



murray river
council

Murray River 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

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

21 Conargo Street
Mathoura NSW 2710

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.murrayriver.nsw.gov.au.

Murray River Council

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.

Murray River 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 there under,
- 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:

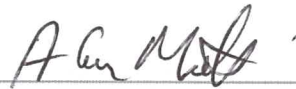
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 26 November 2019.



Chris Bilkey
Mayor
26 November 2019



Alan Mathers
Councillor
26 November 2019



Des Bilske
General Manager
26 November 2019



Ross Mallett
Responsible Accounting Officer
26 November 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018 ²
Income from continuing operations ¹				
Revenue:				
16,427	Rates and annual charges	3a	16,528	15,747
5,306	User charges and fees	3b	7,135	7,139
1,180	Interest and investment revenue	3c	1,771	1,603
646	Other revenues	3d	1,310	1,147
14,477	Grants and contributions provided for operating purposes	3e,3f	17,171	17,035
2,248	Grants and contributions provided for capital purposes	3e,3f	12,384	9,135
Other income:				
–	Net share of interests in joint ventures and associates using the equity method	15	37	–
40,284	Total income from continuing operations		56,336	51,806
Expenses from continuing operations				
14,190	Employee benefits and on-costs	4a	15,727	15,006
118	Borrowing costs	4b	127	191
8,796	Materials and contracts	4c	8,436	7,551
13,472	Depreciation and amortisation	4d	16,589	12,787
2,976	Other expenses	4e	4,405	4,350
–	Net losses from the disposal of assets	5	3,210	57
–	Revaluation decrement / impairment of IPP&E	4d	13,423	–
–	Net share of interests in joint ventures and associates using the equity method	15	–	44
39,552	Total expenses from continuing operations		61,917	39,986
732	Operating result from continuing operations		(5,581)	11,820
732	Net operating result for the year		(5,581)	11,820
732	Net operating result attributable to council		(5,581)	11,820
(1,516)	Net operating result for the year before grants and contributions provided for capital purposes		(17,965)	2,685

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

(2) Further information regarding the restatement of prior period results can be found at Note 13b.

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹
Net operating result for the year (as per Income Statement)		(5,581)	11,820
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	78,561	3,922
Other movements Revaluation Intangible Assets		172	853
Total items which will not be reclassified subsequently to the operating result		78,733	4,775
Total other comprehensive income for the year		78,733	4,775
Total comprehensive income for the year		73,152	16,595
Total comprehensive income attributable to Council		73,152	16,595

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ^{1,2}	Restated 1 July 2017 ^{1,2}
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	1,622	2,763	25,664
Investments	6(b)	60,196	59,251	30,954
Receivables	7	7,486	6,571	6,002
Inventories	8a	2,069	1,815	4,135
Other	8b	76	71	61
Total current assets		<u>71,449</u>	<u>70,471</u>	<u>66,816</u>
Non-current assets				
Investments	6(b)	2	2	2
Receivables	7	1,035	387	713
Inventories	8a	1,870	2,188	461
Infrastructure, property, plant and equipment	9(a)	771,121	697,709	687,323
Intangible assets	10	1,664	1,492	421
Investments accounted for using the equity method	15	414	377	639
Total non-current assets		<u>776,106</u>	<u>702,155</u>	<u>689,559</u>
TOTAL ASSETS		<u>847,555</u>	<u>772,626</u>	<u>756,375</u>
LIABILITIES				
Current liabilities				
Payables	11	5,639	3,807	2,872
Income received in advance	11	293	259	384
Borrowings	11	725	797	820
Provisions	12	4,082	3,763	3,827
Total current liabilities		<u>10,739</u>	<u>8,626</u>	<u>7,903</u>
Non-current liabilities				
Borrowings	11	957	1,659	2,484
Provisions	12	1,632	1,266	1,508
Total non-current liabilities		<u>2,589</u>	<u>2,925</u>	<u>3,992</u>
TOTAL LIABILITIES		<u>13,328</u>	<u>11,551</u>	<u>11,895</u>
Net assets		<u>834,227</u>	<u>761,075</u>	<u>744,480</u>
EQUITY				
Accumulated surplus	13a	727,038	732,619	720,799
Revaluation reserves	13a	107,189	28,456	23,681
Council equity interest		<u>834,227</u>	<u>761,075</u>	<u>744,480</u>
Total equity		<u>834,227</u>	<u>761,075</u>	<u>744,480</u>

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

(2) Further information regarding the restatement of prior period results can be found at Note 13b.

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

	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance		696,948	28,456	725,404	690,278	23,681	713,959
Correction of prior period errors	13b	35,671	–	35,671	30,521	–	30,521
Restated opening balance		732,619	28,456	761,075	720,799	23,681	744,480
Net operating result for the year		(5,581)	–	(5,581)	6,669	–	6,669
Correction of prior period errors	13b	–	–	–	5,151	–	5,151
Restated net operating result for the period		(5,581)	–	(5,581)	11,820	–	11,820
Other comprehensive income							
– Gain/(loss) on revaluation of IPP&E	9(a)	–	78,561	78,561	–	3,922	3,922
– Other movements (Revaluation Intangible Assets)		–	172	172	–	853	853
Other comprehensive income		–	78,733	78,733	–	4,775	4,775
Total comprehensive income		(5,581)	78,733	73,152	11,820	4,775	16,595
Equity – balance at end of the reporting period		727,038	107,189	834,227	732,619	28,456	761,075

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
16,427	Rates and annual charges		16,557	15,192
5,306	User charges and fees		7,064	8,030
1,180	Investment and interest revenue received		1,647	1,276
16,725	Grants and contributions		26,047	21,157
–	Bonds, deposits and retention amounts received		182	434
646	Other		4,918	2,654
<u>Payments</u>				
(14,190)	Employee benefits and on-costs		(14,896)	(15,100)
(8,796)	Materials and contracts		(7,182)	(8,885)
(118)	Borrowing costs		(90)	(130)
(2,976)	Other		(7,977)	(5,355)
14,204	Net cash provided (or used in) operating activities	14b	26,270	19,273
Cash flows from investing activities				
<u>Receipts</u>				
10,000	Sale of investment securities		33,059	39,670
1,259	Sale of real estate assets		181	650
–	Sale of infrastructure, property, plant and equipment		1,165	649
232	Deferred debtors receipts		772	819
<u>Payments</u>				
–	Purchase of investment securities		(34,003)	(67,967)
(26,074)	Purchase of infrastructure, property, plant and equipment		(26,129)	(14,892)
–	Purchase of real estate assets		–	1
–	Deferred debtors and advances made		(1,656)	(214)
(14,583)	Net cash provided (or used in) investing activities		(26,611)	(41,284)
Cash flows from financing activities				
<u>Payments</u>				
(797)	Repayment of borrowings and advances		(800)	(890)
(797)	Net cash flow provided (used in) financing activities		(800)	(890)
(1,176)	Net increase/(decrease) in cash and cash equivalents		(1,141)	(22,901)
–	Plus: cash and cash equivalents – beginning of year	14a	2,763	25,664
(1,176)	Cash and cash equivalents – end of the year	14a	1,622	2,763
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	60,198	59,253
(1,176)	Total cash, cash equivalents and investments		61,820	62,016

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 November 2019. 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 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

The standard is not expected to have a material impact on Council's future financial statements.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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 tip and gravel pit remediation provisions – refer Note 12

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

(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.

This Consolidated Fund has been included in the financial statements of Murray River Council.

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

- General purpose operations
- Water service
- Sewerage service
- Moama Recreation Reserve S355 Management Committee
- Moama Lions Units S355 Management Committee
- Mathoura Retirement Village S355 Management Committee.

All other operations of S355 Management Committees of the Council are immaterial and have not been disclosed as part of the consolidated fund.

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- Payments received from unknown entities
- Land Sale and Acquisition funds required to be paid into Trust

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 which have not been early adopted by Council).

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$25k - refer Note 18.

Of these commitments, approximately \$2k relate to short-term leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$23k (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$23k on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will be approximately \$2k lower while net current assets will be \$2k lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$2k for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$2k as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Further analysis is required to be undertaken for Council to determine the full impact of above identified leases.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

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

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

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

Council is currently in the process of determining the potential effects of the implementation of AASB 15 and will reflect in FY 2019/20.

Notes to the General Purpose 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.

Council is currently in the process of determining the potential effects of the implementation of AASB 1058 and will reflect in FY 2019/20.

Notes to the General Purpose 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
	Restated		Restated		Restated		Restated		Restated	
Functions or activities										
Governance	–	–	1,022	912	(1,022)	(912)	–	–	75	34
Administration	1,991	1,009	5,177	5,387	(3,186)	(4,378)	1,622	120	72,442	40,720
Public order and safety	613	256	1,570	1,207	(957)	(951)	357	290	2,757	2,652
Health	19	23	90	330	(71)	(307)	–	–	560	357
Environment	3,648	3,712	3,688	3,034	(40)	678	100	96	51,759	48,112
Community Services and Education	1,367	1,199	1,894	1,381	(527)	(182)	1,003	863	10,843	9,011
Housing and Community amenities	520	709	1,958	1,794	(1,438)	(1,085)	9	72	7,368	8,169
Water supplies	5,375	4,901	4,401	3,798	974	1,103	–	–	44,361	51,761
Sewerage services	3,357	3,205	2,725	2,345	632	860	–	–	40,460	48,840
Recreation and culture	6,307	1,359	3,734	3,794	2,573	(2,435)	4,433	802	35,852	30,231
Mining, manufacturing and construction	464	440	1,251	680	(787)	(240)	–	–	417	352
Transport and communication	10,481	12,601	31,578	12,379	(21,097)	222	3,164	3,010	569,137	522,231
Economic affairs	2,609	3,386	2,829	2,901	(220)	485	–	89	11,110	9,779
Share of gains / (losses) in association and joint ventures	36	–	–	44	36	(44)	–	–	414	377
General purpose income	19,549	19,006	–	–	19,549	19,006	8,462	8,089	–	–
Total functions and activities	56,336	51,806	61,917	39,986	(5,581)	11,820	19,150	13,431	847,555	772,626

Murray River Council

Notes to the General Purpose 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

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community Services and Education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and Community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Includes the provision and distribution of water to the towns within the boundary of the Council.

Sewerage services

Treatment of wastewater to the towns within the boundaries of the Council.

Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic affairs

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

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

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development and other business undertakings.

Share of gains / (losses) in association and joint ventures

Includes Central Murray Regional Library and Central Murray County Council

General purpose income

Includes rates and annual charges; non capital general purpose grants; interest on investments and interest on overdue rates and charges.

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	3,778	3,818
Farmland	5,518	5,399
Business	854	844
Less: pensioner rebates (mandatory)	(248)	(256)
Less: pensioner rebates (Council policy)	(14)	–
Rates levied to ratepayers	9,888	9,805
Pensioner rate subsidies received	95	102
Total ordinary rates	9,983	9,907
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,381	974
Stormwater management services	119	120
Water supply services	2,364	2,334
Sewerage services	2,590	2,341
Waste management services (non-domestic)	116	108
Less: pensioner rebates (mandatory)	(163)	(160)
Annual charges levied	6,407	5,717
Pensioner subsidies received:		
– Water	46	44
– Sewerage	44	42
– Domestic waste management	48	37
Total annual charges	6,545	5,840
TOTAL RATES AND ANNUAL CHARGES	16,528	15,747

Council has used 2018 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

Note 3. Income from continuing operations (continued)

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.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	440	270
Water supply services	2,009	1,721
Sewerage services	65	42
Waste management services (non-domestic)	896	537
Other	17	–
Total specific user charges	3,427	2,570
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	317	370
Inspection services	109	35
Private works – section 67	1,495	939
Regulatory fees	1	–
Section 10.7 certificates (EP&A Act)	37	45
Section 603 certificates	37	42
Tapping fees	31	–
Town planning	288	314
Other	9	–
Health control	14	21
Animal control	16	20
Total fees and charges – statutory/regulatory	2,354	1,786
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	269	143
Caravan park	95	26
Cemeteries	123	130
Child care	3	–
Gravel pits	76	59
Leaseback fees – Council vehicles	70	75
Library and art gallery	–	1
Park rents	10	–
RMS (formerly RTA) charges (state roads not controlled by Council)	528	2,063
Swimming centres	11	12
Water connection fees	–	22
Public halls	11	7
Sewer connection fees	–	20
Community services / retirement villages	–	81
Recreational grounds / swimming pools / libraries	14	41
Special meter reading	18	18
Sewerage consumption / trade waste	–	71

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Other	126	14
Total fees and charges – other	1,354	2,783
<u>TOTAL USER CHARGES AND FEES</u>	<u>7,135</u>	<u>7,139</u>

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	114	105
– Cash and investments	1,602	1,425
– Deferred debtors	44	59
Dividend income (other)	11	11

Amortisation of premiums and discounts

– Interest free (and interest reduced) loans provided	–	3
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TOTAL INTEREST AND INVESTMENT REVENUE

<u>1,771</u>	<u>1,603</u>
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Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	77	68
General Council cash and investments	1,167	1,083

Restricted investments/funds – external:

Development contributions		
– Section 7.11	24	21
– Section 64	15	16
Water fund operations	228	212
Sewerage fund operations	260	203

Total interest and investment revenue

1,771	1,603
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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	642	563
Fines	4	–
Legal fees recovery – rates and charges (extra charges)	44	37
Commissions and agency fees	292	254
Insurance claims / rebates	159	245
Water – meter rents / sundry income	49	28
Environment incentives	–	3
Other	120	17
<u>TOTAL OTHER REVENUE</u>	<u>1,310</u>	<u>1,147</u>

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018 Restated
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,695	2,554	–	–
Financial assistance – local roads component	1,459	1,436	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,757	2,625	–	–
Financial assistance – local roads component	1,551	1,474	–	–
Total general purpose	8,462	8,089	–	–
Specific purpose				
Aged care	954	883	–	–
Bushfire and emergency services	357	290	–	–
Economic development	–	89	–	–
Employment and training programs	–	38	–	–
Heritage and cultural	39	–	–	11
Library	–	78	–	17
Library – per capita	64	–	–	–
LIRS subsidy	39	58	–	–
Noxious weeds	100	59	–	–
Recreation and culture	93	2	–	694
Street lighting	53	52	–	–
Transport (roads to recovery)	594	2,720	–	–
Transport (other roads and bridges funding)	232	232	2,244	–
Planning	–	20	–	–
Energy fuel rebate scheme	109	82	–	–
River access	–	–	189	–
Other	13	1	–	–
Youth services	20	16	–	–
Stronger communities fund	1,500	–	4,088	–
Total specific purpose	4,167	4,620	6,521	722
Total grants	12,629	12,709	6,521	722
Grant revenue is attributable to:				
– Commonwealth funding	9,989	12,007	–	–
– State funding	2,640	702	6,521	722

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

Note 3. Income from continuing operations (continued)

	12,629	12,709	6,521	722
\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018 Restated
	Notes			
(f) Contributions				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	25	417
S 7.12 – fixed development consent levies	–	–	296	–
S 64 – water supply contributions	–	–	279	260
S 64 – sewerage service contributions	–	–	173	223
Other developer contributions	–	–	52	–
Total developer contributions – cash	–	–	825	900
Non-cash contributions				
Other developer/other contributions	–	–	3,110	5,095
Total developer contributions non-cash	–	–	3,110	5,095
Total developer contributions	–	–	3,935	5,995
	23			
Other contributions:				
Cash contributions				
Community services	–	6	–	–
Roads and bridges	27	–	1,170	–
RMS contributions (regional roads, block grant)	3,340	3,258	597	2,339
Water supplies (excl. section 64 contributions)	–	–	25	75
Other	165	–	22	–
RMS contributions (flood / storm damage)	847	878	–	–
Staff	72	–	–	–
S355 committees	41	45	54	4
Drummuster	–	74	–	–
Libraries	2	–	–	–
Transport (road safety officer)	–	41	–	–
Waste management	22	24	60	–
Donations	26	–	–	–
Total other contributions – cash	4,542	4,326	1,928	2,418
Total other contributions	4,542	4,326	1,928	2,418
Total contributions	4,542	4,326	5,863	8,413
TOTAL GRANTS AND CONTRIBUTIONS	17,171	17,035	12,384	9,135

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

\$ '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	–	–
Add: operating grants recognised in the current period but not yet spent	–	–
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	–	–
Unexpended and held as restricted assets (operating grants)	–	–

Capital grants

Unexpended at the close of the previous reporting period	12,892	14,504
Add: capital grants recognised in the current period but not yet spent	5,918	1,173
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(5,222)	(2,785)
Unexpended and held as restricted assets (capital grants)	13,588	12,892

Contributions

Unexpended at the close of the previous reporting period	2,046	1,881
Add: contributions recognised in the current period but not yet spent	341	842
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(147)	(677)
Unexpended and held as restricted assets (contributions)	2,240	2,046

Notes to the General Purpose 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	11,393	10,886
Employee termination costs	153	565
Travel expenses	104	685
Employee leave entitlements (ELE)	2,544	1,921
Superannuation	1,118	890
Superannuation – defined benefit plans	226	371
Workers' compensation insurance	944	714
Fringe benefit tax (FBT)	177	191
Payroll tax	60	30
Training costs (other than salaries and wages)	228	221
Protective clothing	41	28
Other	20	156
Total employee costs	17,008	16,658
Less: capitalised costs	(1,281)	(1,652)
TOTAL EMPLOYEE COSTS EXPENSED	15,727	15,006
Number of 'full-time equivalent' employees (FTE) at year end	174	172
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	174	173

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.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		92	93
Total interest bearing liability costs expensed		92	93
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	12	9	20
– Other liabilities		–	36
Interest applicable on interest free (and favourable) loans to Council		26	42
Total other borrowing costs		35	98

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
TOTAL BORROWING COSTS EXPENSED		127	191

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.

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	1,692	1,810
Contractor and consultancy costs	851	772
– Merger Consultants	–	349
– Planning Consultants	125	167
– Waste Management Consultants	124	228
– Waste, Transfer Station & Recycling Collections Contractors	1,646	890
– IT Software Licences	209	201
– IT Cloud Contract	433	184
– Road & Bridges Contractors	849	886
– State Road Contractors	383	728
– Water Supply Contractors	285	187
– Wastewater Contractors	246	206
– Aged & Community Service Contractors	105	75
– Building Service & Maintenance Contractors	367	303
– Plant Fleet Contractors	160	190
– Swimming Pool Contractors	128	100
– Floodplain Management Contractors	130	–
– Asset Management Contractors	121	20
– Organisational Service Consultants	212	–
– Stronger Communities Service Contractors	151	–
Auditors remuneration ²	126	94
Legal expenses:		
– Legal expenses: planning and development	9	47
– Legal expenses: debt recovery	43	40
– Legal expenses: other	15	55
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	23	19
Other	3	–
Total materials and contracts	8,436	7,551
TOTAL MATERIALS AND CONTRACTS	8,436	7,551

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:

Photocopiers	23	19
	23	19

2. Auditor remuneration

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	68	90
Remuneration for audit and other assurance services	68	90
Total Auditor-General remuneration	68	90
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal audit services	40	–
Remuneration for audit and other assurance services	40	–
(ii) Non-assurance services		
Internal Audit Committee	18	3
Audit Club Grants	–	1
Remuneration for non-assurance services	18	4
Total remuneration of non NSW Auditor-General audit firms	58	4
Total Auditor remuneration	126	94

\$ '000	Notes	2019	2018 Restated
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(d) Depreciation, amortisation and impairment of intangible assets and IPP&E

Depreciation and amortisation

Plant and equipment	1,216	1,243
Office equipment	246	189
Furniture and fittings	34	37
Land improvements (depreciable)	126	125
Infrastructure:		
– Buildings – non-specialised	340	336
– Buildings – specialised	1,181	1,167
– Other structures	489	483
– Roads	8,697	5,948
– Bridges	1,277	790
– Footpaths	183	177
– Stormwater drainage	568	700
– Water supply network	1,174	1,086
– Sewerage network	942	720
– Swimming pools	11	12
Other assets:		
– Heritage collections	12	12
– Library books	2	2
– Other	59	48

Reinstatement, rehabilitation and restoration assets:

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018 Restated
– Tip assets	9(a),12	24	26
– Quarry assets	9(a),12	8	20
Total gross depreciation and amortisation costs		16,589	13,121
Less: capitalised costs		–	(334)
Total depreciation and amortisation costs		16,589	12,787
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
- Bulk earthworks		12,534	–
– Bridges		889	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		13,423	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		13,423	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		30,012	12,787

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

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

Impairment of non-financial assets

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

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

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

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		
Advertising	237	224
Bad and doubtful debts	–	4
Bank charges	57	50

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	6	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)	16	20
– NSW fire brigade levy	–	15
– NSW rural fire service levy	363	388
Councillor expenses – mayoral fee	26	21
Councillor expenses – councillors' fees	107	87
Councillors' expenses (incl. mayor) – other (excluding fees above)	25	186
Donations, contributions and assistance to other organisations (Section 356)	673	419
– stronger communities fund grants	48	141
Election expenses	–	107
Electricity and heating	785	728
Fire and emergency services levy (FESL) implementation costs	30	–
Insurance	763	625
Postage/freight	61	73
Printing and stationery	90	133
Street lighting	266	220
Subscriptions and publications	207	147
Telephone and communications	370	475
Valuation fees	68	65
Vehicle registrations	138	131
Aged care services	–	242
Other	69	47
Other – Administrator payment	–	33
Other – Administrator expenses	–	13
Total other expenses	4,405	4,594
Less: capitalised costs	–	(244)
TOTAL OTHER EXPENSES	4,405	4,350

Accounting policy for other expenses

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

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	12
Less: carrying amount of property assets sold/written off		–	(40)
Net gain/(loss) on disposal		–	(28)
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		1,165	631
Less: carrying amount of plant and equipment assets sold/written off		(1,049)	(743)
Net gain/(loss) on disposal		116	(112)
Infrastructure			
	9(a)		
Proceeds from disposal – infrastructure		–	6
Less: carrying amount of infrastructure assets sold/written off		(3,327)	(66)
Net gain/(loss) on disposal		(3,327)	(60)

Notes to the General Purpose 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
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		181	650
Less: carrying amount of real estate assets sold/written off		(180)	(507)
Net gain/(loss) on disposal		<u>1</u>	<u>143</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		33,059	39,670
Less: carrying amount of investments sold/redeemed/matured		(33,059)	(39,670)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(3,210)</u>	<u>(57)</u>

Accounting policy for disposal of assets

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

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

Notes to the General Purpose 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	1,622	2,763
Total cash and cash equivalents	<u>1,622</u>	<u>2,763</u>

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				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	60,196	–	59,251	–
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	2	–	2
Total Investments	<u>60,196</u>	<u>2</u>	<u>59,251</u>	<u>2</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>61,818</u>	<u>2</u>	<u>62,014</u>	<u>2</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	60,196	–	59,251	–
Total	<u>60,196</u>	<u>–</u>	<u>59,251</u>	<u>–</u>
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
Unlisted equity securities	–	2	–	2
Total	<u>–</u>	<u>2</u>	<u>–</u>	<u>2</u>

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 into the following categories – those measured at:

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

(b) Held to maturity investments

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

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	61,818	2	62,014	2
attributable to:				
External restrictions	35,045	2	31,219	2
Internal restrictions	25,376	–	24,042	–
Unrestricted	1,397	–	6,753	–
	61,818	2	62,014	2

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	768	768
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External restrictions – included in liabilities

	768	768
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External restrictions – other

Developer contributions – general	1,364	1,061
Developer contributions – water fund	117	264
Developer contributions – sewer fund	672	635
Specific purpose unexpended grants	13,588	12,892
Water supplies	7,681	6,226
Sewerage services	9,005	7,856
Domestic waste management	1,538	1,298
Special levies – land and water management	135	135
Crown land management	93	–
Other – hacc bus	86	86

External restrictions – other

	34,279	30,453
--	--------	--------

Total external restrictions

	35,047	31,221
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Internal restrictions

Plant and vehicle replacement	1,986	2,176
Infrastructure replacement	3,223	4,238
Employees leave entitlement	2,113	1,947
Carry over works	2,918	1,162
Staff/other housing	54	156
Waste management	3,571	3,212
Community hub	–	296
Community master planning	–	105
Prepaid financial assistance grant (fag)	4,308	4,099
Town improvements	30	30
Cemetery improvements	37	37
Sand/gravel pit restorations	234	234
Barham boardwalk	–	150
Parks, halls and reserves	705	754
Office equipment	894	611
Town planning	46	61
Stormwater drainage	275	217
Other flood damage grant	–	183
Recreation and culture	192	198

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Road safety	–	30
Retirement village	668	547
Other – investment projects	62	84
Levee bank	9	9
Insurance claims	163	163
Industrial development	1,433	1,433
Halls	57	57
Financial assistance grant	78	249
Election	75	47
Economic	16	17
Cemetery	81	81
Caravan park	348	615
Buildings	1,549	337
Investment recoupment	–	204
Other	251	303
Total internal restrictions	25,376	24,042
TOTAL RESTRICTIONS	60,423	55,263

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,527	–	1,556	–
Interest and extra charges	262	–	237	–
User charges and fees	872	–	767	–
Accrued revenues				
– Interest on investments	700	–	601	–
– Other income accruals	271	–	122	–
Deferred debtors	696	960	483	289
Government grants and subsidies	2,188	–	1,791	–
Loans to non-profit organisations	40	105	39	128
Net GST receivable	185	–	223	–
Other debtors	868	–	875	–
Total	7,609	1,065	6,694	417
Less: provision of impairment				
Rates and annual charges	(35)	–	(35)	–
Other debtors	(88)	(30)	(88)	(30)
Total provision for impairment – receivables	(123)	(30)	(123)	(30)
TOTAL NET RECEIVABLES	7,486	1,035	6,571	387

Externally restricted receivables

Water supply

– Rates and availability charges	241	–	271	–
– Other	877	–	720	–

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Sewerage services				
– Rates and availability charges	194	–	219	–
– Other	109	–	82	–
Domestic waste management	140	–	62	–
Total external restrictions	<u>1,561</u>	<u>–</u>	<u>1,354</u>	<u>–</u>
Unrestricted receivables	<u>5,925</u>	<u>1,035</u>	<u>5,217</u>	<u>387</u>
TOTAL NET RECEIVABLES	<u>7,486</u>	<u>1,035</u>	<u>6,571</u>	<u>387</u>

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	153	153
Balance at the end of the period	<u>153</u>	<u>153</u>

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
- 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.

Accounting policy under AASB 139 - Applicable for 2018 comparatives only

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Murray River 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.

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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(a) Inventories

(i) Inventories at cost

Real estate for resale	1,557	1,715	1,419	2,033
Stores and materials	512	–	396	–
Loose tools	–	155	–	155
Total inventories at cost	2,069	1,870	1,815	2,188
TOTAL INVENTORIES	2,069	1,870	1,815	2,188

(b) Other assets

Prepayments	76	–	71	–
TOTAL OTHER ASSETS	76	–	71	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	2,145	1,870	1,886	2,188
TOTAL INVENTORIES AND OTHER ASSETS	2,145	1,870	1,886	2,188

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Industrial/commercial		1,557	1,715	1,419	2,033
Total real estate for resale		1,557	1,715	1,419	2,033

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

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(Valued at the lower of cost and net realisable value)					
Represented by:					
Development costs		1,557	1,715	1,419	2,033
Total costs		1,557	1,715	1,419	2,033
Total real estate for resale		1,557	1,715	1,419	2,033
Movements:					
Real estate assets at beginning of the year		1,419	2,033	3,743	330
– Purchases and other costs		–	–	(1,704)	1,703
– Transfers in from (out to) Note 9		–	–	(113)	–
– WDV of sales (expense)	5	(180)	–	(507)	–
– Transfer between current/non-current		318	(318)	–	–
Total real estate for resale		1,557	1,715	1,419	2,033

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

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

\$ '000	2019	2018
Real estate for resale	1,092	–
	1,092	–

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 General Purpose Financial Statements
for the year ended 30 June 2019

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

	as at 30/6/2018 ²			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Renewals	Additions new assets	Developer / Other contribution	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	–	–	–	420	4,696	–	–	–	–	–	–	–	5,117	–	5,117
Plant and equipment	18,880	(9,568)	9,312	2,901	502	–	–	(1,049)	(1,216)	–	–	–	19,564	(9,113)	10,451
Office equipment	2,375	(967)	1,408	–	39	–	–	–	(246)	–	–	–	2,053	(851)	1,202
Furniture and fittings	849	(506)	343	15	6	–	–	–	(34)	–	–	–	839	(509)	330
Land:															
– Operational land	7,975	–	7,975	–	47	–	–	–	–	–	–	–	8,022	–	8,022
– Community land	10,521	–	10,521	–	1,219	–	–	–	–	–	–	–	11,740	–	11,740
– Land under roads (post 30/6/08)	19	–	19	–	–	–	–	–	–	–	–	–	19	–	19
Land improvements – depreciable	8,803	(4,745)	4,058	–	–	–	–	–	(126)	–	–	–	8,804	(4,871)	3,933
Infrastructure:															
– Buildings – non-specialised	14,046	(5,075)	8,971	–	1,425	–	–	–	(340)	–	–	–	15,471	(5,415)	10,056
– Buildings – specialised	45,333	(24,082)	21,251	463	383	–	–	–	(1,181)	–	–	–	46,178	(25,263)	20,915
– Other structures	16,297	(3,444)	12,853	73	1,129	1,006	–	–	(489)	–	–	–	18,505	(3,932)	14,573
– Roads	329,449	(89,530)	239,919	6,879	1,062	1,060	–	(2,689)	(8,697)	–	(93,647)	64,795	331,932	(123,251)	208,681
– Bridges	71,415	(22,332)	49,083	2,789	–	–	–	(166)	(1,277)	(889)	–	–	77,552	(28,013)	49,539
– Footpaths	11,446	(3,134)	8,312	96	151	100	–	(296)	(183)	–	–	1,381	12,832	(3,271)	9,561
– Bulk earthworks (non-depreciable)	205,400	–	205,400	214	196	–	–	–	–	(12,534)	99,458	–	292,733	–	292,733
– Stormwater drainage	52,304	(15,373)	36,931	2	93	488	–	(170)	(568)	–	(5,811)	11,085	49,855	(7,806)	42,049
– Water supply network	59,278	(18,554)	40,724	494	290	195	–	–	(1,174)	–	–	678	61,247	(20,041)	41,206
– Sewerage network	58,124	(19,311)	38,813	179	–	261	–	(5)	(942)	–	–	622	59,485	(20,558)	38,927
– Swimming pools	550	(533)	17	–	–	–	–	–	(11)	–	–	–	551	(545)	6
Other assets:															
– Heritage collections	593	(290)	303	–	–	–	–	–	(12)	–	–	–	593	(301)	292
– Library books	24	(19)	5	–	–	–	–	–	(2)	–	–	–	24	(21)	3
– Other	598	(138)	460	–	22	–	–	–	(59)	–	–	–	620	(197)	423
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
– Tip assets	1,685	(722)	963	–	–	–	271	–	(24)	–	–	–	1,956	(746)	1,210
– Quarry assets	237	(169)	68	–	–	–	73	–	(8)	–	–	–	310	(177)	133
Total Infrastructure, property, plant and equipment	916,201	(218,492)	697,709	14,525	11,260	3,110	344	(4,375)	(16,589)	(13,423)	–	78,561	1,026,002	(254,881)	771,121

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

(2) This column has been restated.

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

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

	as at 30/6/2017 ²			Asset movements during the reporting period									as at 30/6/2018 ³		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Developer / other contributions	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Plant and equipment	18,547	(8,753)	9,794	1,130	374	–	–	(743)	(1,243)	–	–	–	18,880	(9,568)	9,312
Office equipment	1,784	(831)	953	12	632	–	–	–	(189)	–	–	–	2,375	(967)	1,408
Furniture and fittings	823	(469)	354	14	11	–	–	–	(37)	–	–	–	849	(506)	343
Land:															
– Operational land	7,689	–	7,689	–	5	–	–	(40)	–	82	(299)	538	7,975	–	7,975
– Community land	8,410	–	8,410	–	–	–	–	–	–	31	–	2,080	10,521	–	10,521
– Land under roads (post 30/6/08)	19	–	19	–	–	–	–	–	–	–	–	–	19	–	19
Land improvements – depreciable	8,803	(4,620)	4,183	–	–	–	–	–	(125)	–	–	–	8,803	(4,745)	4,058
Infrastructure:															
– Buildings – non-specialised	13,996	(4,739)	9,257	50	–	–	–	–	(336)	–	–	–	14,046	(5,075)	8,971
– Buildings – specialised	45,248	(22,915)	22,333	71	14	–	–	–	(1,167)	–	–	–	45,333	(24,082)	21,251
– Other structures	15,368	(2,990)	12,378	434	254	322	–	(52)	(483)	–	–	–	16,297	(3,444)	12,853
– Roads	317,606	(83,581)	234,025	9,327	287	2,228	–	–	(5,948)	–	–	–	329,449	(89,530)	239,919
– Bridges	70,884	(21,542)	49,342	467	–	64	–	–	(790)	–	–	–	71,415	(22,332)	49,083
– Footpaths	10,943	(2,966)	7,977	182	66	266	–	(2)	(177)	–	–	–	11,446	(3,134)	8,312
– Bulk earthworks (non-depreciable)	204,549	–	204,549	487	46	317	–	–	–	–	–	–	205,400	–	205,400
– Stormwater drainage	50,704	(14,674)	36,030	53	–	1,548	–	–	(700)	–	–	–	52,304	(15,373)	36,931
– Water supply network	56,785	(17,107)	39,678	744	460	112	–	–	(1,086)	–	–	817	59,278	(18,554)	40,724
– Sewerage network	56,631	(18,207)	38,424	54	32	238	–	–	(720)	–	–	786	58,124	(19,311)	38,813
– Swimming pools	551	(522)	29	–	–	–	–	–	(12)	–	–	–	550	(533)	17
Other assets:															
– Heritage collections	558	(278)	280	35	–	–	–	–	(12)	–	–	–	593	(290)	303
– Library books	24	(17)	7	–	–	–	–	–	(2)	–	–	–	24	(19)	5
– Other	487	(90)	397	–	111	–	–	–	(48)	–	–	–	598	(138)	460
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
– Tip assets	1,724	(697)	1,027	–	–	–	(38)	–	(26)	–	–	–	1,685	(722)	963
– Quarry assets	426	(238)	188	18	–	–	(106)	(12)	(20)	–	–	–	237	(169)	68
Total Infrastructure, property, plant and equipment	892,559	(205,236)	687,323	13,078	2,292	5,095	(144)	(849)	(13,121)	113	(299)	4,221	916,201	(218,492)	697,709

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

(2) This column has been restated.

(3) This column has been restated.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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	4 to 20	Playground equipment	5 to 80
Office furniture	10 to 50	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	2 to 10	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	10 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	30 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	5 to 50		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 30	Bulk earthworks	Infinite
Sealed roads: structure	30 to 80	Swimming pools	50
Unsealed roads	10 to 30	Other open space/recreational assets	5 to 50
Bridge: concrete	60 to 100	Other Infrastructure	5 to 50
Bridge: other	20 to 60		
Road pavements	10 to 80		
Kerb, gutter and footpaths	20 to 100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land under roads

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

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 changes. Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the Building assets, their values and depreciation charges within these financial statements. Council will not recognise rural fire service assets including plant and vehicles in these financial statements.

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

Note 9(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2019 ¹			2018 ²		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Plant and equipment	57	51	6	57	50	7
Land						
– Operational land	616	–	616	616	–	616
Buildings	2,517	1,136	1,381	2,517	1,076	1,441
Infrastructure	61,280	20,042	41,238	59,339	18,615	40,724
Total water supply	64,470	21,229	43,241	62,529	19,741	42,788
Sewerage services						
Plant and equipment	23	23	–	23	23	–
Land						
– Operational land	1,123	–	1,123	1,123	–	1,123
Buildings	181	75	106	181	70	111
Infrastructure	59,485	20,559	38,926	58,193	19,379	38,814
Total sewerage services	60,812	20,657	40,155	59,520	19,472	40,048
Domestic waste management						
Plant and equipment	5	5	–	9	7	2
Land						
– Operational land	212	107	105	174	–	174
– Community land	76	–	76	76	–	76
Buildings	183	–	183	110	57	53
Other structures	647	117	530	595	94	501
Other assets	–	–	–	523	126	397
Total DWM	1,123	229	894	1,487	284	1,203
<u>TOTAL RESTRICTED I,PP&E</u>	126,405	42,115	84,290	123,536	39,497	84,039

(1) This column has been restated.

(2) 2018 balances have been adjusted.

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	1,492	639
Net book value – opening balance	1,492	639
Movements for the year		
– Other capitalised costs (Revaluation)	172	853
Closing values at 30 June		
Gross book value	1,664	1,492
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	1,664	1,492

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets (continued)

\$ '000	2019	2018
The net book value of intangible assets represents:		
– Water access licences	1,664	1,492
	1,664	1,492

Accounting policy for intangible assets

Water access licences

Council holds a number of high and general security water licences which it recognises as an intangible asset. The water licences are individually tradable 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. The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date. 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 year 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. Increases in the carrying amounts arising on revaluation are credited to the asset 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.

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	4,064	–	2,694	–
Accrued expenses:				
– Borrowings	1	–	2	–
– Salaries and wages	730	–	230	–
– Other expenditure accruals	140	–	359	–
Security bonds, deposits and retentions	704	–	522	–
Total payables	5,639	–	3,807	–
Income received in advance				
Payments received in advance	293	–	259	–
Total income received in advance	293	–	259	–
Borrowings				
Loans – secured ¹	725	957	797	1,659
Total borrowings	725	957	797	1,659
TOTAL PAYABLES AND BORROWINGS	6,657	957	4,863	1,659

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	115	–	95	37
Sewer	27	–	13	–
Payables and borrowings relating to externally restricted assets	142	–	108	37
Total payables and borrowings relating to restricted assets	142	–	108	37
Total payables and borrowings relating to unrestricted assets	6,515	957	4,755	1,622
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>6,657</u>	<u>957</u>	<u>4,863</u>	<u>1,659</u>

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	2,456	(774)	–	–	–	1,682
TOTAL	2,456	(774)	–	–	–	1,682

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,304	(848)	–	–	–	2,456
TOTAL	3,304	(848)	–	–	–	2,456

\$ '000	2019	2018
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	650	650
Credit cards/purchase cards	53	133
Total financing arrangements	703	783

Drawn facilities as at balance date:

– Credit cards/purchase cards	22	25
Total drawn financing arrangements	22	25

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
Undrawn facilities as at balance date:		
– Bank overdraft facilities	650	650
– Credit cards/purchase cards	31	108
Total undrawn financing arrangements	681	758

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

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables, 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.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	1,961	–	1,476	–
Long service leave	2,121	219	2,287	207
Sub-total – aggregate employee benefits	4,082	219	3,763	207
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,413	–	1,059

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Sub-total – asset remediation/restoration	–	1,413	–	1,059
<u>TOTAL PROVISIONS</u>	4,082	1,632	3,763	1,266

(a) Provisions relating to restricted assets**Internally restricted assets**

Employee Benefits	2,113	–	1,947	–
Gravel Pit Restorations	234	–	234	–
Waste Management – Landfills	615	–	612	–
Provisions relating to internally restricted assets	2,962	–	2,793	–
Total provisions relating to restricted assets	2,962	–	2,793	–
Total provisions relating to unrestricted assets	1,120	1,632	970	1,266
<u>TOTAL PROVISIONS</u>	4,082	1,632	3,763	1,266

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

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

Provisions – employees benefits	2,346	2,116
	<u>2,346</u>	<u>2,116</u>

(c) Description of and movements in provisions

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
2019			
At beginning of year	1,476	2,494	3,970
Additional provisions	1,547	273	1,820
Amounts used (payments)	(1,062)	(427)	(1,489)
Total ELE provisions at end of period	1,961	2,340	4,301
2018			
At beginning of year	1,522	2,535	4,057
Additional provisions	1,033	475	1,508
Amounts used (payments)	(1,079)	(516)	(1,595)
Total ELE provisions at end of period	1,476	2,494	3,970

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	1,059	1,059
Changes to provision:		
– Revised costs	342	342
Unwinding of discount	12	12
Total other provisions at end of period	1,413	1,413
2018		
At beginning of year	1,278	1,278
– Revised costs	(238)	(238)
Unwinding of discount	19	19
Total other provisions at end of period	1,059	1,059

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.

On-costs

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

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

(b) Correction of errors relating to a previous reporting period**Nature of prior-period error**

As part of revaluation of IPPE, Council undertook a detailed review of assets classified as IPPE. This review identified prior period errors in total of \$35,671K. These errors have been corrected as follows:

- Prior period income, depreciation and found assets errors have been corrected by restating the 2018 balances presented (30 June 2018) and taking the adjustment through to income: \$5,095K, depreciation: (\$56K) and Non-current assets (Infrastructure, property, plant and equipment): \$5,151K.

Nature of prior-period error

These errors have been caused by the following factors related to prior periods:

- Newly constructed/gifted assets (non cash developer contributed assets) not being brought to account
- Assets newly identified as part of the revaluation (found assets) not being brought to account
- Disposal of assets relevant to prior year asset renewal not being accounted for correctly
- Non depreciable assets were incorrectly depreciated in prior years.

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

Changes to the opening Statement of Financial Position at 1 July 2017**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Roads	212,389	21,636	234,025
Bridges	47,819	1,523	49,342
Footpaths	7,009	967	7,976
Bulk earthworks	203,924	625	204,549
Storm water drainage	32,021	4,009	36,030
Water supply network	38,909	769	39,678
Sewerage network	37,433	992	38,425
Infrastructure, Property, Plant and Equipment	725,854	30,521	756,375
Total liabilities	11,895	–	11,895
Accumulated Surplus	690,278	30,521	720,799
Equity	713,959	30,521	744,480

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Adjustments to the comparative figures for the year ended 30 June 2018			
Other Structures	12,535	318	12,853
Roads	215,715	24,204	239,919
Bridges	47,586	1,497	49,083
Footpaths	7,098	1,214	8,312
Bulk Earthworks	204,457	943	205,400
Storm Water Drainage	31,519	5,412	36,931
Water Supply Network	39,855	869	40,724
Sewerage Network	37,599	1,214	38,813
Total assets	736,955	35,671	772,626
Total liabilities	11,551	-	11,551
Accumulated Surplus	696,947	35,671	732,618
Total equity	725,404	35,671	761,075

Income Statement - 2018

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Grants and contributions provided for capital purposes	4,040	5,095	9,135
Total income from continuing operations	46,711	5,095	51,806
Depreciation expense	12,842	(56)	12,786
Total expenses from continuing operations	40,042	(56)	39,986
Net operating result for the year	6,669	5,151	11,820

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	1,622	2,763
Balance as per the Statement of Cash Flows		1,622	2,763
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(5,581)	11,820
Adjust for non-cash items:			
Depreciation and amortisation		16,589	12,843
Net losses/(gains) on disposal of assets		3,210	57
Non-cash capital grants and contributions		(3,110)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		13,423	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		–	(3)
– Interest exp. on interest-free loans received by Council (previously fair valued)		26	42
Unwinding of discount rates on reinstatement provisions		12	19
Share of net (profits)/losses of associates/joint ventures using the equity method		(37)	44
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(680)	(845)
Decrease/(increase) in inventories		(116)	(28)
Decrease/(increase) in other current assets		(5)	(10)
Increase/(decrease) in payables		1,370	365
Increase/(decrease) in accrued interest payable		(1)	–
Increase/(decrease) in other accrued expenses payable		281	178
Increase/(decrease) in other liabilities		216	267
Increase/(decrease) in provision for employee benefits		331	(87)
Increase/(decrease) in other provisions		342	(238)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		26,270	24,424
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		3,110	–
Total non-cash investing and financing activities		3,110	–

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Associates	37	(44)	414	377
Total	37	(44)	414	377

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

Name of Operation/Entity	Principal activity
1. Moama Recreation Reserve	Management of a Recreation Reserve (Sub Committee) Perricoota Road Moama

Interests in Subsidiary \$ '000	Ownership	Ownership	Voting rights	Voting rights
	2019	2018	2019	2018
Council's interest in Subsidiary	100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

The Moama Recreation Reserve is a sub committee of Council under s 355 of the Local Government Act. The Committee operates with in a Charter and any other decisions of the Committee are recommendations to the Council. The assets of the committee are Council's assets. Their bank accounts are treated as Internally Restricted Assets of the Council.

The nature of risks associated with Council's interests in the Subsidiary

The Council has ultimate responsibility for the operation of the Recreation Reserve. The sub committee liaises with the various users and discusses any areas of concern between the groups.

Other disclosures

The Council has a representative on the Committee. Council staff also attend the meetings.

Reporting dates of Subsidiary

The committee completes financials reports to financial year end 30 June 2019. The financial position and performance of subsidiaries for the financial year ended 30 June 2019 have been included in these consolidated financial statements.

Summarised financial information for the Subsidiary

\$ '000	2019	2018
Summarised statement of comprehensive income		
Revenue	45	41
Expenses	(51)	(26)
Profit for the period	(6)	15
Total comprehensive income	(6)	15

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

Summarised statement of financial position

Current assets	55	46
Total assets	55	46
Net assets	55	46

Summarised statement of cash flows

Cash flows from operating activities	19	15
Net increase (decrease) in cash and cash equivalents	19	15

Name of Operation/Entity	Principal activity
2. Mathoura Retirement Village	Management of Units for the Aged Mathoura Street, Mathoura

Interests in Subsidiary \$ '000	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

The Mathoura Retirement Village is a sub committee of Council under Section 355 of the local Government Act. The assets of the committee are Council's assets. Their bank accounts are treated as Internally Restricted Assets of the Council.

The nature of risks associated with Council's interests in the Subsidiary

The Council has ultimate responsibility for the operation of the Retirement Village. The sub committee liaises with the tenants and deals with the ongoing maintenance of the units and the surrounding area.

Other disclosures

The Council has a representative on the Committee. Council staff assist with administrative issues and capital works.

Reporting dates of Subsidiary

The committee completes financial reports to financial year end 30 June 2019. The financial position and performance of subsidiaries for the financial year ended 30 June 2019 have been included in these consolidated financial statements.

Summarised financial information for the Subsidiary

\$ '000	2019	2018
Summarised statement of comprehensive income		
Revenue	61	57
Expenses	(25)	(31)
Profit for the period	36	26
Total comprehensive income	36	26

Summarised statement of financial position

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

Current assets	160	138
Non-current assets	439	451
Total assets	599	589
Non-current liabilities	30	44
Total liabilities	30	44
Net assets	569	545

Summarised statement of cash flows

Cash flows from operating activities	36	22
Net increase (decrease) in cash and cash equivalents	36	22

Name of Operation/Entity	Principal activity
3. Moama Lion Community Village	Provision of units for the people meeting the criteria Various units in Moama

Interests in Subsidiary \$ '000	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

The Moama Lions is a sub committee of Council under s 355 of the Local Government Act. The assets of the committee are Council's assets. Their bank accounts are treated as Internally Restricted Assets of the Council.

The nature of risks associated with Council's interests in the Subsidiary

The Council has ultimate responsibility for the operation of the Moama Lions units. The sub committee liaises with the tenants and deals with the ongoing maintenance of the units and the surrounding areas.

Other disclosures

The Council has a representative on the Committee. Council staff assist with administrative issues and capital works.

Reporting dates of Subsidiary

The committee completes financial reports to financial year end 30 June 2019. The financial position and performance of subsidiaries for the financial year ended 30 June 2019 have been included in these consolidated financial statements.

Summarised financial information for the Subsidiary

\$ '000	2019	2018
Summarised statement of comprehensive income		
Revenue	167	89
Expenses	(96)	(244)
Profit for the period	71	(155)
Total comprehensive income	71	(155)

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

Summarised statement of financial position

Current assets	508	408
Total assets	508	408
Current liabilities	196	167
Total liabilities	196	167
Net assets	312	241

Summarised statement of cash flows

Cash flows from operating activities	71	(155)
Net increase (decrease) in cash and cash equivalents	71	(155)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

(b) Associates

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Central Murray County Council	Associate	% Net Assets	357	326
Central Murray Regional Library	Associate	% Net Assets	57	51
Total carrying amounts – material associates			414	377

(b) Details

	Principal activity	Place of business
Central Murray County Council	Noxious weed control	Moama & Greater
Central Murray Regional Library	Regional Library	Murray Ward Mathoura

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018

(c) Relevant interests and fair values

Central Murray County Council	1,153	1,051	31%	31%	31%	31%	25%	25%
Central Murray Regional Library	490	449	12%	12%	12%	12%	33%	33%

(d) Summarised financial information for associates

\$ '000	Central Murray County Council		Central Murray Regional Library	
	2019	2018	2019	2018

Statement of financial position**Current assets**

Cash and cash equivalents	318	514	400	502
Other current assets	77	9	–	–

Non-current assets

	865	662	193	180
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Current liabilities

Current financial liabilities (excluding trade and other payables and provisions)	–	–	–	28
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Other current liabilities

	107	134	103	110
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Non-current liabilities

Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	95
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Net assets

	1,153	1,051	490	449
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Reconciliation of the carrying amount

Opening net assets (1 July)	1,051	1,217	449	359
Profit/(loss) for the period	102	(166)	62	90

Closing net assets

	1,153	1,051	511	449
--	-------	-------	-----	-----

Council's share of net assets (%)

	31%	31%	11%	11%
--	-----	-----	-----	-----

Council's share of net assets (\$)

	357	326	56	51
--	-----	-----	----	----

Statement of comprehensive income

Income	1,024	821	486	505
Interest income	9	8	10	10

Depreciation and amortisation	(98)	(101)	(37)	(38)
Other expenses	(833)	(894)	(397)	(387)

Profit/(loss) from continuing operations	102	(166)	62	90
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Profit/(loss) for period	102	(166)	62	90
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Total comprehensive income

	102	(166)	62	90
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Share of income – Council (%)

	31%	31%	11%	11%
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Profit/(loss) – Council (\$)	32	(51)	7	10
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Total comprehensive income – Council (\$)	32	(51)	7	10
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Summarised Statement of cash flows

Cash flows from operating activities	152	36	33	135
Cash flows from financing activities	–	–	(95)	(28)

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Central Murray County Council		Central Murray Regional Library	
	2019	2018	2019	2018
Cash flows from investing activities	(348)	132	(40)	(36)
Net increase (decrease) in cash and cash equivalents	(196)	168	(102)	71

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

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

Buildings	3,774	381
Plant and equipment	580	870
Roadworks	–	1,556
Water Supply	134	454
Bridges	99	2,612
Skate Park	–	317
Other	1,227	–
Total commitments	5,814	6,190

These expenditures are payable as follows:

Within the next year	5,814	6,190
Total payable	5,814	6,190

Sources for funding of capital commitments:

Unrestricted general funds	99	2,200
Future grants and contributions	333	1,306
Unexpended grants	4,630	979
Externally restricted reserves	134	454
Internally restricted reserves	618	1,251
Total sources of funding	5,814	6,190

Details of capital commitments

Contracts that are the Council has entered into for Capex projects budgeted for.

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
(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	23	23
Later than one year and not later than 5 years	2	25
Total non-cancellable operating lease commitments	25	48

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

Office Photocopiers - Council can elect to re-lease, return or acquire the equipment on expiry of the lease.

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.

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**

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

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

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

Description of the funding arrangements

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working lifetime 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 Member; Nil for 180 Point Members*
Division C	2.5% Salaries
Division D	1.64 times member contributions

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

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

The additional lump sum contribution is around 0.28% of the total additional lump sum contributions for all Pooled Employers (\$40.0 million until 30 June 2021) apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. 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.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense and disclosed as part of the superannuation expenses in Note 4(a) for the year ending 30 June 2019 was \$364,608. The last valuation of the Scheme was performed by Actuary, Mr. Richard Boyfield on 31 December 2018, and covers the year ended 30 June 2018.

Murray River Council's expected contribution to the plan for the next annual reporting period is \$221,274.72

The estimated employer reserves financial position for the pooled employees at 30 June 2019 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.0	100.4%

* excluding member accounts and reserves on both assets and liabilities

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

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

Investment return	5.75% per annum
Salary inflation	3.50% per annum
Increase in CPI	2.50% 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

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.

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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Rural Fire Fighting Assets

Council has title to and is the registered owner of rural fire tankers and associated rural firefighting equipment. These assets are under the control of the Rural Fire service to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

Based on 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".

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

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

Buildings that are utilised by the Rural Fire Service are under the care, control and management of the Council. Buildings are therefore recognised in these reports.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	1,622	2,763	1,622	26,115
Receivables	8,521	6,958	8,520	6,958
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	60,196	59,251	60,196	35,899
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	2	2	2	2
Total financial assets	70,341	68,974	70,340	68,974
Financial liabilities				
Payables	5,639	3,807	5,639	3,807
Loans/advances	1,682	2,456	1,682	2,456
Other financial liabilities	–	259	–	259
Total financial liabilities	7,321	6,522	7,321	6,522

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

- Financial assets classified (i) 'at fair value through profit and loss' or (ii) 'available-for-sale' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

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 the 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	602	602	602	602
2018				
Possible impact of a 1% movement in interest rates	592	592	592	592

(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. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of the business. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements. Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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	–	775	323	160	269	1,527
2018						
Gross carrying amount	–	863	322	160	211	1,556

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	4,087	2,720	50	23	267	7,147
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	4,596	212	53	31	663	5,555
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

\$ '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%	88	5,550	–	–	5,638	5,639
Loans and advances	2.92%	–	728	1,045	–	1,773	1,682
Total financial liabilities		88	6,278	1,045	–	7,411	7,321
2018							
Trade/other payables	0.00%	522	3,285	–	–	3,807	3,807
Loans and advances	4.49%	–	890	1,723	147	2,760	2,456
Total financial liabilities		522	4,175	1,723	147	6,567	6,263

Note 19. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 Variance	
REVENUES				
Rates and annual charges	16,427	16,528	101	1% F
User charges and fees	5,306	7,135	1,829	34% F
Water consumption increased due to dry climatic conditions \$808k (F)				
Private works increased due to state roads extra works \$562k (F)				
Waste management services (non-domestic) \$896k (F)				
Interest and investment revenue	1,180	1,771	591	50% F
Council's investment portfolio performed strongly due to unutilised funds (meant for capital program) reinvested. The current year's budgeted value was estimated lower than last year's actual interest revenue considering the planned capital expenditure in 2018-19 sourcing through the matured investments and eventually did not happen per plan.				
Other revenues	646	1,310	664	103% F

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Favourable variance in other revenue is due to unbudgeted and higher than forecast recoveries mainly for rental income, legal costs and hiring council's facilities.				
Operating grants and contributions	14,477	17,171	2,694	19% F
Favourable variance mainly due to higher than forecast and unbudgeted grants and contributions received through the year mainly includes \$1.5m grant for stronger communities.				
Capital grants and contributions	2,248	12,384	10,136	451% F
Favourable variance mainly due to higher than forecast and unbudgeted grants and contributions received through the year mainly include \$4m grant for stronger community, \$2.2m grant for bridges, \$3.1m developer contribution and \$1.1 other contribution for roads and bridges.				
Joint ventures and associates – net profits	–	37	37	∞ F
EXPENSES				
Employee benefits and on-costs	14,190	15,727	(1,537)	(11)% U
Increased employee benefits and on-costs is because of the increased employee leave entitlement \$ 1.5m (U) during the reporting period.				
Borrowing costs	118	127	(9)	(8)% U
Materials and contracts	8,796	8,436	360	4% F
Depreciation and amortisation	13,472	16,589	(3,117)	(23)% U
Increased depreciation is because of the new assets acquired to the tune of \$73m during the reporting period.				
Other expenses	2,976	4,405	(1,429)	(48)% U
The increased operational software development/maintenance and insurance premium expenses are mainly contributing the higher other expenses. There are other expenses which have increased marginally.				
Net losses from disposal of assets	–	3,210	(3,210)	∞ U
Revaluation decrement / impairment of IPP&E	–	13,423	(13,423)	∞ U
Joint ventures and associates – net losses	–	–	–	∞ F

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	14,204	26,270	12,066	85% F
Higher receipt of grants and contribution (by \$13.1m) than forecast has directly impacted the increased cash from operating activities. Decreased payment to the suppliers (by \$2m than forecast) is partially offset by the decreased receipts of other revenue (by \$147k), bonds deposits and retention amounts received (by \$ 182k) and increased payment of other expenses (by \$1.7m) than forecast.				
Net cash provided from (used in) investing activities	(14,583)	(26,611)	(12,028)	82% U
Payments made to the suppliers of infrastructure, property, plant and equipment increased by \$3.15m and payment for purchase of additional investment securities of \$945k which was not budgeted are considered the main reason for increase cash outflow from investing activities.				

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net cash provided from (used in) financing activities	(797)	(800)	(3)	0% U

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
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets - " Available for sale"		30/06/2019	–	–	2	2
Total financial assets			–	–	2	2
Infrastructure, property, plant and equipment						
	9(a)					
Plant & Equipment		30/06/2015	–	–	10,451	10,451
Office Equipment		30/06/2015	–	–	1,202	1,202
Furniture & Fittings		30/06/2015	–	–	330	330
Operational Land		30/06/2018	–	8,022	–	8,022
Community Land		30/06/2018	–	–	11,740	11,740
Land under roads (post 30/06/08)		30/06/2011	–	–	19	19
Land Improvements depreciable		30/06/2017	–	–	3,933	3,933
Buildings – non-specialised		30/06/2017	–	10,056	–	10,056
Buildings – specialised		30/06/2017	–	–	20,915	20,915
Other Structures		30/06/2019	–	–	14,573	14,573
Roads		30/06/2019	–	–	208,681	208,681
Bridges		30/06/2019	–	–	49,539	49,539
Footpaths		30/06/2019	–	–	9,561	9,561
Bulk Earthworks		30/06/2019	–	–	292,733	292,733

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Stormwater Drainage		30/06/2019	–	–	42,049	42,049
Water Supply Network		30/06/2017	–	–	41,206	41,206
Sewerage Network		30/06/2017	–	–	38,927	38,927
Swimming Pools		30/06/2017	–	–	5	5
Heritage Collections		30/06/2017	–	–	292	292
Library Books		30/06/2015	–	–	3	3
Other Assets		30/06/2017	–	–	423	423
Tip Assets		30/06/2017	–	–	1,211	1,211
Quarry Assets		30/06/2017	–	–	133	133
Total infrastructure, property, plant and equipment			–	18,078	747,926	766,004

Discontinued operations

Water Access Licences		30/06/2019	1,664	–	–	1,664
Total discontinued operations			1,664	–	–	1,664

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total Restated
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets - " Available for sale"		30/06/18	–	–	2	2
Total financial assets			–	–	2	2
Infrastructure, property, plant and equipment						
Plant & Equipment	9(a)	30/06/15	–	–	9,312	9,312
Office Equipment		30/06/15	–	–	1,408	1,408
Furniture & Fittings		30/06/15	–	–	343	343
Operational Land		30/06/18	–	7,975	–	7,975
Community Land		30/06/18	–	–	10,521	10,521
Land under roads (post 30/06/08)		30/06/11	–	–	19	19
Land Improvements depreciable		30/06/17	–	–	4,058	4,058
Buildings – non-specialised		30/06/17	–	8,971	–	8,971
Buildings – specialised		30/06/17	–	–	21,251	21,251
Other Structures		30/06/17	–	–	12,853	12,853
Roads		30/06/15	–	–	239,919	239,919
Bridges		30/06/15	–	–	49,083	49,083
Footpaths		30/06/15	–	–	8,312	8,312
Bulk Earthworks		30/06/15	–	–	205,400	205,400
Stormwater Drainage		30/06/15	–	–	36,931	36,931
Water Supply Network		30/06/17	–	–	40,724	40,724
Sewerage Network		30/06/17	–	–	38,813	38,813
Swimming Pools		30/06/17	–	–	17	17
Heritage Collections		30/06/17	–	–	303	303
Library Books		30/06/15	–	–	5	5
Other Assets		30/06/17	–	–	460	460
Tip Assets		30/06/17	–	–	963	963

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	Total Restated
Quarry Assets		30/06/17	–	–	68	68
Total infrastructure, property, plant and equipment			–	16,946	680,763	697,709
Discontinued operations						
Water Access Licences		30/06/18	1,492	–	–	1,492
Total discontinued operations			1,492	–	–	1,492

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

The 2018 figures have been restated.

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

(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:

Plant and equipment, office equipment and furniture and fittings

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2013 for former Murray Shire and 30 June 2015 for former Wakool Shire. Quoted prices in an active market for similar items and asset conditions have been used to revalue these assets.

Examples of assets within these classes are as follows:

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

Operational and Community land

Operational Land is valued based on purchase price and valuations provided by commercial Valuers. A commercial Valuer revalued operational land as at 30 June 2018.

Community Land is based on Land Value provided by the Valuer-General for rating purposes for which the Valuer-General provides new valuations every 3 years. The new valuations were applied as at 30 June 2018.

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

Buildings – non-specialised and specialised

Buildings Specialised and Non - Specialised are based on cost price and valuations provided by commercial valuers. Council engaged commercial valuers to value all Council's buildings as at 30 June 2017.

Valuation techniques remained the same for the reporting period.

Other structures

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Other Structures comprise of sundry recreational assets, signage, shade sails, irrigation systems, lights, fencing, cemeteries, wharfs, boat ramps, skate parks, pounds, sheds, carparks, bus shelters, playground equipment and caravan parks assets etc.

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2018. Quoted prices in an active market for similar items and condition assessment have been used to revalue these assets.

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

Roads bridges and footpaths

Council's Roads, Bridges and Footpaths were inspected and valued by an independent consultant (Australis) on 30 June 2019. The valuation was based on cost approach using Level 3 inputs to value this asset class and the following information was determined by the consultant for each component.

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

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

Drainage infrastructure

Council's drainage infrastructure was inspected and valued by an independent consultant (Australis) on 30 June 2019. The valuation was based on cost approach using Level 3 inputs to value this asset class and the following information was determined by the consultant for each component.

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

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

Water supply network

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

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

Re-valuation was undertaken in-house by the Engineering Department as at 30 June 2017.

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

Sewerage network

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Re-valuation was undertaken in-house by the Engineering Department as at 30 June 2017.

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

Swimming Pools

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2017. Quoted prices in an active market for similar items and condition assessment have been used to revalue these assets.

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

Other Assets

Assets within this class comprise library books, heritage collections and reinstatement of tip and quarry assets etc.

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2017. Quoted prices in an active market for similar items and condition assessment have been used to revalue these assets.

Tip and Quarry assets were re assessed again as at 30 June 2018. This included a recalculation of tip remediation costs, which have a bearing on the asset valuation. The remediation costs were based on Engineering Department costs to remediate the assets.

Financial Assets – Non-current assets classified as “available for sale”

Shares

Council values the shares held at their original purchase prices as there are no quoted prices in an active market.

Intangible Assets

Water Access Licences

Council values water access licences based on quoted prices in an active market. These were changed for the current year and the previous year due to the recognition of previously unrecognised water rights.

Notes to the General Purpose 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	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Land improvement depreciable
2018					
Opening balance	9,794	953	354	8,410	4,183
Transfers from/(to) another asset class	–	–	–	31	–
Purchases (GBV)	1,504	644	26	–	–
Disposals (WDV)	(743)	–	–	–	–
Depreciation and impairment	(1,243)	(189)	(37)	–	(125)
Revaluation Increments to Equity	–	–	–	2,080	–
Closing balance	9,312	1,408	343	10,521	4,058
2019					
Opening balance	9,312	1,408	343	10,521	4,058
Purchases (GBV)	3,403	39	21	1,219	–
Disposals (WDV)	(1,048)	–	–	–	–
Depreciation and impairment	(1,216)	(245)	(34)	–	(125)
Closing balance	10,451	1,202	330	11,740	3,933

\$ '000	Building specialised	Other structures	Roads, bridges and footpaths Restated	Bulk earthworks Restated	Stormwater drainage Restated
2018					
Opening balance	22,333	12,696	290,426	204,867	36,030
Purchases (GBV)	85	688	10,330	533	1,601
Disposals (WDV)	–	(52)	(2)	–	–
Depreciation and impairment	(1,167)	(479)	(7,148)	–	(700)
Closing balance	21,251	12,853	293,606	205,400	36,931
2019					
Opening balance	21,251	12,853	293,606	205,400	36,931
Transfers from/(to) another asset class	–	–	(89,940)	99,458	(9,518)
Purchases (GBV)	845	2,208	12,137	410	582
Disposals (WDV)	–	–	(3,151)	–	(170)
Depreciation and impairment	(1,181)	(488)	(10,157)	–	(568)
Revaluation Increments to Equity	–	–	65,286	(12,535)	11,085
Closing balance	20,915	14,573	267,781	292,733	38,342

\$ '000	Water supply network Restated	Sewerage network Restated	Swimming pools
2018			
Opening balance	39,778	38,646	29
Purchases (GBV)	1,203	85	–
Depreciation and impairment	(1,074)	(704)	(12)

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Water supply network Restated	Sewerage network Restated	Swimming pools
Revaluation Increments to Equity	817	786	–
Closing balance	40,724	38,813	17
2019			
Opening balance	40,724	38,813	17
Purchases (GBV)	978	440	–
Disposals (WDV)	–	(6)	–
Depreciation and impairment	(1,174)	(942)	(12)
Revaluation Increments to Equity	–	622	–
Reinstatement	678	–	–
Closing balance	41,206	38,927	5

\$ '000	Tip and quarry assets	Other assets	Total
2018			
Opening balance	1,215	683	670,397
Transfers from/(to) another asset class	–	–	31
Purchases (GBV)	18	146	16,863
Disposals (WDV)	(12)	–	(809)
Depreciation and impairment	(46)	(62)	(12,986)
Revaluation Increments to Equity	–	–	3,683
Reinstatement	(144)	–	(144)
Closing balance	1,031	767	677,035
2019			
Opening balance	1,031	767	677,035
Purchases (GBV)	–	22	22,304
Disposals (WDV)	–	–	(4,375)
Depreciation and impairment	(31)	(73)	(16,246)
Revaluation Increments to Equity	–	–	64,458
Reinstatement	344	–	1,022
Closing balance	1,344	716	744,198

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

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant and equipment	10,451	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Office equipment	1,202	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Furniture and fittings	330	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Community Land	11,740	Valuer General	Rateable Land Values
Land Under Road	19	Valuer General	Rateable Land Values
Land improvements – depreciable	3,933	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Buildings – specialised	10,056	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Other structures	14,573	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Roads, bridges and footpaths	267,781	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Bulk earthworks	292,733	Depreciated Replacement Cost	Gross Replacement Cost
Stormwater drainage	42,049	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Water supply network	41,206	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Sewerage network	38,927	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Swimming Pools	5	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Tips and Quarries	1,344	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Other Assets	718	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Non-current assets classified as 'held for sale'			
Shares	2	Original Purchase Price	Current value indefinable as not traded in an active share market

d. The valuation process for level 3 fair value measurements

Council uses a combination of commercial Valuers and Council's Engineering Department staff.

Valuation Technique – where the Council staff are suitably qualified and are appropriately resourced to undertake the asset valuation, then an internal valuation will be undertaken. The calculation is based on the components unit costs of the asset class as disclosed in Note 20 (3). Recent similar construction projects are assessed to determine the appropriate unit costs. This determines the "Gross carrying Amount". An assessment of the useful life and remaining useful life of the assets components, through a condition assessment is undertaken. This determines the "Accumulated Depreciation and Impairment" and the "Net Carrying Amount".

If suitably qualified staff are not available then the Council will employ contractors to do part or all of the above process.

Post Valuation - The Council's Director Engineering Services overviews the valuation process.

(5) Highest and best use

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

Note 20. Fair Value Measurement (continued)

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

Notes to the General Purpose 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	969	1,080
Post-employment benefits	114	142
Other long-term benefits	10	11
Termination benefits	–	396
Total	1,093	1,629

(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.

(c) Other related party transactions

\$ '000	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
2019					
Plant maintenance and servicing	2	–	Normal creditor terms	–	–
2018					
Plant maintenance and servicing	1	–	Normal creditor terms	–	–

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

Note 22. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

Dissolution of Central Murray County Council

As at 1 July 2019 the Central Murray County Council (CMCC) a noxious weeds control authority of which Council was a constituent council was dissolved by Proclamation and its assets, liabilities and staff were distributed between Berrigan Shire Council, Edward River Council and Murray River Council.

Murray River Council is expected to have increased assets and marginal liabilities upon the distribution process per proclamation.

Prior to the dissolution Council paid an annual contribution of \$121,810 per annum toward the operations of the County Council.

AGL Energy Offer

Council has accepted an offer from AGL Energy Pty Ltd to purchase Murray River Council's share(s) in Southern Phone Company Limited.

Note 23. 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						as at 30/6/2019	
	Opening Balance Restated	Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Drainage	2	10	–	–	–	–	12	–
Roads	690	241	–	16	(28)	–	919	–
Open space	43	25	–	1	–	–	69	–
Community facilities	21	–	–	–	–	–	21	–
S7.11 contributions – under a plan	756	276	–	17	(28)	–	1,021	–

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

Note 23. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019		
	Opening Balance Restated	Contributions received during the year	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.12 levies – under a plan	289	10	–	–	7	–	–	306	–
Total S7.11 and S7.12 revenue under plans	1,045	286	–	–	24	(28)	–	1,327	–
S7.11 not under plans	16	–	–	–	–	–	–	16	–
S64 contributions	899	452	–	–	15	(576)	–	790	–
Total contributions	1,960	738	–	–	39	(604)	–	2,133	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN (former Murray Shire)

Drainage	1	10	–	–	–	–	–	11	–
Roads	399	191	–	–	11	–	–	601	–
Open space	42	25	–	–	1	–	–	68	–
Domestic Waste	–	20	–	–	–	–	–	20	–
Total	442	246	–	–	12	–	–	700	–

CONTRIBUTION PLAN (former Wakool)

Drainage	1	–	–	–	–	–	–	1	–
Roads	291	50	–	–	5	(28)	–	318	–
Open space	1	–	–	–	–	–	–	1	–
Community facilities	21	–	–	–	–	–	–	21	–
Total	314	50	–	–	5	(28)	–	341	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN (former Murray Shire)

Community facilities	289	10	–	–	7	–	–	306	–
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Notes to the General Purpose Financial Statements
for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

	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 Restated	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
Total	289	10	–	7	–	–	306	–	

S7.11 Contributions – not
under a plan

S94 CONTRIBUTIONS – NOT UNDER A PLAN (former Wakool)

Kerb & Gutter	16	–	–	–	–	–	16	–
Total	16	–	–	–	–	–	16	–

S64 contributions

S64 contributions (former Murray Shire)

Sewer	463	145	–	9	(149)	–	468	–
Water	264	258	–	2	(406)	–	118	–
Total	727	403	–	11	(555)	–	586	–

S64 contributions (former Wakool)

Sewerage	172	27	–	4	–	–	203	–
Water	–	21	–	–	(21)	–	–	–
Total	172	48	–	4	(21)	–	203	–

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 24. 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	11,549	2,602	2,377
User charges and fees	4,771	2,067	297
Interest and investment revenue	1,269	229	273
Other revenues	1,090	199	21
Grants and contributions provided for operating purposes	16,715	195	261
Grants and contributions provided for capital purposes	11,855	356	173
Other income			
Share of interests in joint ventures and associates using the equity method	37	–	–
Total income from continuing operations	47,286	5,648	3,402
Expenses from continuing operations			
Employee benefits and on-costs	12,781	1,906	1,040
Borrowing costs	122	5	–
Materials and contracts	7,302	723	411
Depreciation and amortisation	14,405	1,237	947
Other expenses	3,517	550	338
Net losses from the disposal of assets	3,204	–	6
Revaluation decrement /impairment of IPPE	13,423	–	–
Total expenses from continuing operations	54,754	4,421	2,742
Operating result from continuing operations	(7,468)	1,227	660
Net operating result for the year	(7,468)	1,227	660
Net operating result attributable to each council fund	(7,468)	1,227	660
Net operating result for the year before grants and contributions provided for capital purposes	(19,323)	871	487

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.

Statement of Financial Position by fund

ASSETS**Current assets**

Cash and cash equivalents	(5,135)	3,630	3,127
Investments	49,478	4,168	6,550
Receivables	6,065	1,118	303
Inventories	2,069	–	–
Other	76	–	–
Total current assets	52,553	8,916	9,980

Non-current assets

Investments	2	–	–
Receivables	1,035	–	–
Inventories	1,870	–	–

continued on next page ...

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Infrastructure, property, plant and equipment	687,725	43,241	40,155
Investments accounted for using the equity method	414	–	–
Intangible assets	–	1,664	–
Total non-current assets	691,046	44,905	40,155
TOTAL ASSETS	743,599	53,821	50,135
LIABILITIES			
Current liabilities			
Payables	5,534	78	27
Income received in advance	293	–	–
Borrowings	688	37	–
Provisions	4,082	–	–
Total current liabilities	10,597	115	27
Non-current liabilities			
Borrowings	957	–	–
Provisions	1,632	–	–
Total non-current liabilities	2,589	–	–
TOTAL LIABILITIES	13,186	115	27
Net assets	730,413	53,706	50,108
EQUITY			
Accumulated surplus	640,100	48,500	38,438
Revaluation reserves	90,313	5,206	11,670
Council equity interest	730,413	53,706	50,108
Total equity	730,413	53,706	50,108

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.

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,369)	(3.12)%	6.53%	17.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	43,915				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	26,511	47.09%	49.05%	39.39%	>60.00%
Total continuing operating revenue ¹	56,299				
3. Unrestricted current ratio					
Current assets less all external restrictions	33,751	4.09x	5.92x	5.09x	>1.50x
Current liabilities less specific purpose liabilities	8,251				

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 25(a). Statement of performance measures – consolidated results (continued)

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,347				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	927	16.56x	14.58x	17.85x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,754				
Rates, annual and extra charges collectible	18,211	9.63%	10.31%	7.15%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	61,818				
Monthly payments from cash flow of operating and financing activities	2,579	23.97 mths	24.51 mths	20.10 mths	>3.00 mths

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

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

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

Note 25(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}	(7.70)%	4.60%	16.46%	18.25%	15.08%	15.97%	>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	39.04%	41.22%	90.24%	92.40%	87.24%	91.20%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.09x	5.92x	9.71x	10.43x	11.22x	23.15x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13.67x	12.52x	33.02x	27.69x	∞	1,147.00x	>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	10.00%	10.27%	9.14%	11.02%	8.12%	9.73%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	20.54 mths	26.70 mths	28.85 mths	9.67 mths	64.69 mths	14.53 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

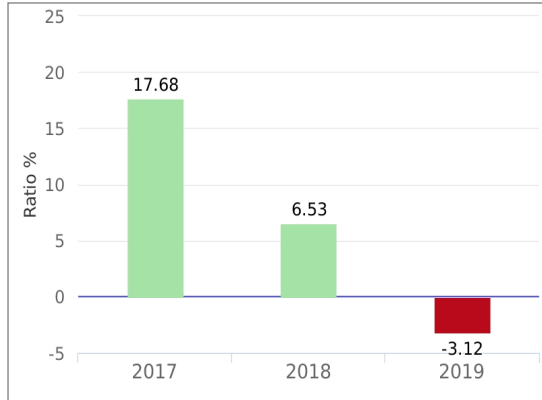
(1) - (2) Refer to Notes at Note 25a above.

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

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2018/19 result

2018/19 ratio (3.12)%

Predominantly this deficit is a result of a \$3.7m increased in depreciation following the revaluation of the transport asset classes and recognition of gifted and newly identified assets.

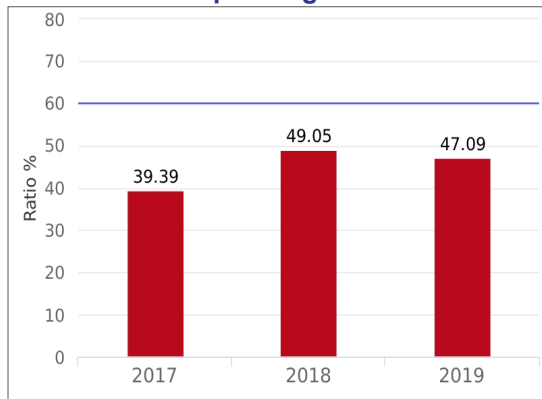
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2018/19 result

2018/19 ratio 47.09%

The overall revenue was pushed up by additional grant and contributions Council has not budgeted (grants and contribution mainly include \$ 4m grant for stronger community, \$2.2m grant for bridges, \$3.1m developer contribution and \$1.1 other contribution for roads and bridges) which has impacted the own source operating revenue component to remain comparatively lower although the own source operating revenue was increased by \$3m against the budget.

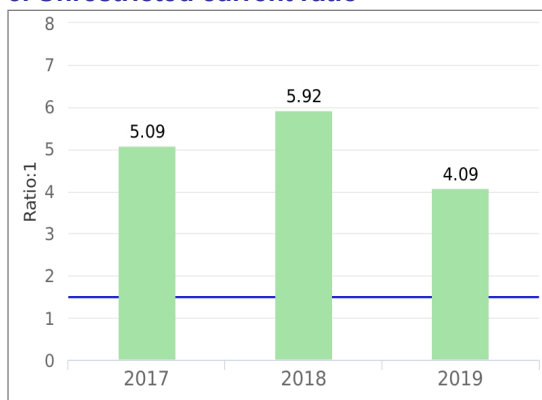
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2018/19 result

2018/19 ratio 4.09x

Council's unrestricted current ratio is above the benchmark of >1.5x and has been performing well for the last three years. Council's liquidity is good and it can readily pay its debts as they fall due. The decrease in working capital ratio compared to last year is due to the increased current liabilities mainly payable for goods and services.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

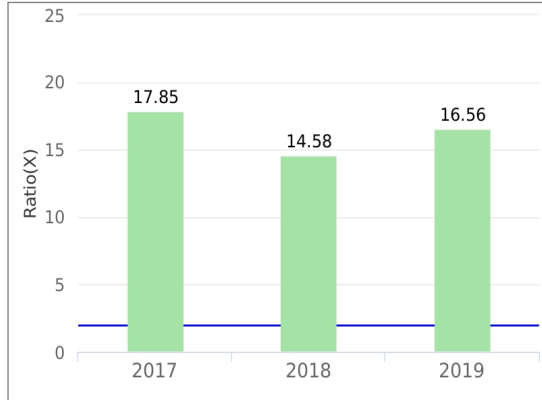
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2018/19 result

2018/19 ratio 16.56x

Council's continued loan repayment program has improved this ratio from last year and ensures that Council's cash is able to meet its debt obligation more than 16 times. There was no new loans borrowed during the reporting period.

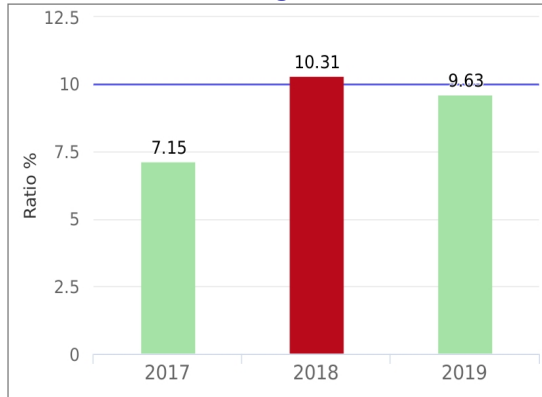
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 9.63%

The improvement in this ratio compared to last year is a direct result of economic resilience in rural communities in the face of the drought and effective rate recovery efforts.

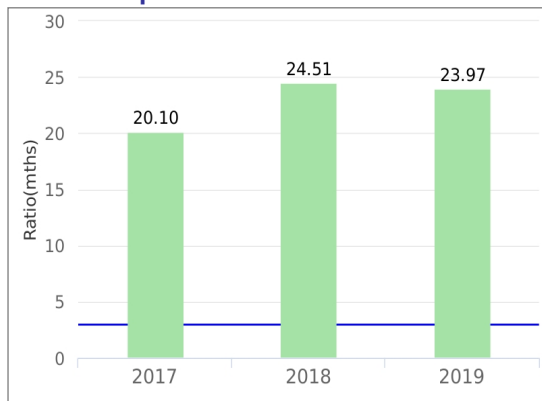
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2018/19 result

2018/19 ratio 23.97 mths

Council's cash expense cover ratio is satisfactory and improving for the last three years in a row and is above the benchmark of "greater than 3 months".

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Notes to the General Purpose Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

21 Conargo Street
Mathoura NSW 2710

Contact details

Mailing Address:
PO Box 21
Mathoura NSW 2710

Telephone: 1300 087 004

Opening hours:

Opening hours for all service centres are
Monday to Friday 9.00 am to 4.00 pm

Internet: www.murrayriver.nsw.gov.au

Email: admin@murrayriver.nsw.gov.au

Officers

GENERAL MANAGER

Des Bilske

RESPONSIBLE ACCOUNTING OFFICER

Ross Mallett

PUBLIC OFFICER

Ross Mallett

AUDITORS

Auditor General
GPO Box 12
SYDNEY NSW 2001

Elected members

MAYOR

Chris Bilkey

COUNCILLORS

Alan Mathers (Deputy Mayor)
Nikki Cohen
Ann Crowe
Gen Campbell
Neil Gorey
Tony Aquino
Geoff Wise
Thomas Weyrich

Other information

ABN: 30 30 8161 484



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Murray River Council

To the Councillors of the Murray River Council

Opinion

I have audited the accompanying financial statements of Murray River 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.



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the -Auditor-General for New South Wales

19 December 2019
SYDNEY



Cr Chris Bilkey
 Mayor
 Murray River Council
 PO Box 21
 MATHOURA NSW 2710

Contact: Caroline Karakatsanis
 Phone no: 02 9275 7143
 Our ref: D1929057/1763

19 December 2019

Dear Cr Bilkey

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

I have audited the general purpose financial statements (GPFS) of the Murray River 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

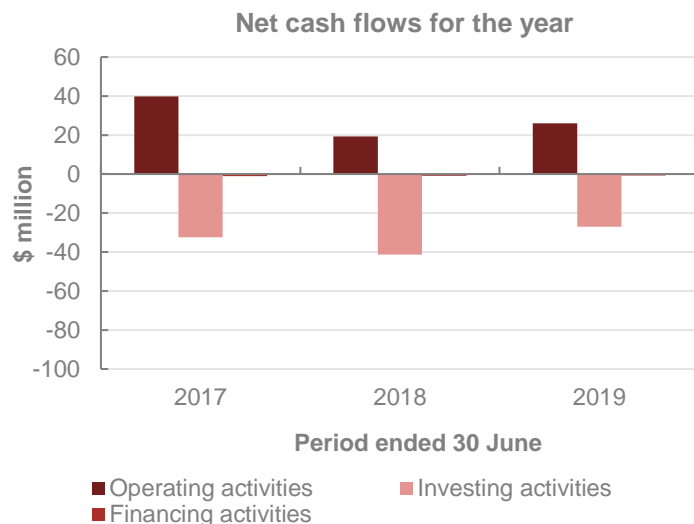
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	16.5	15.7	↑ 5.1
Grants and contributions revenue	29.6	26.2	↑ 13.0
Operating result for the year	(5.6)	11.8	↓ 147
Net operating result before capital grants and contributions	(18.0)	2.7	↓ 767

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

- Rates and annual charges revenue was \$16.5 million (\$15.7 million for the year ended 30 June 2018). The increase of \$0.8 million (5.1 per cent) is consistent with an increase in ordinary rates in line with the 2.3 per cent rate peg and rise in the total number of rateable properties.
- Grants and contributions revenue was \$29.6 million (\$26.2 million for the year ended 30 June 2018). The increase of \$3.4 million (13.0 per cent) was primarily due to the increase of \$5.6 million in stronger communities funding. Grants and contributions revenue in 2018 has been restated due to \$5.1 million prior period adjustment for understatement of contributed assets.
- Council’s net operating result was a deficit of \$5.6 million (\$11.8 million surplus for the year ended 30 June 2018). The decrease of \$17.4 million was mainly due to a \$13.4 million increase in revaluation decrements and impairments recognised in the Income Statement.
- The net operating result before capital grants and contributions was a deficit of \$18.0 million (\$2.7 million surplus for the year ended 30 June 2018). The decrease of \$20.7 million was mainly due to the \$13.4 million increase in revaluation decrements and impairments, a \$3.8 million increase in depreciation and amortisation expenses and a \$3.1 million increase in net losses from disposal of assets.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$1.6 million (\$2.8 million for the year ended 30 June 2018). There was a net decrease in cash and cash equivalents of \$1.2 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$7.0 million. This is mainly due to the increase in grants and contributions receipts.
- Net cash used in investing activities decreased by \$14.7 million. This is mainly due to the decrease in the net purchase of investment securities of \$34 million. This is partially offset by the increase in the purchase of infrastructure, property, plant and equipment of \$11.2 million.
- Net cash used in financing activities has remained consistent at \$0.8 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	35.0	31.2	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$3.8 million is mainly due to the \$1.4 million increase in water supplies, \$1.1 million increase in sewerage services and \$0.7 million increase in specific purpose unexpended grants. 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 increase of \$1.4 million in the internal restrictions is primarily due to a \$1.8 million increase in carry over works. Unrestricted cash and investments was \$1.4 million, which is available to provide liquidity for day-to-day operations of the Council.
Internal restrictions	25.4	24.0	
Unrestricted	1.4	6.8	
Cash and investments	61.8	62.0	

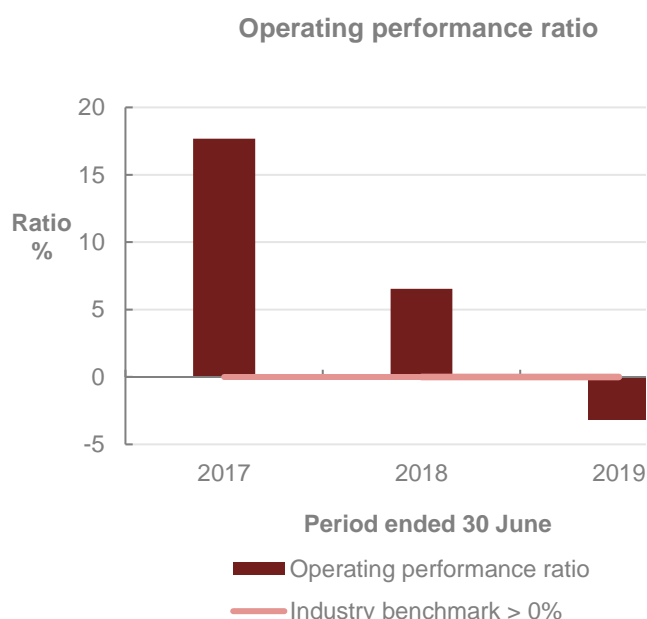
Debt

- Council has \$1.7 million of external borrowings (2018: \$2.5 million) which is secured over the revenue of Council.
- Council has a \$650,000 bank overdraft facility (2018: \$650,000) which was undrawn as at 30 June 2019.

PERFORMANCE

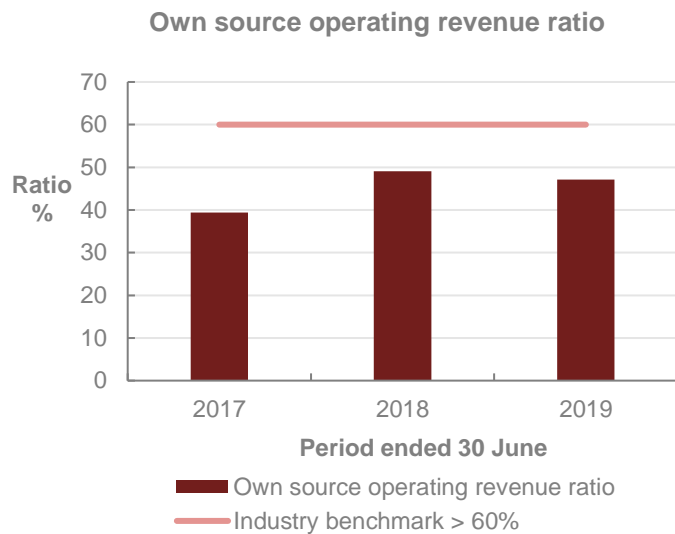
Operating performance ratio

- 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 (3.1 per cent) is below the industry benchmark of greater than 0 per cent. This indicates the Council did not contain operating expenditures within operating revenue.
- The operating performance ratio decreased to (3.1 per cent) (2018: 6.5 per cent) due to the increase in expenses from continuing operations. Increase in depreciation expense of \$3.8 million, contributed to the increase in expenses and decrease in operating performance.



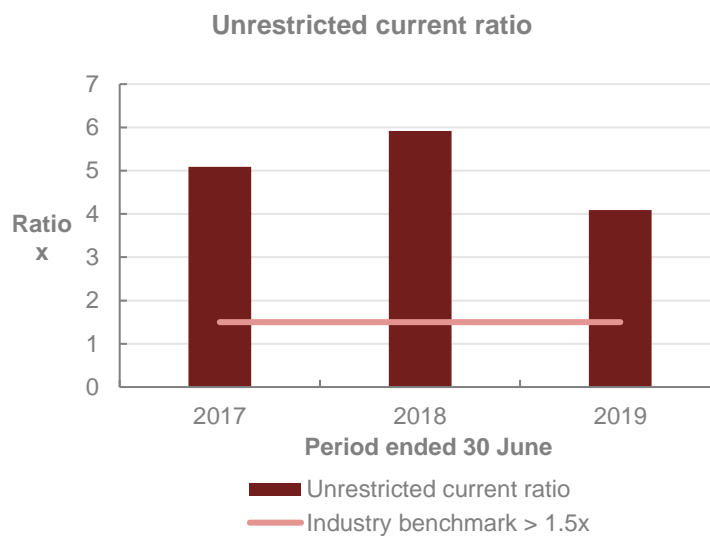
Own source operating revenue ratio

- 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 47.1 per cent is below the industry benchmark of 60 per cent. This indicates that the Council is reliant on external funding sources, such as grants and contributions.
- The operating performance ratio decreased to 47.1 per cent (2018: 49.1 per cent) due to the increase in grants and contributions income provided for capital purposes.



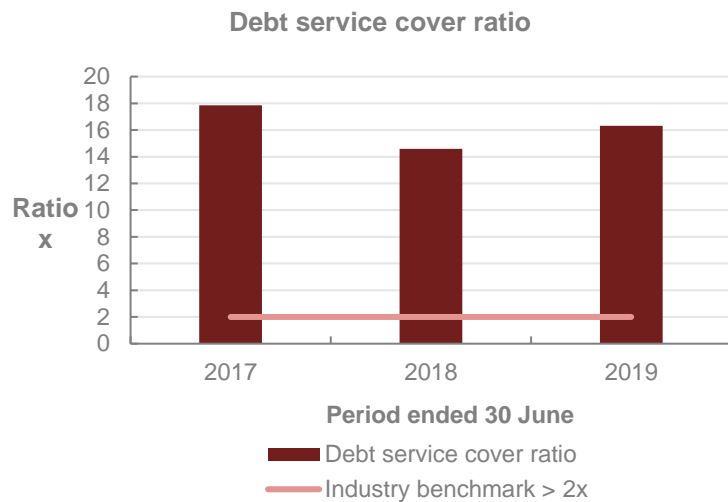
Unrestricted current ratio

- 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 4.1 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has decreased to 4.2 times (2018: 5.9 times) due to the increase in externally restricted cash and investments.



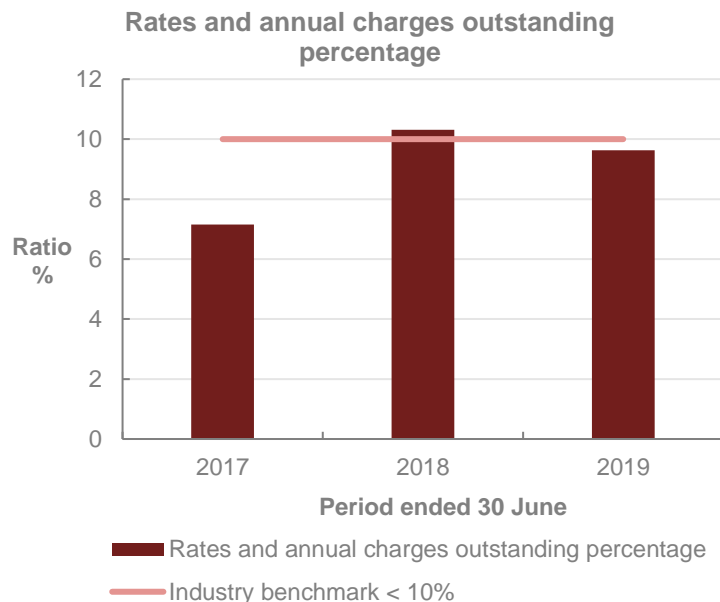
Debt service cover ratio

- 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 16.3 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.
- The Council's debt service cover ratio has remained relatively consistent from the prior year.



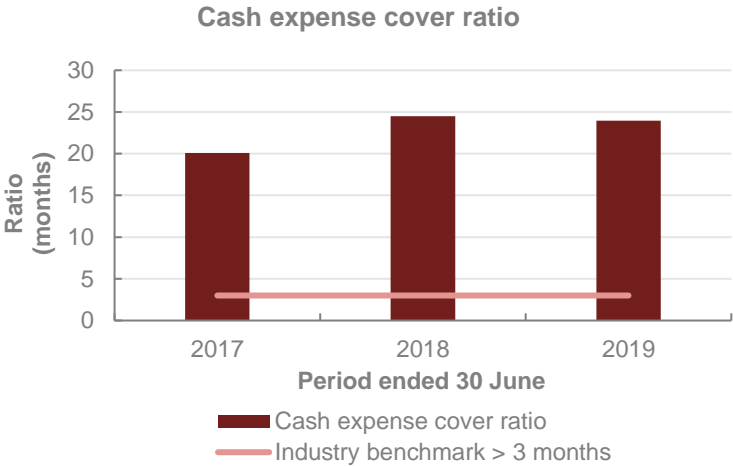
Rates and annual charges outstanding percentage

- 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 9.6 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.
- The rates and annual charges outstanding percentage of 9.6 per cent has improved from the prior year (2018: 10.3 per cent), which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than 3 months.
- The Council's cash expense cover ratio was 24.0 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 24.0 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio has remained consistent from the prior year



Infrastructure, property, plant and equipment renewals

The Council has renewed \$14.5 million of assets in the 2018–19 financial year, compared to \$13.1 million of assets in the 2017–18 financial year. The majority of renewals related to roads of \$6.9 million, plant and equipment of \$2.9 million and bridges of \$2.8 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. Council's disclosure of the impact of adopting AASB 9 is disclosed in Notes 1 and 13.</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.



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Des Bilske, General Manager
Mr Ross Mallet, Director - Corporate Services
Mr Richard Ham, Audit Committee Chairperson

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

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).

Murray River 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 26 November 2019.



Chris Bilkey
Mayor
26 November 2019



Alan Mathers
Councillor
26 November 2019



Des Bilske
General Manager
26 November 2019



Ross Mallett
Responsible Accounting Officer
26 November 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	2,602	2,435
User charges	2,025	1,793
Fees	42	39
Interest	229	216
Grants and contributions provided for non-capital purposes	195	44
Other income	199	126
Total income from continuing operations	5,292	4,653
Expenses from continuing operations		
Employee benefits and on-costs	1,906	1,527
Borrowing costs	5	7
Materials and contracts	723	682
Depreciation, amortisation and impairment	1,237	1,141
Water purchase charges	195	156
Debt guarantee fee (if applicable)	–	1
Other expenses	355	293
Total expenses from continuing operations	4,421	3,807
Surplus (deficit) from continuing operations before capital amounts	871	846
Grants and contributions provided for capital purposes	356	335
Surplus (deficit) from continuing operations after capital amounts	1,227	1,181
Surplus (deficit) from all operations before tax	1,227	1,181
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(240)	(233)
SURPLUS (DEFICIT) AFTER TAX	987	948
Plus accumulated surplus	46,848	45,221
Plus/less: prior period adjustments	869	445
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	–	1
– Corporate taxation equivalent	240	233
Closing accumulated surplus	48,944	46,848
Return on capital %	2.0%	2.0%
Subsidy from Council	–	248
Calculation of dividend payable:		
Surplus (deficit) after tax	987	948
Less: capital grants and contributions (excluding developer contributions)	(356)	(335)
Surplus for dividend calculation purposes	631	613
Potential dividend calculated from surplus	316	307

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	2,377	2,237
User charges	65	42
Liquid trade waste charges	223	220
Fees	9	20
Interest	273	215
Grants and contributions provided for non-capital purposes	261	42
Other income	21	11
Total income from continuing operations	3,229	2,787
Expenses from continuing operations		
Employee benefits and on-costs	1,040	912
Materials and contracts	411	372
Depreciation, amortisation and impairment	947	708
Loss on sale of assets	6	–
Calculated taxation equivalents	–	7
Other expenses	338	349
Total expenses from continuing operations	2,742	2,348
Surplus (deficit) from continuing operations before capital amounts	487	439
Grants and contributions provided for capital purposes	173	223
Surplus (deficit) from continuing operations after capital amounts	660	662
Surplus (deficit) from all operations before tax	660	662
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(134)	(121)
SURPLUS (DEFICIT) AFTER TAX	526	541
Plus accumulated surplus	36,565	35,896
Plus/less: prior period adjustments	1,214	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	7
– Corporate taxation equivalent	134	121
Closing accumulated surplus	38,439	36,565
Return on capital %	1.2%	1.1%
Subsidy from Council	43	583
Calculation of dividend payable:		
Surplus (deficit) after tax	526	541
Less: capital grants and contributions (excluding developer contributions)	(173)	(223)
Surplus for dividend calculation purposes	353	318
Potential dividend calculated from surplus	177	159

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018 ¹ Restated	2017 ¹ Restated
ASSETS			
Current assets			
Cash and cash equivalents	3,630	2,200	6,953
Investments	4,168	4,290	–
Receivables	1,118	991	892
Total current assets	8,916	7,481	7,845
Non-current assets			
Infrastructure, property, plant and equipment	43,241	42,788	40,764
Intangible assets	1,664	1,492	638
Total non-current assets	44,905	44,280	41,402
TOTAL ASSETS	53,821	51,761	49,247
LIABILITIES			
Current liabilities			
Payables	78	36	13
Borrowings	37	59	62
Total current liabilities	115	95	75
Non-current liabilities			
Borrowings	–	37	99
Total non-current liabilities	–	37	99
TOTAL LIABILITIES	115	132	174
NET ASSETS	53,706	51,629	49,073
EQUITY			
Accumulated surplus	48,500	47,274	46,090
Revaluation reserves	5,206	4,355	2,983
TOTAL EQUITY	53,706	51,629	49,073

(1) See Prior Period Adjustment Note for details regarding restatement.

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018 ¹ Restated	2017 ¹ Restated
ASSETS			
Current assets			
Cash and cash equivalents	3,127	1,978	5,117
Investments	6,550	6,513	2,207
Receivables	303	301	287
Total current assets	9,980	8,792	7,611
Non-current assets			
Infrastructure, property, plant and equipment	40,155	40,048	39,359
Total non-current assets	40,155	40,048	39,359
TOTAL ASSETS	50,135	48,840	46,970
LIABILITIES			
Current liabilities			
Payables	27	13	6
Borrowings	–	–	1
Total current liabilities	27	13	7
TOTAL LIABILITIES	27	13	7
NET ASSETS	50,108	48,827	46,963
EQUITY			
Accumulated surplus	38,438	37,778	37,110
Revaluation reserves	11,670	11,049	9,853
TOTAL EQUITY	50,108	48,827	46,963

(1) See Prior Period Adjustment Note for details regarding restatement.

Murray River Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2019Prior year adjustments – Accumulated surplus, revaluation reserves,
changes in accounting policies, changes in accounting estimates and errors

\$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Prior period errors identified of \$869K for water supply assets and \$1.214m for sewer supply assets have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to Non current assets (Infrastructure, property, plant and equipment) and accumulated surplus at that date.

These errors have been caused by the following factors related to prior periods:

- Newly constructed/gifted assets (non cash developer contributed assets) not being brought to account
- Non depreciable assets were incorrectly depreciated in prior years.

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

Changes to the opening Statement of Financial Position at 1 July 2017 ^{1a}

	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Statement of Financial Position – Water Supply Business Activity			
Infrastructure, property, plant and equipment	39,895	869	40,764
Total Assets	48,378	869	49,247
Total Liabilities	174	–	174
Accumulated Surplus Restatement for IPPE Change	45,221	869	46,090
Total equity	48,204	869	49,073

(1a) Infrastructure, Property, Plant and Equipment – As a part of revaluation of IPPE, Council undertook a detailed review of assets classified as IPPE. As a result, an adjustment has been made to the accumulated surplus in the prior period to recognise assets not previously recognised and reversal of incorrect treatment of depreciation.

Murray River Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2019Prior year adjustments – Accumulated surplus, revaluation reserves,
changes in accounting policies, changes in accounting estimates and errors

\$ '000

Adjustments to the comparative figures for the year ended 30 June 2018 ^{1a}

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Financial Position – Water Supply Business Activity			
Infrastructure, property, plant and equipment	41,919	869	42,788
Total assets	50,892	869	51,761
Total liabilities	132	–	132
Accumulated Surplus Restatement for IPPE Change	46,405	869	47,274
Total equity	50,760	869	51,629

(1a) Infrastructure, Property, Plant and Equipment – As a part of revaluation of IPPE, Council undertook a detailed review of assets classified as IPPE. As a result, an adjustment has been made to the accumulated surplus in the prior period to recognise assets not previously recognised and reversal of incorrect treatment of depreciation.

Changes to the opening Statement of Financial Position at 1 July 2017 ^{1a}

	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Statement of Financial Position – Sewerage Business Activity			
Infrastructure, property, plant and equipment	38,145	1,214	39,359
Total Assets	45,756	1,214	46,970
Total Liabilities	7	–	7
Accumulated Surplus Restatement for IPPE Change	35,896	1,214	37,110
Total equity	45,749	1,214	46,963

(1a) Infrastructure, Property, Plant and Equipment – As a part of revaluation of IPPE, Council undertook a detailed review of assets classified as IPPE. As a result, an adjustment has been made to the accumulated surplus in the prior period to recognise assets not previously recognised and reversal of incorrect treatment of depreciation.

Murray River Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2019Prior year adjustments – Accumulated surplus, revaluation reserves,
changes in accounting policies, changes in accounting estimates and errors

\$ '000

Adjustments to the comparative figures for the year ended 30 June 2018 ^{1a}

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Financial Position – Sewerage Business Activity			
Infrastructure, property, plant and equipment	38,834	1,214	40,048
Total assets	47,626	1,214	48,840
Total liabilities	13	–	13
Accumulated Surplus Restatement for IPPE Change	36,565	1,214	37,779
Total equity	47,613	1,214	48,827

(1a) Infrastructure, Property, Plant and Equipment – As a part of revaluation of IPPE, Council undertook a detailed review of assets classified as IPPE. As a result, an adjustment has been made to the accumulated surplus in the prior period to recognise assets not previously recognised and reversal of incorrect treatment of depreciation.

Murray River Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Provision and distribution of water to the towns within the boundaries of the Council.

b. Sewerage

Treatment of wastewater to the towns within the boundaries of the Council.

Category 2

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

Council has no Category 2 Businesses.

Murray River Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(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 Crown Lands and Water (CLAW), 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 NSW Office of Water Guidelines to 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 NSW Office of 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.

Murray River Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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.

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
Murray River Council

To the Councillors of the Murray River Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Murray River Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity 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 Business Activity
- Sewerage Business Activity.

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, unless it is not appropriate to do so.

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.



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 December 2019
SYDNEY

Murray River 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

\$ '000		2019/20 Former Council Murray Shire	2019/20 Former Council Wakool Shire	2019/20 Murray River Council	2018/19 Former Council Murray Shire	2018/19 Former Council Wakool Shire	2018/19 Murray River Council
Notional general income calculation ¹							
Last year notional general income yield	a	5,649	4,628	10,277	5,445	4,489	9,934
Plus or minus adjustments ²	b	41	73	114	71	46	117
Notional general income	c = a + b	5,690	4,701	10,391	5,516	4,535	10,051
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)	154	127	281	127	104	231
Sub-total	k = (c + g + h + i + j)	5,844	4,828	10,672	5,643	4,639	10,282
Plus (or minus) last year's carry forward total	l	2	1	3	8	(10)	(2)
Sub-total	n = (l + m)	2	1	3	8	(10)	(2)
Total permissible income	o = k + n	5,846	4,829	10,675	5,651	4,629	10,280
Less notional general income yield	p	5,841	4,704	10,545	5,649	4,628	10,277
Catch-up or (excess) result	q = o - p	4	125	129	2	1	3
Less unused catch-up ⁵	s	(2)	-	(2)	-	-	-
Carry forward to next year ⁶	t = q + r + s	2	125	127	2	1	3

(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.

(5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Murray River Council

To the Councillors of Murray River Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Murray River 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.



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 December 2019
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				
		Estimated 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	1,330	1,330	363	363	30,971	61,649	21.0%	36.0%	31.0%	7.0%	5.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,330	1,330	363	363	30,971	61,649	21.0%	36.0%	31.0%	7.0%	5.0%
Other structures	Other structures	330	330	245	245	14,573	18,535	62.0%	21.0%	9.0%	7.0%	1.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	330	330	245	245	14,573	18,535	62.0%	21.0%	9.0%	7.0%	1.0%
Roads	Sealed roads	7,604	7,604	3,005	3,005	190,311	300,163	36.0%	30.0%	20.0%	11.0%	3.0%
	Unsealed roads	977	977	1,394	1,394	18,370	31,770	33.0%	22.0%	29.0%	13.0%	3.0%
	Bridges	2,816	2,816	55	55	49,540	77,552	38.0%	36.0%	12.0%	11.0%	3.0%
	Footpaths	406	406	57	57	9,560	12,832	44.0%	48.0%	4.0%	1.0%	3.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	292,733	292,734	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	11,803	11,803	4,511	4,511	560,514	715,051	62.4%	18.3%	11.1%	6.4%	1.8%
Water supply network	Water supply network	1,388	1,388	921	921	41,206	61,247	37.0%	45.0%	9.0%	5.0%	4.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,388	1,388	921	921	41,206	61,247	37.0%	45.0%	9.0%	5.0%	4.0%
Sewerage network	Sewerage network	523	523	504	504	38,927	59,601	27.0%	46.0%	16.0%	11.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	523	523	504	504	38,927	59,601	27.0%	46.0%	16.0%	11.0%	0.0%
Stormwater drainage	Stormwater drainage	17	17	75	75	42,049	49,855	66.0%	32.0%	1.0%	0.0%	1.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	17	17	75	75	42,049	49,855	66.0%	32.0%	1.0%	0.0%	1.0%

Report on Infrastructure Assets - Values (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	550	550	8	8	6	550	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	550	550	8	8	6	550	0.0%	0.0%	0.0%	0.0%	100.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		15,941	15,941	6,627	6,627	728,246	966,488	56.1%	23.6%	11.9%	6.3%	2.1%

(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

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Click to Enter type of asset valuation (xxx)	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
(b) Report on Infrastructure Assets - Values												
Buildings	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	30,971	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	30,971	–	0.0%	0.0%	0.0%	0.0%	100.0%
Other structures	Other structures	–	–	–	–	14,573	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	14,573	–	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Unsealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Footpaths	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	560,514	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	560,514	–	0.0%	0.0%	0.0%	0.0%	100.0%
Water supply network	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	41,206	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	41,206	–	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	38,927	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	38,927	–	0.0%	0.0%	0.0%	0.0%	100.0%
Stormwater drainage	Stormwater drainage	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	42,049	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	42,049	–	0.0%	0.0%	0.0%	0.0%	100.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Click to Enter type of asset valuation (xxx)	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	–	–	–	–	6	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	6	–	0.0%	0.0%	0.0%	0.0%	100.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		–	–	–	–	728,246	–	0.0%	0.0%	0.0%	0.0%	100.0%

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	11,189	71.04%	114.08%	95.13%	>=100.00%
Depreciation, amortisation and impairment	15,751				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	15,941	2.19%	0.85%	3.45%	<2.00%
Net carrying amount of infrastructure assets	728,246				
Asset maintenance ratio					
Actual asset maintenance	6,627	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance	6,627				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	15,941	1.65%	0.67%	1.09%	
Gross replacement cost	966,488				

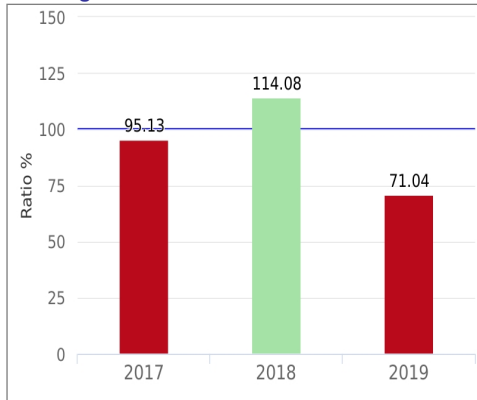
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

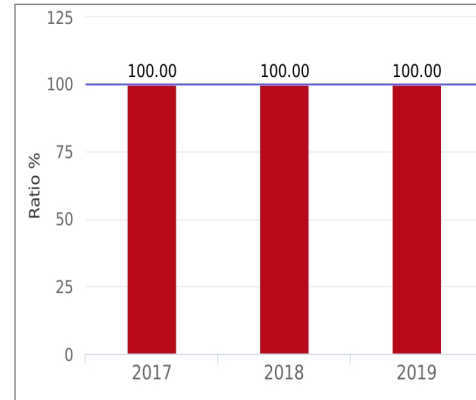
Commentary on result

18/19 ratio 71.04%

Council focused on establishing new assets as well while renewals of existing assets.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
■ Ratio is outside benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

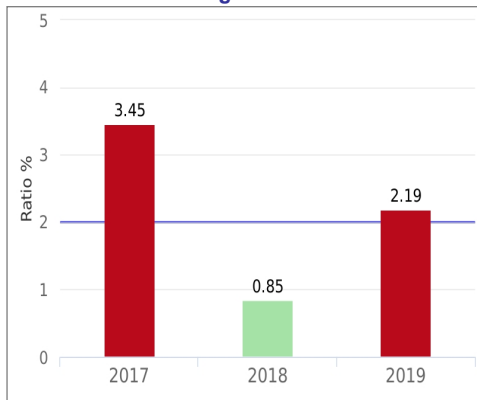
Commentary on result

18/19 ratio 100.00%

Council caters for the maintenance requirements of its assets in the budget.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
■ Ratio is outside benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

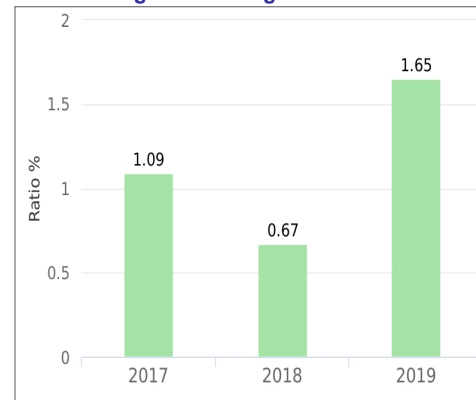
Commentary on result

18/19 ratio 2.19%

The backlog figures relate to road works predominantly.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
■ Ratio is outside benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

18/19 ratio 1.65%

Council's assets are at the required standards.

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	159.19%	122.12%	42.08%	110.77%	19.00%	11.81%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.16%	0.97%	3.37%	–	1.34%	–	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	>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	1.66%	0.78%	2.27%	–	0.88%	–	

(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.