

Murrumbidgee Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Murrumbidgee Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

35 Jerilderie Street
Jerilderie NSW 2716

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Murrumbidgee Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 January 2020.



Ruth McRae

Mayor

20 January 2020



Robert Black

Councillor

20 January 2020



John Scarce

General Manager

20 January 2020



Vicki Sutton

Responsible Accounting Officer

20 January 2020

Income Statement

for the year ended 30 June 2019

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

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000		2019	2018 ¹
Net operating result for the year (as per Income Statement)		6,586	(6,534)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	9	288	4,243
Gain on revaluation of intangible assets	10	742	—
Total items which will not be reclassified subsequently to the operating result		1,030	4,243
Total other comprehensive income for the period		1,030	4,243
Total comprehensive income for the year		7,616	(2,291)
Total comprehensive income attributable to Council		7,616	(2,291)

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

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

Statement of Financial Position

as at 30 June 2019

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

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		276,537	4,243	280,780	283,071	–	283,071
Opening balance		276,537	4,243	280,780	283,071	–	283,071
Net operating result for the year		6,586	–	6,586	(6,534)	–	(6,534)
Net operating result for the period		6,586	–	6,586	(6,534)	–	(6,534)
Other comprehensive income							
– Gain on revaluation of IPP&E	9	–	288	288	–	4,243	4,243
- Gain on revaluation of intangible assets	10	–	742	742	–	–	–
Other comprehensive income		–	1,030	1,030	–	4,243	4,243
Total comprehensive income		6,586	1,030	7,616	(6,534)	4,243	(2,291)
Equity – balance at end of the reporting period		283,123	5,273	288,396	276,537	4,243	280,780

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

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

Statement of Cash Flows

for the year ended 30 June 2019

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 20 January 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.

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

AASB 9 Financial Instruments

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

Classification and measurement of financial assets

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

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

Impairment of financial assets

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

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated fair values of intangible assets - refer Note 10
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

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

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

(b) The Trust Fund

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- Wallis Estate
- Sundry Trust Deposits

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

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

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

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

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

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

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

AASB 15 will have no impact on rates and charges paid in advance as council has always accounted for these as a liability. There may be a very minor impact in relation to grants as council is currently auspicing several Stronger Country Communities where the goods/services will not be retained by council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance and Administration

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

Public Order and Safety

Animal control, fire and emergency services.

Health

Health, food control and medical services.

Environmental Protection

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

Community Services and Education

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

Housing and Community Amenities

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

Recreation and Cultural

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

Mining, Manufacturing and Construction

Building control, quarries and gravel pits.

Transport and Communications

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

Economic Affairs

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

Water Supply

Provision of water supply to towns.

Sewerage Services

Provision of sewerage services to towns.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

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

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

Accounting policy for rates and charges

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

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	49	39
– Cash and investments	582	552

TOTAL INTEREST AND INVESTMENT REVENUE

631	591
------------	------------

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

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

Restricted investments/funds – external:

Water fund operations	60	38
Sewerage fund operations	103	70

Total interest and investment revenue

631	591
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Accounting policy for interest and investment revenue

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

(d) Other revenues

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

TOTAL OTHER REVENUE

415	331
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Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	1,258	3,647
Add: operating grants recognised in the current period but not yet spent	2,193	524
Less: operating grants recognised in a previous reporting period now spent	(1,927)	(2,913)
Unexpended and held as restricted assets (operating grants)	1,524	1,258

Capital grants

Unexpended at the close of the previous reporting period	8,164	9,197
Add: capital grants recognised in the current period but not yet spent	5,196	223
Less: capital grants recognised in a previous reporting period now spent	(749)	(1,256)
Unexpended and held as restricted assets (capital grants)	12,611	8,164

Contributions

Unexpended at the close of the previous reporting period	488	426
Add: contributions recognised in the current period but not yet spent	370	488
Less: contributions recognised in a previous reporting period now spent	(74)	(426)
Unexpended and held as restricted assets (contributions)	784	488

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	5,847	5,659
Travel expenses	76	190
Employee leave entitlements (ELE)	956	887
Superannuation	603	667
Workers' compensation insurance	225	276
Fringe benefit tax (FBT)	50	49
Training costs (other than salaries and wages)	46	72
Protective clothing	22	17
Other	45	23
Total employee costs	7,870	7,840
Less: capitalised costs	(593)	(468)
TOTAL EMPLOYEE COSTS EXPENSED	7,277	7,372

Number of 'full-time equivalent' employees (FTE) at year end	81	82
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	86	88

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 17 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	12	19
Total interest bearing liability costs expensed	12	19

(ii) Other borrowing costs

Discount adjustments relating to movements in ELE provisions	–	20
Total other borrowing costs	–	20

TOTAL BORROWING COSTS EXPENSED	12	39
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Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Printers	8	9
	8	9

2. Auditor remuneration

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Plant and equipment	10a		
Proceeds from disposal – plant and equipment		506	790
Less: carrying amount of plant and equipment assets sold/written off		(439)	(488)
Net gain/(loss) on disposal		67	302
Infrastructure	10a		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(49)	(124)
Net gain/(loss) on disposal		(49)	(124)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		389	456
Less: carrying amount of real estate assets sold/written off		(290)	(135)
Net gain/(loss) on disposal		99	321
Investments	6b		
Proceeds from disposal/redemptions/maturities – investments		5,120	14,949
Less: carrying amount of investments sold/redeemed/matured		(5,120)	(14,949)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		117	499

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

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

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	19,942	–	5,120	–
Total Investments	19,942	–	5,120	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	31,684	–	25,793	–
Financial assets at amortised cost / held to maturity (2018)				
Long-term deposits	19,942	–	5,120	–
Total	19,942	–	5,120	–

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

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

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

Financial assets

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

Classification

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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 2019

Note 6(b). Investments (continued)

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

Held to maturity investments

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Other	27	27
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External restrictions – included in liabilities

27	27
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External restrictions – other

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

External restrictions – other

21,218	15,773
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Total external restrictions

21,245	15,800
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Internal restrictions

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

Total internal restrictions

9,448	8,378
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TOTAL RESTRICTIONS

30,693	24,178
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

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

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	30	30
Balance at the end of the period (calculated in accordance with AASB 9)	30	30

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

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

(i) Other disclosures

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	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
Land:												
– 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
Infrastructure:												
– 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
Other assets:												
– Library books	147	(134)	13	–	10	–	(12)	–	–	141	(130)	11
Total Infrastructure, property, plant and equipment	360,888	(107,095)	253,793	3,407	3,635	(488)	(6,405)	–	288	365,559	(111,329)	254,230

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	2,436	–	2,436	–	776	–	–	–	(1,604)	–	–	1,608	–	1,608
Plant and equipment	12,244	(7,213)	5,031	–	1,655	(488)	(1,033)	–	35	–	–	12,214	(7,014)	5,200
Office equipment	741	(436)	305	–	116	–	(114)	–	–	–	–	857	(550)	307
Furniture and fittings	344	(261)	83	–	8	–	(14)	–	–	–	–	351	(274)	77
Land:														
– Operational land	2,403	–	2,403	–	–	–	–	–	–	–	311	2,714	–	2,714
– Community land	1,588	–	1,588	–	–	–	–	–	–	–	111	1,699	–	1,699
Land improvements – depreciable	10,073	(2,444)	7,629	22	983	(24)	(298)	–	–	–	992	11,324	(2,020)	9,304
Infrastructure:														
– Buildings – non-specialised	7,241	(2,500)	4,741	–	352	–	(165)	–	–	–	302	7,911	(2,681)	5,230
– Buildings – specialised	27,323	(8,410)	18,913	131	75	–	(516)	(2,476)	–	–	–	28,260	(12,133)	16,127
– Other structures	55	(12)	43	–	686	–	(20)	–	–	–	–	741	(32)	709
– Roads	141,420	(27,571)	113,849	1,314	1,643	(75)	(3,220)	(2,488)	781	–	–	163,862	(52,058)	111,804
– Bridges	6,444	(3,433)	3,011	–	–	–	(79)	(279)	–	–	–	6,649	(3,996)	2,653
– Footpaths	3,575	(742)	2,833	–	28	–	(66)	–	14	–	47	3,724	(868)	2,856
– Other road assets	4,850	(1,401)	3,449	–	44	–	(40)	–	–	(2,335)	58	2,091	(915)	1,176
– Bulk earthworks (non-depreciable)	62,808	–	62,808	–	98	–	–	–	58	–	978	63,942	–	63,942
– Stormwater drainage	9,420	(4,038)	5,382	15	41	(12)	(138)	–	329	2,335	737	13,123	(4,434)	8,689
– Water supply network	16,601	(8,510)	8,091	–	95	–	(271)	–	127	–	170	17,175	(8,963)	8,212
– Sewerage network	18,821	(9,239)	9,582	–	4	–	(265)	–	260	–	204	19,487	(9,702)	9,785
– Swimming pools	1,705	(1,015)	690	–	–	–	(34)	–	–	–	157	1,761	(948)	813
– Other open space/recreational assets	1,111	(491)	620	76	50	(13)	(34)	–	–	–	176	1,248	(373)	875
Other assets:														
– Library books	147	(126)	21	–	–	–	(8)	–	–	–	–	147	(134)	13
Total Infrastructure, property, plant and equipment	331,350	(77,842)	253,508	1,558	6,654	(612)	(6,315)	(5,243)	–	–	4,243	360,888	(107,095)	253,793

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
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Intangible assets are as follows:

Opening values at 1 July

Gross book value	313	313
Net book value – opening balance	313	313

Movements for the year

- Purchases	647	–
- Revaluation	742	–

Closing values at 30 June

Gross book value	1,702	313
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TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

1,702	313
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The net book value of intangible assets represents:

Water licences	1,702	313
	1,702	313

Accounting policy for intangible assets**Water licences**

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018 Opening Balance Restated	Cash flows	as at 30/6/2019 Closing balance
Loans – secured	189	(89)	100
TOTAL	189	(89)	100

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

\$ '000	2019	2018
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(b) Financing arrangements

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

- Credit cards/purchase cards	18	68
Total financing arrangements	18	68

Drawn facilities as at balance date:

- Credit cards/purchase cards	9	7
Total drawn financing arrangements	9	7

Undrawn facilities as at balance date:

- Credit cards/purchase cards	9	61
Total undrawn financing arrangements	9	61

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

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

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

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

Provisions – employees benefits	1,834	1,539
	<u>1,834</u>	<u>1,539</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 2019

Note 12. Provisions (continued)

On-costs

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

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

Note 15. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2019 (\$'000) Net profit	2019 (\$'000) Net assets
Western Riverina Libraries	Provision of library services to member local government areas	(3)	434

Reasons for non-recognition

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

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

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

Property, plant and equipment

Boat Ramp	1,076	—
Levee Bank	1,455	—
Buildings	714	—
Plant and equipment	666	471
Total commitments	3,911	471

These expenditures are payable as follows:

Within the next year	3,911	471
Total payable	3,911	471

Sources for funding of capital commitments:

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

Details of capital commitments

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

(b) Operating lease commitments (non-cancellable)

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

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

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

Council has a lease on a plan printer

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB 119 *Employee Benefits* for the following reasons:

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Tips and quarries restoration

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 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 15.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management

Risk management

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

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

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

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

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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
2019						
Gross carrying amount	–	371	42	45	7	465
2018						
Gross carrying amount	–	347	40	42	7	436

Receivables - non-rates and annual charges

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

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

Employee benefits and on-costs	7,769	7,277	492	6%	F
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Borrowing costs	12	12	–	0%	F
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Materials and contracts	3,127	3,682	(555)	(18)%	U
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Significant costs were again incurred with the merger implementation.

Depreciation and amortisation	4,889	5,974	(1,085)	(22)%	U
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Depreciation was higher on a number of assets classes including roads, bridges and footpaths, \$673,000 due to revaluation in the prior year. Additional depreciation of \$176,000 was also incurred on plant and equipment.

Other expenses	1,583	2,236	(653)	(41)%	U
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Council made a donation of \$450,000 towards the construction of the Jerilderie Independent Living Units which was funded through the Stronger Communities Fund. Additional costs were also incurred for electricity \$20,000, advertising \$25,000, telephone \$17,000, insurance \$18,000 and street lighting \$20,000.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	15,025	12,351	(2,674)	(18)%	U
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Cash flows from operating activities was down due to reduction in capital grant income and also additional materials costs associated with the merger implementation.

Net cash provided from (used in) investing activities	(21,312)	(21,193)	119	(1)%	F
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Net cash provided from (used in) financing activities	(89)	(89)	–	0%	F
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Intangible assets

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

During the year, 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 2019

Note 20. 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, furniture and fittings and library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

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

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

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

Library books - Books and other audio visual media

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

Specialised buildings, land improvements and transport infrastructure were valued by JRA (a division of Technology One) as at 1 July 2017. The carrying amount of these assets is recognised at depreciated replacement cost.

Operational and community land are valued utilising valuations provided by the Valuer General.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,308	989
Post-employment benefits	106	99
Other long-term benefits	213	146
Termination benefits	237	158
Total	1,864	1,392

(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
\$ '000					
2019					
Employee expenses relating to close family members of KMP.	502	–	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	–	–
2018					
Employee expenses relating to close family members of KMP.	440	–	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.	24	–	30 days payment	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

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

S7.12 Levies – under a plan

MURRUMBIDGEE COUNCIL DEVELOPER CONTRIBUTION PLAN

Community facilities	6		370	–	–	–	–	376	–
Total	6		370	–	–	–	–	376	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Murrumbidgee Council

To the Councillors of the Murrumbidgee Council

Opinion

I have audited the accompanying financial statements of Murrumbidgee Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 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.

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

13 March 2020
SYDNEY



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

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D2003126/1764

13 March 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

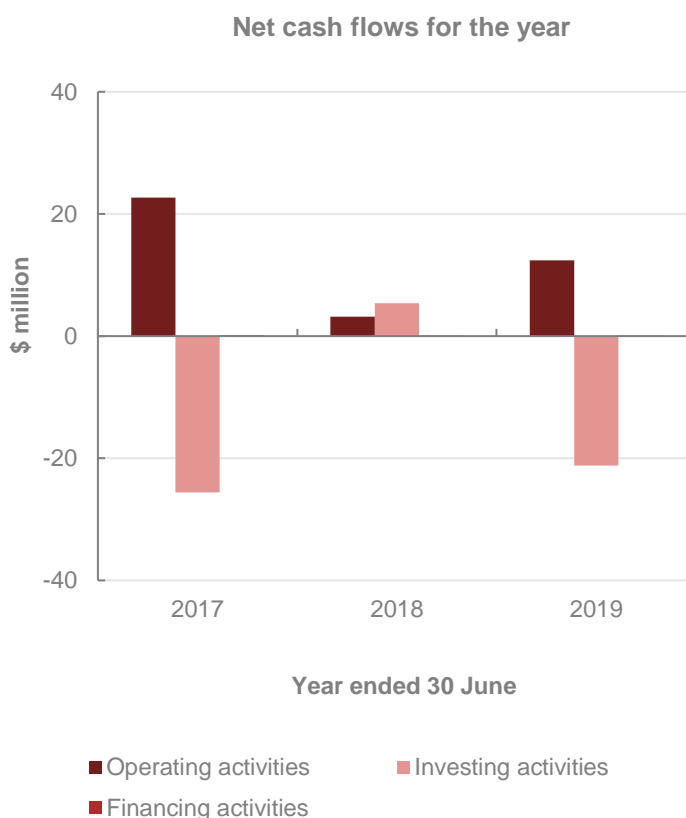
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	5.5	5.3	↑ 3.8
Grants and contributions revenue	16.6	8.8	↑ 88.6
Operating result for the year	6.6	(6.5)	↑ 201.5
Net operating result before capital grants and contributions	(1.8)	(8.3)	↑ 78.3

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

- Rates and annual charges revenue was \$5.5 million (\$5.3 million for the year ended 30 June 2018). The increase of \$0.2 million (3.8%) is consistent with an increase in ordinary rates in line with the 2.3% rate peg and rise in the total number of rateable properties.
- Grants and contributions revenue was \$16.6 million (\$8.8 million for the year ended 30 June 2018). The increase of \$7.8 million (88.6%) was primarily due to the increase of Stronger Communities Fund capital grants of \$4.1 million, transport capital grants of \$1.4 million, New Council Implementation Fund grants of \$1.2 million and Stronger Country Communities capital grants of \$1 million.
- Council's operating result was a surplus of \$6.6 million (\$6.5 million deficit for the year ended 30 June 2018). The increase of \$13.1 million is mainly due to the increase in grants and contributions revenue noted above, and nil IPP&E impairment / revaluation decrement (\$5.2 million impairment / revaluation decrement for the year ended 30 June 2018).
- The Council's net operating result before capital grants and contributions was a deficit of \$1.8 million (\$8.3 million deficit for the year ended 30 June 2018). The increase of \$6.5 million was mainly due to nil IPP&E impairment / revaluation decrement (\$5.2 million impairment / revaluation decrement for the year ended 30 June 2018).

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$11.7 million (\$20.7 million for the year ended 30 June 2018). There was a net decrease in cash and cash equivalents of \$9 million for the period ended 30 June 2019.
- Net cash provided by operating activities increased by \$9.2 million. This is mainly due to the increase in cash receipts from grants and contributions of \$6.6 million and user charges and fees of \$1.7 million.
- Net cash provided by investing activities decreased by \$26.6 million. This is mainly due to a reduction in sale of investment securities of \$9.8 million and an increase in purchase of investment securities of \$17.3 million.
- Net cash used in financing activities of \$89 thousand remained relatively consistent with the previous financial period (2018: \$82 thousand).



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$'000	\$'000	
External restrictions	21,245	15,800	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in external restrictions is primarily due to the increase in specific purpose unexpended grants of \$4.7 million.
Internal restrictions	9,448	8,378	
Unrestricted	991	1,615	
Cash and investments	31,684	25,793	<ul style="list-style-type: none"> 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 movement in internal restrictions is due to the increase in plant and vehicle replacement of \$0.6 million and increase in infrastructure replacement of \$0.4 million. Unrestricted cash and investments was \$991 thousand which is available to provide liquidity for day-to-day operations of the Council. This has reduced from \$1.6 million as at 30 June 2018 due to more cash being internally restricted.

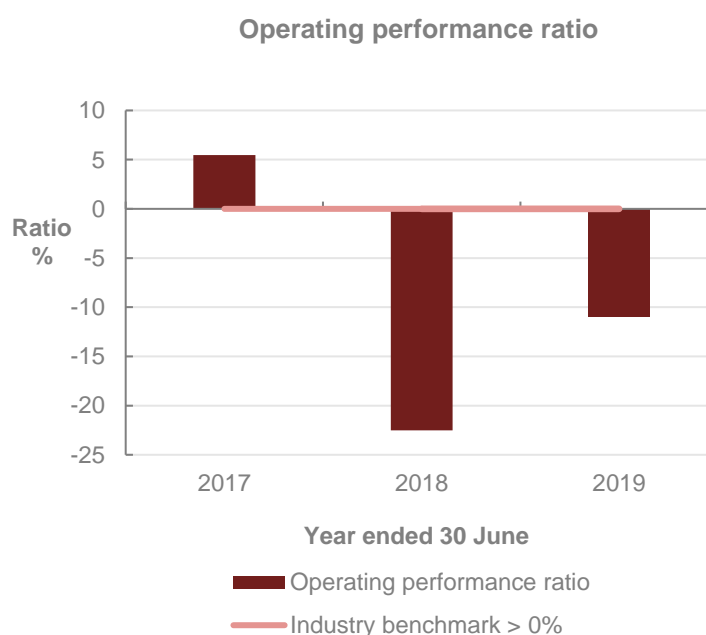
Debt

Council has \$100 thousand of borrowings as at 30 June 2019 (2018: \$189 thousand).

PERFORMANCE

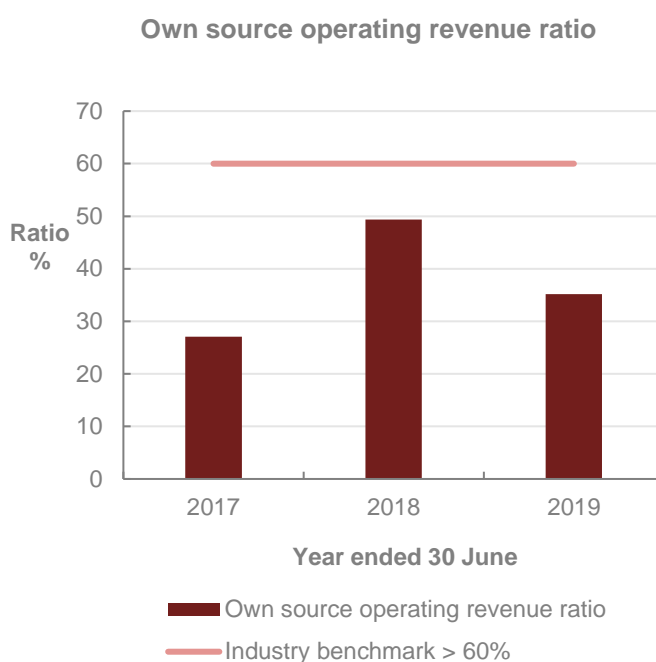
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio of (10.93%) is below the industry benchmark of greater than zero percent.
- The operating performance ratio of (10.93%) (2018: (22.53%)) has improved due to the increase in operational grant income.



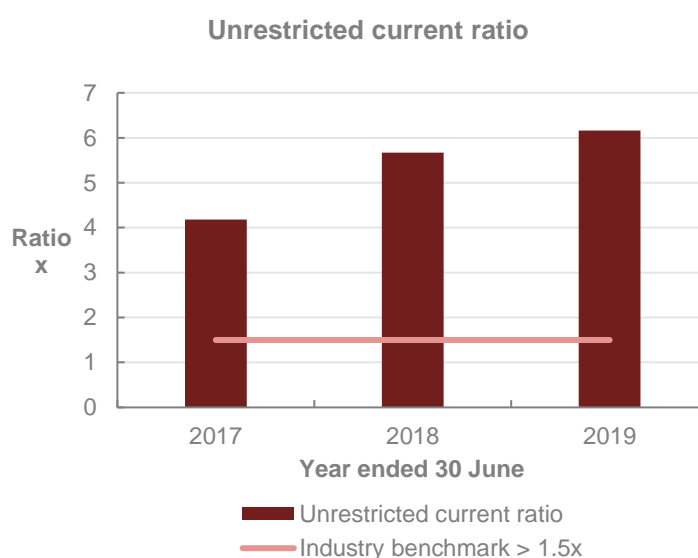
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 35.15% is below the industry benchmark of 60%. This indicates that the Council is reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio of 35.15% (2018: 49.39%) decreased as Council received more funding from grants and contributions in the current year.



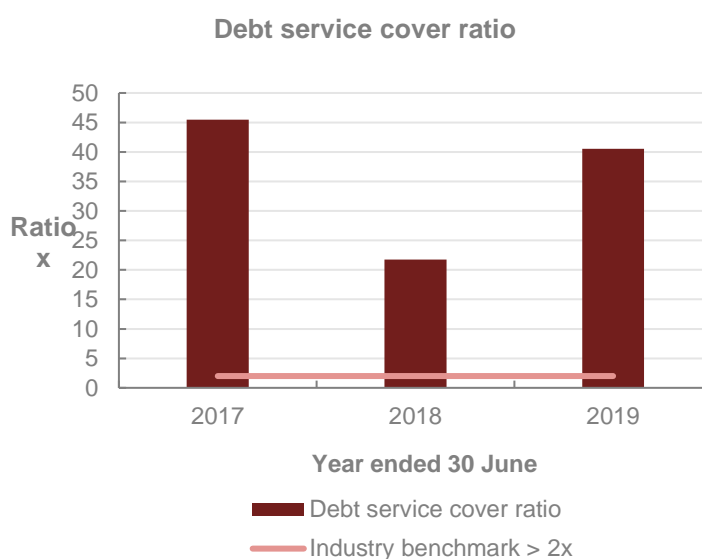
Unrestricted current ratio

- 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 the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 6.16 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.



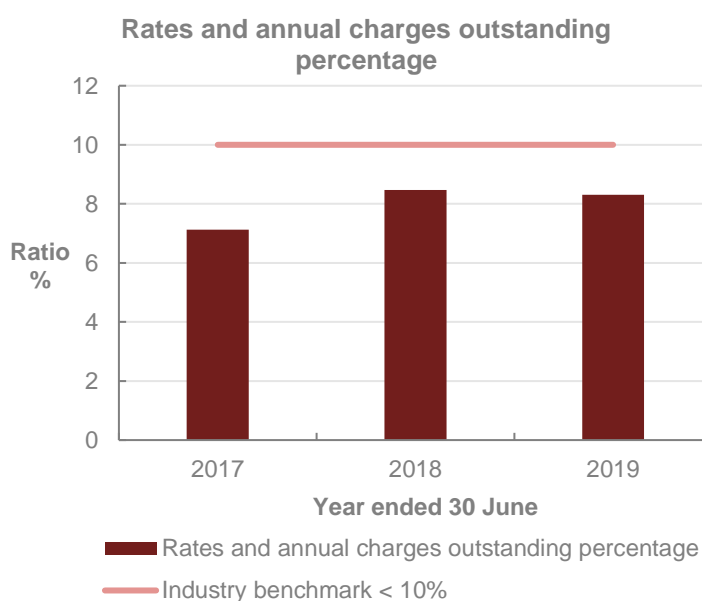
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 40.55 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has adequate operating cash to service its debt.
- The Council's debt service cover ratio of 40.55 times (2018: 21.73 times) has improved due to the increase in the operating result before capital amounts.



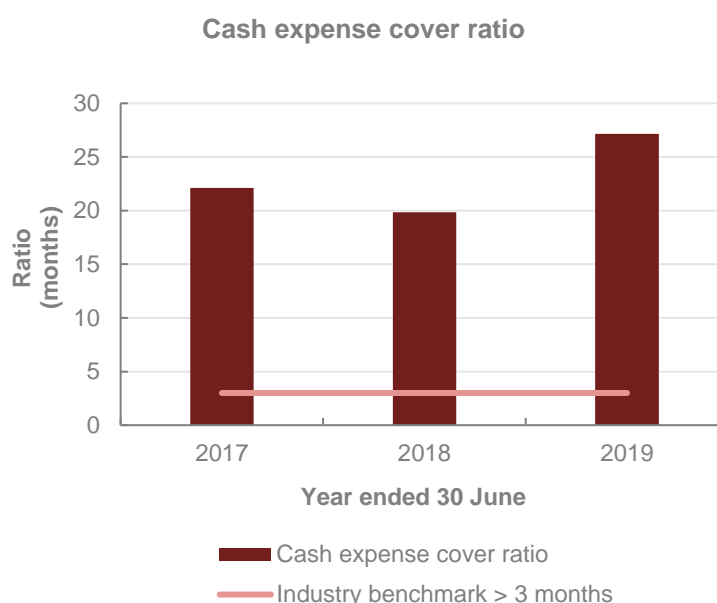
Rates and annual charges outstanding percentage

- 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 the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 8.31% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding percentage has remained consistent compared with the prior year.



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 the former OLG is greater than 3 months.
- The Council's cash expense cover ratio was 27.15 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 27.15 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio of 27.15 months (2018: 19.85 months) has improved due to the increase in cash, cash equivalents and investments held of \$5.9 million.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$3.4 million of assets in the 2018–19 financial year, compared to \$1.6 million of assets in the 2017–18 financial year. The majority of renewals related to roads of \$2.7 million.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 1.</p>

Legislative compliance

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

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

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

cc: Mr John Scarce, General Manager
Mr David Maxwell, Audit, Risk and Improvement Committee Chair
Ms Vicki Sutton, Finance Manager

Murrumbidgee Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Murrumbidgee Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

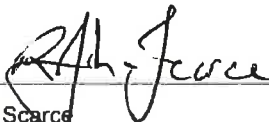
Signed in accordance with a resolution of Council made on 20 January 2020.



Ruth McRae
Mayor
20 January 2020



Robert Black
Councillor
20 January 2020



John Scarce
General Manager
20 January 2020



Vicki Sutton
Responsible Accounting Officer
20 January 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

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

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

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

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

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

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

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

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

a. Murrumbidgee Council Water Funds

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

b. Murrumbidgee Council Sewerage Funds

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

Monetary amounts

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

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

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Murrumbidgee Council

To the Councillors of the 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 Income Statement of the Declared Business Activities for the year ended 30 June 2019, the Statement of Financial Position of the Declared Business Activities as at 30 June 2019, Note 1 Significant accounting policies for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

13 March 2020
SYDNEY

Murrumbidgee Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

		2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
		Former Jerilderie Shire Council	Former Murrumbidgee Shire Council	Murrumbidgee Council	Former Jerilderie Shire Council	Former Murrumbidgee Shire Council	Murrumbidgee Council
\$ '000							
Notional general income calculation ¹							
Last year notional general income yield	a	2,125	2,052	4,177	2,066	1,987	4,053
Plus or minus adjustments ²	b	–	39	39	11	22	33
Notional general income	c = a + b	2,125	2,091	4,216	2,077	2,009	4,086
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Or plus rate peg amount	i = e x (c + g)	57	56	113	48	46	94
Sub-total	k = (c + g + h + i + j)	2,182	2,147	4,329	2,125	2,055	4,180
Plus (or minus) last year's carry forward total	l	1	–	1	1	(3)	(2)
Sub-total	n = (l + m)	1	–	1	1	(3)	(2)
Total permissible income	o = k + n	2,183	2,147	4,330	2,126	2,052	4,178
Less notional general income yield	p	2,183	2,147	4,330	2,125	2,052	4,177
Catch-up or (excess) result	q = o – p	–	1	1	1	–	1
Carry forward to next year ⁶	t = q + r + s	–	1	1	1	–	1

(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 2020.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Michael Kharzoo

Delegate of the Auditor-General for New South Wales

13 March 2020

SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	59	71	5,167	8,014	22.3%	45.3%	32.5%	0.0%	0.0%
	Buildings – specialised	–	–	177	213	15,953	28,550	8.2%	62.1%	24.3%	5.4%	0.0%
	Sub-total	–	–	236	284	21,120	36,564	11.3%	58.4%	26.1%	4.2%	0.0%
Other structures	Other structures	–	–	–	–	682	741	92.6%	7.2%	0.2%	0.0%	0.0%
	Sub-total	–	–	–	–	682	741	92.6%	7.2%	0.2%	0.0%	0.0%
Roads	Roads	–	–	1,448	1,508	112,803	166,121	7.4%	36.3%	44.6%	11.7%	0.0%
	Bulk earthworks	–	–	–	–	64,151	64,151	1.7%	58.0%	39.2%	1.1%	0.0%
	Bridges	–	–	–	–	2,574	6,649	7.4%	9.6%	36.2%	46.8%	0.0%
	Footpaths	–	–	–	–	2,798	3,729	62.4%	12.9%	23.6%	0.0%	1.0%
	Other road assets	–	–	–	–	1,136	2,091	26.8%	11.4%	37.3%	15.5%	9.0%
	Sub-total	–	–	1,448	1,508	183,462	242,741	6.9%	40.7%	42.6%	9.7%	0.1%
Water supply network	Water supply network	–	–	282	296	8,168	17,557	5.0%	30.3%	49.9%	9.3%	5.5%
	Sub-total	–	–	282	296	8,168	17,557	5.0%	30.3%	49.9%	9.3%	5.5%
Sewerage network	Sewerage network	–	–	193	205	9,674	19,803	3.8%	35.0%	58.4%	2.8%	0.0%
	Sub-total	–	–	193	205	9,674	19,803	3.8%	35.0%	58.4%	2.8%	0.0%
Stormwater drainage	Stormwater drainage	–	–	117	33	8,796	13,283	11.8%	34.6%	48.4%	5.1%	0.1%
	Sub-total	–	–	117	33	8,796	13,283	11.8%	34.6%	48.4%	5.1%	0.1%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	130	157	779	1,761	33.9%	0.0%	0.0%	66.1%	0.0%
	Open space/recreational areas	—	—	645	797	917	1,331	69.3%	8.7%	16.9%	3.3%	1.7%
	Sub-total	—	—	775	954	1,696	3,092	49.1%	3.8%	7.3%	39.1%	0.7%
	TOTAL - ALL ASSETS	—	—	3,051	3,280	233,598	333,781	7.9%	41.1%	41.9%	8.8%	0.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	3,407	69.89%	15.44%	—	>=100.00%
Depreciation, amortisation and impairment	4,875				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	—	—	—	—	<2.00%
Net carrying amount of infrastructure assets	233,598				
Asset maintenance ratio					
Actual asset maintenance	3,280	107.51%	117.95%	—	>100.00%
Required asset maintenance	3,051				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	—	—	—	—	
Gross replacement cost	333,781				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	76.91%	16.31%	28.42%	—	3.25%	—	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	—	—	—	—	—	—	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	107.88%	121.95%	104.96%	144.24%	106.22%	69.46%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
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.