)</b>	<b>(7,912)</b>	<b>5,953</b>	<b>(43)%</b>	<b>F</b>
Variation can be attributed to decreased capital expenditure purchases and reduced long term investments.					
<b>Cash flows from financing activities</b>	<b>(59)</b>	<b>(59)</b>	<b>–</b>	<b>0%</b>	<b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. 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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	6,459	–	6,459
Office equipment	30/06/17	–	171	–	171
Furniture & fittings	30/06/17	–	76	–	76
Library books	30/06/17	–	26	–	26
Operational land	30/06/20	–	–	3,296	3,296
Community land	30/06/20	–	–	1,902	1,902
Land improvements – depreciable	01/07/17	–	–	10,723	10,723
Buildings – non specialised	01/07/17	–	5,205	–	5,205
Buildings – specialised	01/07/17	–	–	17,429	17,429
Other structures	01/07/17	–	–	742	742
Roads	01/07/17	–	–	113,086	113,086
Bridges	01/07/17	–	–	2,495	2,495
Footpaths	01/07/17	–	–	3,156	3,156
Other road assets	01/07/17	–	–	1,154	1,154
Bulk earthworks (non depreciable)	01/07/17	–	–	64,258	64,258
Stormwater drainage	01/07/17	–	–	8,661	8,661
Water supply network	30/06/17	–	–	8,305	8,305
Sewerage network	30/06/17	–	–	9,981	9,981
Swimming pools	01/07/17	–	–	1,666	1,666
Other open space/recreational	01/07/17	–	–	1,018	1,018
<b>Total infrastructure, property, plant and equipment</b>		–	11,937	247,872	259,809
<b>Intangible assets</b>					
Water licences	30/06/19	1,741	–	–	1,741
<b>Total intangible assets</b>		1,741	–	–	1,741

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	—	4,955	—	4,955
Office equipment	30/06/17	—	246	—	246
Furniture & fittings	30/06/17	—	73	—	73
Library books	30/06/17	—	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	30/06/17	—	—	8,168	8,168
Sewerage network	30/06/17	—	—	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>		—	10,452	241,977	252,429
<b>Intangible assets</b>					
Water licences	30/06/19	1,702	—	—	1,702
<b>Total intangible assets</b>		1,702	—	—	1,702

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

#### 2019

During the year, transfers between level 1 and level 2 fair value hierarchies occurred due to the revaluation of water licences which were revalued at market rates.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

#### (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:

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

##### Plant and equipment, office equipment and furniture and fittings

Council officers undertook a re-valuation for these assets as at 30 June 2017. Quoted prices in an active market for similar items and asset conditions have been used to revalue these assets.

Examples of assets within these classes are as follows:

- Plant & Equipment – graders, trucks, rollers, tractors & motor vehicles
- Office Equipment – computers, photocopiers, phone systems etc.
- Furniture & Fittings – chairs, desks, cabinets etc.

##### Operational and Community land

Operational Land is based on land value provided by the Valuer General for rating purposes.

Community Land is based on land value provided by the Valuer-General for rating purposes.

The new valuations were applied as at 30 June 2020 following a revaluation by the Valuer General.

There has been no change to the valuation process during the year.

##### Buildings – non-specialised and specialised

Buildings Specialised and Non - Specialised are based on cost price and valuations provided by JRA (a division of Technology One) as at 1 July 2017.

Valuation techniques remained the same for the reporting period.

##### Other structures

Other Structures comprise of sundry equipment such as monopoles and communication towers and are based on cost price and valuations provided by JRA (a division of Technology One) as at 1 July 2017.

Valuation techniques remained the same for the reporting period.

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

##### Roads bridges and footpaths

Council's Roads, Bridges and Footpaths were inspected and valued by JRA (a division of Technology One) as at 1 July 2017. The valuation was based on cost approach using Level 3 inputs to value this asset class and the following information was determined by the consultant for each component.

- The economic useful life has been assessed based on utilising construction year, asset replacement cost and condition after being reviewed carefully.
- The remaining service potential was determined based on physical condition data sampled by Australis Valuers.
- The replacement costs were developed from unit rates, quantities, sub-component factors and intangible factors.
- Condition assessment is based on factors such as age of the asset, overall condition, economic and functional obsolescence.
- Pattern of consumption straight line pattern of consumption.

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

##### Drainage infrastructure

Council's drainage infrastructure was valued by JRA (a division of Technology One) as at 1 July 2017. The valuation was based on cost approach using Level 3 inputs to value this asset class and the following information was determined by the consultant for each component.

##### Water supply network

Assets within this class comprise reservoirs, pumping station, treatment plants and reticulation and delivery mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on their final determination of fair value. Additionally due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Re-valuation was undertaken in-house by JRA (a division of Technology One) as at 30 June 2017.

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

#### **Sewerage network**

Assets within this class comprise treatment plants, oxidation ponds, pumping stations and mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Re-valuation was undertaken JRA (a division of Technology One) as at 30 June 2017.

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

#### **Swimming Pools**

These assets are based on cost price and valuations provided by JRA (a division of Technology One) as at 1 July 2017.

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

#### **Other Assets**

Assets within this class comprise library books and other open space and recreational assets..

These assets are based on cost price and valuations provided by JRA (a division of Technology One) as at 1 July 2017.

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

#### **Intangible Assets**

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

Council values water access licences based on quoted prices in an active market. These were revalued at 30 June 2019.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. 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>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>	<b>241,977</b>
<b>2020</b>	
<b>Opening balance</b>	241,977
Purchases (GBV)	10,346
Disposals (WDV)	(307)
Depreciation and impairment	(5,037)
FV gains – other comprehensive income	893
<b>Closing balance</b>	<b>247,872</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

**b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.**

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Operational land	3,296	Land Values	NSW Valuer General's Valuations
Community Land	1,902	Land Values	NSW Valuer General's Valuations
Land Improvements	10,723	Depreciated Replacement Cost	Pattern of consumption, asset condition
Buildings Specialised	17,429	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other Structures	742	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Roads	113,086	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Bridges	2,495	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Footpaths	3,156	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other road assets	1,154	Gross Replacement Cost	Asset condition, consumption rate, useful life
Bulk Earthworks	64,258	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Stormwater Drainage	8,661	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Water Supply Network	8,305	Depreciated Replacement Cost	Asset condition, components, consumption rate, useful life
Sewerage Network	9,981	Depreciated Replacement Cost	Asset condition, components, consumption rate, useful life
Swimming Pools	1,666	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other open space/recreational assets	1,018	Depreciated Replacement Cost	Asset condition, consumption rate, useful life

**c. 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 2020

### Note 24. Related party disclosures

#### (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,285	1,249
Post-employment benefits	112	106
Other long-term benefits	31	32
Termination benefits	51	237
<b>Total</b>	<b>1,479</b>	<b>1,624</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)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>\$ '000</b>					
<b>2020</b>					
Employee expenses relating to close family members of KMP.	308	—	Local Government (State) Award	—	—
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.	100	—	30 days payment	—	—
<b>2019</b>					
Employee expenses relating to close family members of KMP.	408	—	Local Government (State) Award	—	—
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	—	30 days payment	—	—

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Statement of developer contributions

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

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

#### Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
<b>S7.12 levies – under a plan</b>	6	65	–	–	–	–	71	–
<b>Total S7.11 and S7.12 revenue under plans</b>	6	65	–	–	–	–	71	–
S7.4 planning agreements	370	–	–	–	–	–	370	–
<b>Total contributions</b>	<b>376</b>	<b>65</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>441</b>	<b>–</b>

#### S7.12 Levies – under a plan

##### MURRUMBIDGEE COUNCIL DEVELOPER CONTRIBUTION PLAN

Community facilities	6	65	–	–	–	–	71	–
<b>Total</b>	<b>6</b>	<b>65</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>71</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	4,483	644	583
User charges and fees	1,755	538	12
Interest and investment revenue	389	45	68
Other revenues	212	1	–
Grants and contributions provided for operating purposes	8,615	–	–
Grants and contributions provided for capital purposes	6,102	151	–
Net gains from disposal of assets	17	–	–
Rental income	165	–	–
<b>Total income from continuing operations</b>	<b>21,738</b>	<b>1,379</b>	<b>663</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	6,755	283	211
Borrowing costs	8	–	–
Materials and contracts	3,580	188	66
Depreciation and amortisation	5,355	296	284
Other expenses	1,621	321	140
<b>Total expenses from continuing operations</b>	<b>17,319</b>	<b>1,088</b>	<b>701</b>
<b>Operating result from continuing operations</b>	<b>4,419</b>	<b>291</b>	<b>(38)</b>
<b>Net operating result for the year</b>	<b>4,419</b>	<b>291</b>	<b>(38)</b>
<b>Net operating result attributable to each council fund</b>	<b>4,419</b>	<b>291</b>	<b>(38)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(1,683)</b>	<b>140</b>	<b>(38)</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 2020

## Note 26. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,580	1,792	2,951
Investments	14,123	497	1,136
Receivables	2,161	264	124
Inventories	1,000	24	–
Contract assets	1,173	–	–
Other	40	–	25
<b>Total current assets</b>	<b>25,077</b>	<b>2,577</b>	<b>4,236</b>
<b>Non-current assets</b>			
Receivables	2	–	–
Inventories	1,119	–	–
Infrastructure, property, plant and equipment	242,235	8,968	10,135
Intangible assets	952	789	–
Other	–	–	69
<b>Total non-current assets</b>	<b>244,308</b>	<b>9,757</b>	<b>10,204</b>
<b>TOTAL ASSETS</b>	<b>269,385</b>	<b>12,334</b>	<b>14,440</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,343	–	–
Contract liabilities	10,005	–	–
Borrowings	66	–	–
Provisions	3,045	–	–
<b>Total current liabilities</b>	<b>14,459</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	69	–	–
Provisions	67	–	–
<b>Total non-current liabilities</b>	<b>136</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>14,595</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>254,790</b>	<b>12,334</b>	<b>14,440</b>
<b>EQUITY</b>			
Accumulated surplus	250,065	11,360	13,973
Revaluation reserves	4,725	974	467
<b>Council equity interest</b>	<b>254,790</b>	<b>12,334</b>	<b>14,440</b>
<b>Total equity</b>	<b>254,790</b>	<b>12,334</b>	<b>14,440</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 2020

## Note 26. Result by fund (continued)

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

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

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	Real Estate Development
Lender (by purpose)	Sewer Fund
Date of minister's approval	4/9/2013
Date raised	1/4/2014
Term (years)	10
Dates of maturity	1/4/24
Rate of interest	variable
Amount originally raised	250,000
Total repaid during year (principal and interest)	\$26,660
<b>Principal outstanding at end of year</b>	<b>\$93,748</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(1,598)	(9.13)%	(10.93)%	(22.53)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	17,508				
2. Own source operating revenue ratio *					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	8,893	37.43%	35.36%	49.39%	>60.00%
Total continuing operating revenue <sup>1</sup>	23,761				
3. Unrestricted current ratio					
Current assets less all external restrictions	13,072	6.59x	6.18x	5.67x	>1.50x
Current liabilities less specific purpose liabilities	1,983				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	4,343	66.82x	40.55x	21.73x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	65				
5. Rates, annual charges, interest and extra charges outstanding percentage *					
Rates, annual and extra charges outstanding	484	7.75%	8.23%	8.47%	<10.00%
Rates, annual and extra charges collectible	6,246				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	27,079	21.89 mths	27.15 mths	19.85 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,237				

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(10.89)%	(12.49)%	11.40%	1.92%	(5.73)%	1.76%	>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>	32.24%	30.24%	89.05%	100.00%	100.00%	100.00%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	6.59x	6.18x	∞	∞	∞	∞	>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>	56.32x	34.55x	∞	∞	∞	∞	>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	5.26%	5.87%	15.18%	14.86%	16.48%	17.32%	<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	18.22	24.41	34.68	26.10	117.61	119.57	>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.

\* These 2 ratios have had the pensioner subsidies removed from the 2018/19 amounts due to changes in the 2019/20 Accounting Code. This change is to ensure comparatives remain consistent.



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Murrumbidgee Council

To the Councillors of Murrumbidgee Council

### Opinion

I have audited the accompanying financial statements of Murrumbidgee Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:


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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

26 November 2020  
SYDNEY



Cr Ruth McRae  
Mayor  
Murrumbidgee Council  
PO Box 96  
JERILDERIE NSW 2716

Contact: Michael Kharzoo  
Phone no: (02) 9275 7188  
Our ref: D2026878/1764

26 November 2020

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2020 Murrumbidgee Council

I have audited the general purpose financial statements (GPFS) of the Murrumbidgee Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

### INCOME STATEMENT

#### Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	5.7	5.5	3.4
Grants and contributions revenue	14.9	16.6	10.3
Operating result from continuing operations	4.7	6.6	29.1
Net operating result before capital grants and contributions	(1.6)	(1.8)	10.7

The Council's operating result from continuing operations (\$4.7 million including depreciation and amortisation expense of \$5.9 million) was \$1.9 million lower than the 2018–19 result. This movement was mainly due to a decrease in grants and contributions income of \$1.7 million, which was partially offset by an increase in material and contracts expenses of \$0.1 million and an increase in employee benefits and on-costs of \$0.1 million.

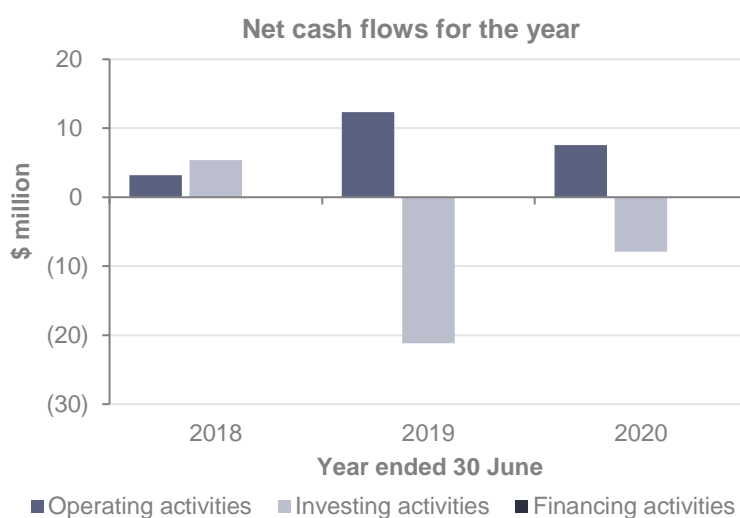
The net operating result before capital grants and contributions (deficit of \$1.6 million) was \$0.2 million lower than the 2018–19 result. This movement was mainly due to increases in rates and annual charges of \$0.2 million.

Rates and annual charges revenue (\$5.7 million) increased by \$0.2 million (3.4 per cent) in 2019–20 due to Council's pegged rate, which increased general rates revenue by 2.7 per cent in 2019–20 and an increase in the annual charges.

Grants and contributions revenue (\$14.9 million) decreased by \$1.7 million (10.3 per cent) in 2019–20 mainly due to a decrease in other – Stronger Communities Funding of \$1.8 million and transport (other roads and bridges funding) of \$2.0 million. This decrease is offset by the increase in recreation and culture capital grant of \$2.2 million.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$11.3 million (\$11.7 million for the year ended 30 June 2019). There was a minor net decrease in cash and cash equivalents for the year ended 30 June 2020.
- Net cash provided by operating activities has decreased by \$4.8 million. This is mainly due to the \$4.1 million decrease in grants and contributions.
- Net cash used in investing activities decreased by \$13.3 million. This is mainly due to the increase in the net sale of investment securities of \$4.2 million.
- Net cash flows used in ongoing financing activities remained steady, at under \$0.1 million



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$'000	\$'000	
External restrictions	17,950	21,245	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease of \$3.3 million is primarily due to the decrease in specific purpose unexpended grants.</li> </ul>
Internal restrictions	8,578	9,448	
Unrestricted	551	991	
<b>Cash and investments</b>	<b>27,079</b>	<b>31,684</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease of \$0.9 million is primarily due to plant and vehicle replacement, infrastructure replacement and employee leave entitlement restrictions.</li> <li>Unrestricted cash and investments were \$0.6 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$0.4 million decrease in the unrestricted cash and investments balance.</li> </ul>

### Debt

Council has \$0.04 million of external borrowings (2019: \$0.1 million) which is secured over the revenue of Council. Council is expected to fully repay the borrowings in 2020-21.

## PERFORMANCE

### Performance measures

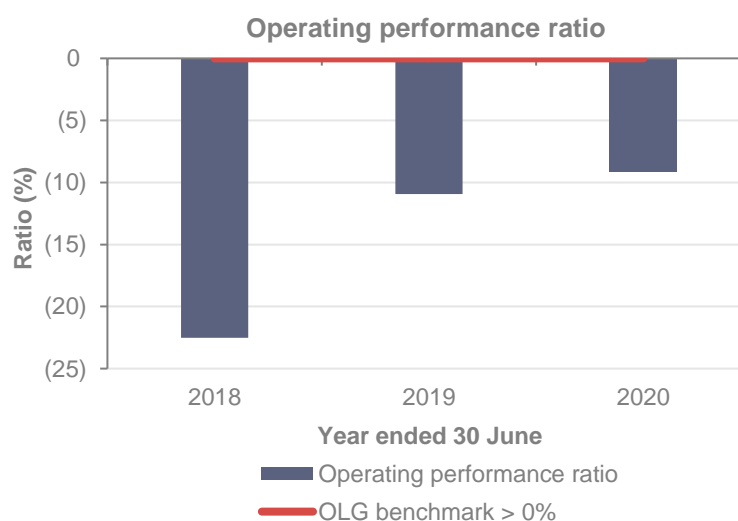
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### Operating performance ratio

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

The operating performance ratio of (9.1 per cent) is below the industry benchmark of greater than 0 per cent.

The operating performance ratio of (9.1 per cent) (2019: (10.9 per cent)) has improved due to the decrease in total expenses from continuing operations.

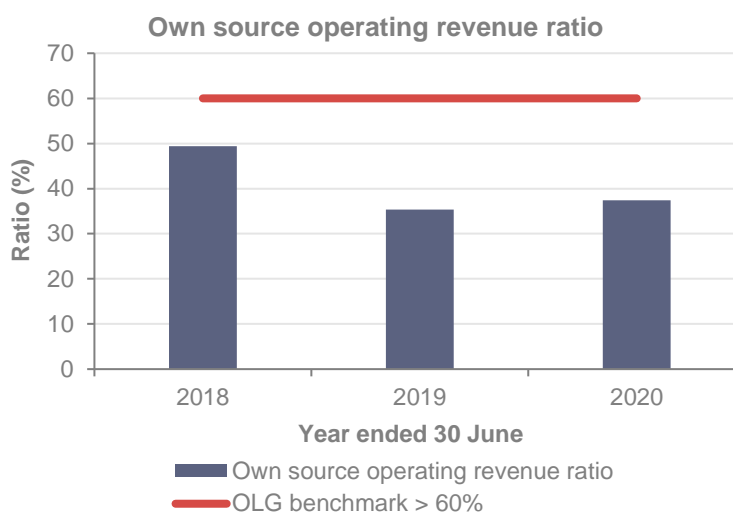


## Own source operating revenue ratio

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

The Council's own source operating revenue ratio of 37.4 per cent is below the industry benchmark of 60 per cent. This indicates that the Council is reliant on external funding sources, such as grants and contributions.

The own source operating revenue ratio of 37.4 per cent (2019: 35.4 per cent) has improved as Council received less fundings from grants and contributions in the current year.

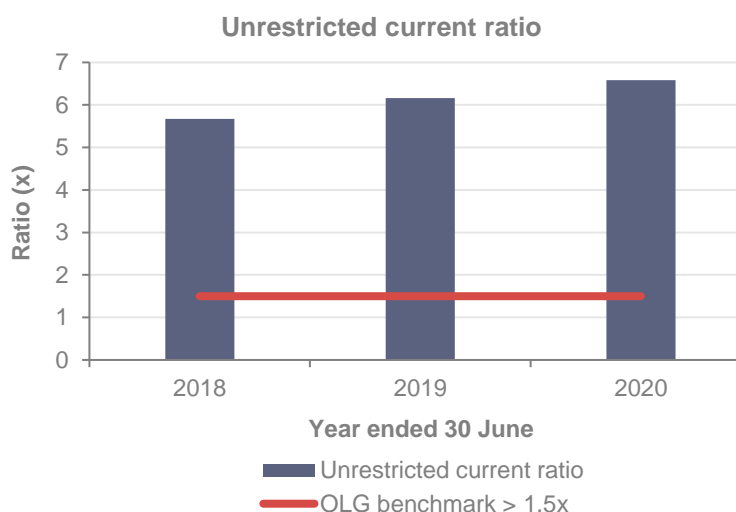


## Unrestricted current ratio

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

The Council's liquidity ratio of 6.58 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The Council's unrestricted current ratio has remained steady year on year.

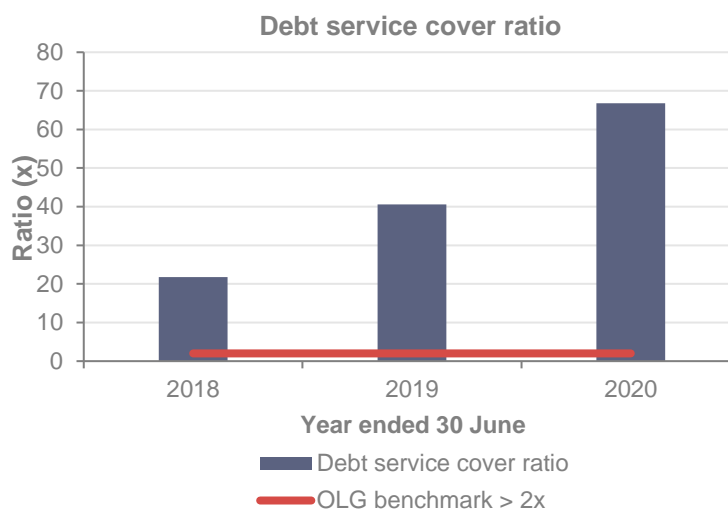




## Debt service cover ratio

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

The Council's debt service cover ratio of 66.8 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt. The Council's debt service cover ratio of 66.8 times (2019: 40.6 times) has improved due to the increase in the operating result before capital amounts.

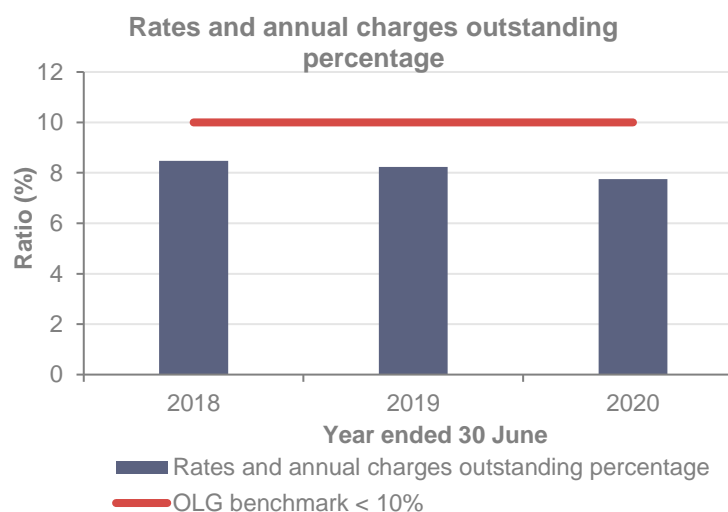


## Rates and annual charges outstanding percentage

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

The Council's rates and annual charges outstanding ratio of 7.8 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.

The rates and annual charges outstanding percentage has decreased from the previous year and remains below the benchmark for rural councils which is a reflection of sound debt recovery procedures at the Council.

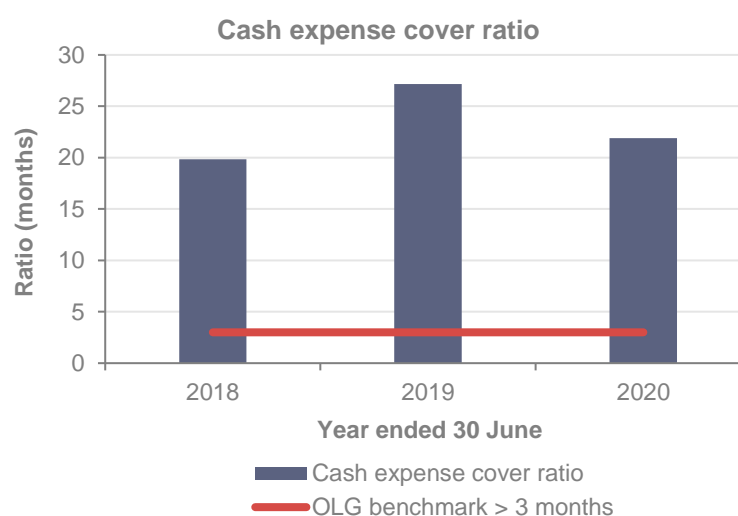


## Cash expense cover ratio

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

The Council's cash expense cover ratio was 21.9 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 21.9 months of operating cash expenditure without additional cash inflows at 30 June 2020.

The Council's cash expense cover ratio has decreased by 5.3 months due to the decrease in cash and investments held.



## Infrastructure, property, plant and equipment renewals

The Council has renewed \$5.4 million of assets in the 2019-20 financial year, compared to \$3.4 million of assets in the 2018-19 financial year. In 2019-20 this renewed activity mainly relates to roads (\$3.5 million) and swimming pools (\$1.1 million).

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019-20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$12.40 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

#### AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019-20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council did not recognise any right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

### **Legislative compliance**

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

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



Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

cc: Cr Ruth McRae, Mayor  
Mr David Maxwell, Audit, Risk and Improvement Committee Chair  
Ms Vicki Sutton, Finance Manager  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Murrumbidgee Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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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 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).

## Murrumbidgee Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

#### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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 27 October 2020.**



Ruth McRae

**Mayor**

27 October 2020



Robert Black

**Councillor**

27 October 2020



John Scarce

**General Manager**

27 October 2020



Vicki Sutton

**Responsible Accounting Officer**

27 October 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	644	600
User charges	537	518
Fees	1	2
Interest	45	60
Other income	1	18
<b>Total income from continuing operations</b>	<b>1,228</b>	<b>1,198</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	283	228
Materials and contracts	188	317
Depreciation, amortisation and impairment	296	289
Water purchase charges	17	9
Other expenses	304	332
<b>Total expenses from continuing operations</b>	<b>1,088</b>	<b>1,175</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>140</b>	<b>23</b>
Grants and contributions provided for capital purposes	151	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>291</b>	<b>23</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>291</b>	<b>23</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(39)	(6)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>252</b>	<b>17</b>
<b>Plus accumulated surplus</b>	<b>11,069</b>	<b>11,046</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	39	6
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>11,360</b>	<b>11,069</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>0.3%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>95</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	253	17
Less: capital grants and contributions (excluding developer contributions)	(151)	–
<b>Surplus for dividend calculation purposes</b>	<b>102</b>	<b>17</b>
<b>Potential dividend calculated from surplus</b>	<b>51</b>	<b>8</b>

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	583	567
User charges	7	3
Liquid trade waste charges	5	7
Fees	–	1
Interest	68	103
Other income	–	1
<b>Total income from continuing operations</b>	<b>663</b>	<b>682</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	211	173
Materials and contracts	66	73
Depreciation, amortisation and impairment	284	282
Other expenses	140	142
<b>Total expenses from continuing operations</b>	<b>701</b>	<b>670</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(38)</b>	<b>12</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(38)</b>	<b>12</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(38)</b>	<b>12</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(3)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(38)</b>	<b>9</b>
<b>Plus accumulated surplus</b>	<b>14,011</b>	<b>13,999</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	3
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>13,973</b>	<b>14,011</b>
<b>Return on capital %</b>	<b>(0.4)%</b>	<b>0.1%</b>
<b>Subsidy from Council</b>	<b>127</b>	<b>123</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(38)	9
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>9</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>4</b>



## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,792	1,430
Investments	497	497
Receivables	264	268
Inventories	24	25
<b>Total current assets</b>	<b>2,577</b>	<b>2,220</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	8,968	8,950
Intangible assets	789	789
<b>Total non-current assets</b>	<b>9,757</b>	<b>9,739</b>
<b>TOTAL ASSETS</b>	<b>12,334</b>	<b>11,959</b>
<b>NET ASSETS</b>	<b>12,334</b>	<b>11,959</b>
<b>EQUITY</b>		
Accumulated surplus	11,360	11,069
Revaluation reserves	974	890
<b>TOTAL EQUITY</b>	<b>12,334</b>	<b>11,959</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,951	2,730
Investments	1,136	1,136
Receivables	124	128
Other	25	25
<b>Total current assets</b>	<b>4,236</b>	<b>4,019</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	10,135	10,261
Other	69	94
<b>Total non-current assets</b>	<b>10,204</b>	<b>10,355</b>
<b>TOTAL ASSETS</b>	<b>14,440</b>	<b>14,374</b>
<b>NET ASSETS</b>	<b>14,440</b>	<b>14,374</b>
<b>EQUITY</b>		
Accumulated surplus	13,973	14,011
Revaluation reserves	467	363
<b>TOTAL EQUITY</b>	<b>14,440</b>	<b>14,374</b>

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

### Note 1. Significant Accounting Policies

---

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

These financial statements are SPFS prepared for use by Council and the 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 2093 (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.

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

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

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#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

#### (iv) Dividends

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

Local government 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 2020 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.



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Murrumbidgee Council**

To the Councillors of Murrumbidgee Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Murrumbidgee Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

26 November 2020  
SYDNEY



# Murrumbidgee Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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Special Schedules  
for the year ended 30 June 2020

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## Permissible income for general rates

		2020/21	2020/21	2020/21	2019/20	2019/20	2019/20
		Former Jerilderie	Former	Murrumbidgee	Former Jerilderie	Former	Murrumbidgee
\$ '000	Notes	Shire Council	Murrumbidgee	Council	Shire Council	Murrumbidgee	Council
<b>Notional general income calculation <sup>1</sup></b>							
Last year notional general income yield	a	2,183	2,147	4,330	2,125	2,052	4,177
Plus or minus adjustments <sup>2</sup>	b	—	(4)	(4)	—	39	39
<b>Notional general income</b>	c = a + b	<b>2,183</b>	<b>2,143</b>	<b>4,326</b>	<b>2,125</b>	<b>2,091</b>	<b>4,216</b>
<b>Permissible income calculation</b>							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	57	56	113	57	56	113
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>2,240</b>	<b>2,199</b>	<b>4,439</b>	<b>2,182</b>	<b>2,147</b>	<b>4,329</b>
Plus (or minus) last year's carry forward total	l	—	—	—	1	—	1
<b>Sub-total</b>	n = (l + m)	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>1</b>
<b>Total permissible income</b>	o = k + n	<b>2,240</b>	<b>2,199</b>	<b>4,439</b>	<b>2,183</b>	<b>2,147</b>	<b>4,330</b>
Less notional general income yield	p	2,240	2,198	4,438	2,183	2,147	4,330
<b>Catch-up or (excess) result</b>	q = o – p	<b>—</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>—</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule - Permissible income for general rates**

#### **Murrumbidgee Council**

To the Councillors of Murrumbidgee Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Murrumbidgee Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets' as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

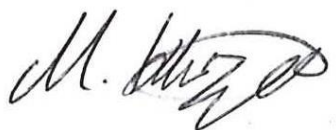
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Delegate of the Auditor-General for New South Wales

26 November 2020  
SYDNEY

# Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings – non-specialised	–	–	35	52	5,205	8,221	21.8%	44.1%	31.7%	2.4%	0.0%
	Buildings – specialised	–	–	200	211	17,429	30,132	14.0%	58.0%	23.1%	4.9%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>235</b>	<b>263</b>	<b>22,634</b>	<b>38,353</b>	<b>15.7%</b>	<b>55.0%</b>	<b>24.9%</b>	<b>4.4%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	742	828	93.4%	6.4%	0.2%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>742</b>	<b>828</b>	<b>93.4%</b>	<b>6.4%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Roads	–	–	1,189	1,058	113,086	167,336	7.5%	37.1%	46.1%	9.3%	0.0%
	Bulk earthworks	–	–	–	–	64,258	64,258	1.8%	58.0%	39.1%	1.1%	0.0%
	Bridges	–	–	–	–	2,495	6,649	7.4%	9.6%	36.2%	46.8%	0.0%
	Footpaths	–	–	15	7	3,156	4,129	67.2%	11.7%	20.2%	0.0%	0.9%
	Other road assets	–	–	2	1	1,154	2,150	28.8%	11.1%	36.3%	15.0%	8.7%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,206</b>	<b>1,066</b>	<b>184,149</b>	<b>244,522</b>	<b>7.2%</b>	<b>41.2%</b>	<b>43.5%</b>	<b>8.1%</b>	<b>0.1%</b>
<b>Water supply network</b>	Water supply network	–	–	355	400	8,305	17,922	5.9%	31.0%	48.5%	9.2%	5.5%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>355</b>	<b>400</b>	<b>8,305</b>	<b>17,922</b>	<b>5.9%</b>	<b>31.0%</b>	<b>48.5%</b>	<b>9.2%</b>	<b>5.5%</b>
<b>Sewerage network</b>	Sewerage network	–	–	205	258	9,981	20,480	6.1%	34.2%	57.0%	2.7%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>205</b>	<b>258</b>	<b>9,981</b>	<b>20,480</b>	<b>6.1%</b>	<b>34.2%</b>	<b>57.0%</b>	<b>2.7%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	83	93	8,661	13,287	11.8%	34.6%	48.6%	4.9%	0.1%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>83</b>	<b>93</b>	<b>8,661</b>	<b>13,287</b>	<b>11.8%</b>	<b>34.6%</b>	<b>48.6%</b>	<b>4.9%</b>	<b>0.1%</b>

## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	—	—	125	100	1,666	1,738	100.0%	0.0%	0.0%	0.0%	0.0%
	Open space/recreational areas	—	—	682	736	1,018	1,378	57.6%	3.4%	39.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>807</b>	<b>836</b>	<b>2,684</b>	<b>3,116</b>	<b>81.2%</b>	<b>1.5%</b>	<b>17.3%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>—</b>	<b>—</b>	<b>2,891</b>	<b>2,916</b>	<b>237,156</b>	<b>338,508</b>	<b>9.1%</b>	<b>41.1%</b>	<b>42.3%</b>	<b>7.2%</b>	<b>0.4%</b>

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

## Infrastructure asset condition assessment 'key'

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



## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	5,390	109.80%	69.89%	15.44%	>=100.00%
Depreciation, amortisation and impairment	4,909				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	—	0.00%	0.00%	0.00%	<2.00%
Net carrying amount of infrastructure assets	237,156				
Asset maintenance ratio					
Actual asset maintenance	2,916	100.86%	107.51%	117.95%	>100.00%
Required asset maintenance	2,891				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	—	0.00%	0.00%	0.00%	
Gross replacement cost	338,508				

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

(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>	122.03%	76.91%	24.40%	28.42%	8.60%	3.25%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	96.87%	107.88%	112.68%	104.96%	125.85%	106.22%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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