



murray river
council

Murray River Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary General Purpose Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the General Purpose Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	101
On the Financial Statements (Sect 417 [3])	104

Overview

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

52 Perricoota Road
Moama NSW 2731

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 2020

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 2020.

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 2020

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

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

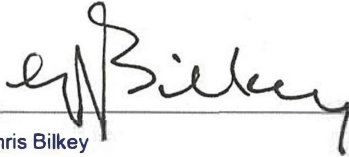
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made there under,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 24 November 2020.



Chris Bilkey
Mayor
24 November 2020



Alan Mathers
Councillor
24 November 2020



Des Bilske
CEO and Responsible Accounting Officer
24 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
17,025	Rates and annual charges	3a	17,088	16,528
5,762	User charges and fees	3b	6,440	7,135
938	Other revenues	3c	695	1,310
17,777	Grants and contributions provided for operating purposes	3d,3e	17,234	17,171
4,237	Grants and contributions provided for capital purposes	3d,3e	20,956	12,384
1,205	Interest and investment income	4	1,338	1,771
–	Rental income	13c	464	–
–	Net share of interests in joint ventures and associates using the equity method	18	–	37
46,944	Total income from continuing operations		64,215	56,336
Expenses from continuing operations				
16,102	Employee benefits and on-costs	5a	16,199	15,395
104	Borrowing costs	5b	86	127
11,195	Materials and contracts	5c	11,222	8,436
13,442	Depreciation and amortisation	5d	17,064	16,589
2,670	Other expenses	5e	4,845	4,737
–	Net losses from the disposal of assets	6	5,898	3,210
–	Revaluation decrement / impairment of IPP&E	5d	–	13,423
–	Net share of interests in joint ventures and associates using the equity method	18	17	–
43,513	Total expenses from continuing operations		55,331	61,917
3,431	Operating result from continuing operations		8,884	(5,581)
3,431	Net operating result for the year		8,884	(5,581)
–	Net operating result attributable to council		8,884	(5,581)
–	Net operating result for the year before grants and contributions provided for capital purposes		(12,072)	(17,965)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		8,884	(5,581)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	767	78,561
Other movements Revaluation Intangible Assets		107	172
Total items which will not be reclassified subsequently to the operating result		874	78,733
Total other comprehensive income for the year		874	78,733
Total comprehensive income for the year		9,758	73,152
Total comprehensive income attributable to Council		9,758	73,152

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	6,334	1,622
Investments	7(b)	44,513	60,196
Receivables	8	9,833	7,486
Inventories	9a	1,557	2,069
Other	9b	223	76
Total current assets		<u>62,460</u>	<u>71,449</u>
Non-current assets			
Investments	7(b)	2	2
Receivables	8	1,195	1,035
Inventories	9a	1,464	1,870
Infrastructure, property, plant and equipment	10(a)	784,750	771,121
Intangible Assets	11	1,771	1,664
Right of use assets		–	–
Investments accounted for using the equity method	18	49	414
Total non-current assets		<u>789,231</u>	<u>776,106</u>
Total assets		<u>851,691</u>	<u>847,555</u>
LIABILITIES			
Current liabilities			
Payables	14	6,348	5,932
Contract liabilities	12	2,994	–
Borrowings	14	548	725
Provisions	15	4,223	4,082
Total current liabilities		<u>14,113</u>	<u>10,739</u>
Non-current liabilities			
Borrowings	14	3,142	957
Provisions	15	1,517	1,632
Total non-current liabilities		<u>4,659</u>	<u>2,589</u>
Total liabilities		<u>18,772</u>	<u>13,328</u>
Net assets		<u>832,919</u>	<u>834,227</u>
EQUITY			
Accumulated surplus	16	724,856	727,038
Revaluation reserves	16	108,063	107,189
Council equity interest		<u>832,919</u>	<u>834,227</u>
Total equity		<u>832,919</u>	<u>834,227</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		727,038	107,189	834,227	696,948	28,456	725,404
Correction of prior period errors		–	–	–	35,671	–	35,671
Changes due to AASB 1058 and AASB 15 adoption	16	(11,066)	–	(11,066)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
Restated opening balance		715,972	107,189	823,161	732,619	28,456	761,075
Net operating result for the year		8,884	–	8,884	(5,581)	–	(5,581)
Restated net operating result for the period		8,884	–	8,884	(5,581)	–	(5,581)
Other comprehensive income							
– Gain/(loss) on revaluation of IPP&E	10(a)	–	767	767	–	78,561	78,561
– Other movements (Revaluation Intangible Assets)		–	107	107	–	172	172
Other comprehensive income		–	874	874	–	78,733	78,733
Total comprehensive income		8,884	874	9,758	(5,581)	78,733	73,152
Equity – balance at end of the reporting period		724,856	108,063	832,919	727,038	107,189	834,227

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
16,426	Rates and annual charges		16,665	16,557
5,198	User charges and fees		6,778	7,064
1,179	Investment and interest revenue received		1,821	1,647
16,725	Grants and contributions		25,192	26,047
–	Bonds, deposits and retention amounts received		481	182
754	Other		6,034	4,918
Payments:				
(14,190)	Employee benefits and on-costs		(16,242)	(14,896)
(8,799)	Materials and contracts		(15,680)	(7,182)
(118)	Borrowing costs		(67)	(90)
(2,972)	Other		(5,456)	(7,977)
14,203	Net cash provided (or used in) operating activities	17b	19,526	26,270
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		50,986	33,059
–	Sale of real estate assets		1,021	181
1,259	Sale of infrastructure, property, plant and equipment		691	1,165
232	Deferred debtors receipts		–	772
Payments:				
–	Purchase of investment securities		(34,517)	(34,003)
(26,073)	Purchase of infrastructure, property, plant and equipment		(34,743)	(26,129)
–	Deferred debtors and advances made		(247)	(1,656)
(24,582)	Net cash provided (or used in) investing activities		(16,809)	(26,611)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		2,700	–
Payments:				
(797)	Repayment of borrowings and advances		(705)	(800)
(797)	Net cash flow provided (used in) financing activities		1,995	(800)
(11,176)	Net increase/(decrease) in cash and cash equivalents		4,712	(1,141)
1,675	Plus: cash and cash equivalents – beginning of year	17a	1,622	2,763
(9,501)	Cash and cash equivalents – end of the year	17a	6,334	1,622
50,600	plus: Investments on hand – end of year	7(b)	44,515	60,198
41,099	Total cash, cash equivalents and investments		50,849	61,820

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	17
4	Interest and investment income	25
5	Expenses from continuing operations	26
6	Gain or loss from disposal of assets	33
7(a)	Cash and cash equivalents	34
7(b)	Investments	34
7(c)	Restricted cash, cash equivalents and investments	36
8	Receivables	38
9	Inventories and other assets	40
10(a)	Infrastructure, property, plant and equipment	42
10(b)	Externally restricted infrastructure, property, plant and equipment	46
11	Intangible assets	47
12	Contract assets and liabilities	48
13	Leases	49
14	Payables and borrowings	51
15	Provisions	54
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	57
17	Statement of cash flow information	62
18	Interests in other entities	63
19	Commitments	70
20	Contingencies	71
21	Financial risk management	74
22	Material budget variations	78
23	Fair Value Measurement	80
24	Related party disclosures	89
25	Statement of developer contributions	91
26	Result by fund	94
27(a)	Statement of performance measures – consolidated results	96
27(b)	Statement of performance measures – by fund	97
Additional Council disclosures (unaudited)		
27(c)	Statement of performance measures – consolidated results (graphs)	98
28	Council information and contact details	100

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 November 2020. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip and gravel pit remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

Impact of COVID-19 on Council Operations

The COVID-19 epidemic has caused some minor impact to council operations. Some administration staff have been required to work from home, which resulted in Council incurring some above normal information technology expenditure to provide the necessary hardware to facilitate this.

Council, as at 30 June 2020, has not received many requests for rate or fee relief. With rates and leases, Council will defer payment of these amounts and not waiver them. Certain fees have been waived, but these have been immaterial.

Some of Council's facilities have also been closed as a result of COVID-19. These facilities included parks, playgrounds and sporting facilities. The impact on revenue has been minimal in terms of loss revenue.

Council's assets are not expected to experience a decline in value due to COVID-19. Whilst some assets have been closed for public use, they are assets that generate little or no revenue streams. Most assets are valued at replacement cost and there is no impairment as a result of COVID-19. For those assets carried at market value, there is no way of determining the

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

impact of COVID-19 on market values as at 30 June 2020 due to the sudden onset of the epidemic. It is also anticipated that this under utilisation of certain assets will not continue into the long term.

Overall, Council's operations have had minimal disruption to 30 June 2020. The disruption experienced is not expected to continue into the future.

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.

Volunteer services

Council does not have a material dependence on volunteer services. Volunteers are mainly engaged via Section 355 committees. These services are not recognised as they are considered non-material in value.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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

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

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

New accounting standards adopted during the year

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

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance	–	–	988	1,022	(988)	(1,022)	–	–	98	75
Administration	1,763	1,991	6,114	5,177	(4,351)	(3,186)	771	1,622	51,337	72,442
Public order and safety	632	613	1,024	1,570	(392)	(957)	604	357	3,091	2,757
Health	4	19	67	90	(63)	(71)	–	–	1,333	560
Environment	3,697	3,648	4,038	3,688	(341)	(40)	154	100	52,719	51,759
Community Services and Education	1,101	1,367	1,383	1,894	(282)	(527)	955	1,003	10,627	10,843
Housing and Community amenities	961	520	2,570	1,958	(1,609)	(1,438)	54	9	7,187	7,368
Water supplies	5,938	5,375	4,304	4,401	1,634	974	–	–	55,981	44,361
Sewerage services	3,588	3,357	2,703	2,725	885	632	–	–	51,407	40,460
Recreation and culture	11,183	6,307	4,402	3,734	6,781	2,573	11,247	4,433	38,882	35,852
Mining, manufacturing and construction	478	464	1,081	1,251	(603)	(787)	–	–	361	417
Transport and communication	12,522	10,481	23,559	31,578	(11,037)	(21,097)	3,469	3,164	566,791	569,137
Economic affairs	2,553	2,609	3,081	2,829	(528)	(220)	533	–	11,471	11,110
Share of gains / (losses) in association and joint ventures	–	36	17	–	(17)	36	–	–	406	414
General purpose income	19,795	19,549	–	–	19,795	19,549	8,663	8,462	–	–
Total functions and activities	64,215	56,336	55,331	61,917	8,884	(5,581)	26,450	19,150	851,691	847,555

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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 2020

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.

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

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	3,912	3,778
Farmland	1058 (1)	5,641	5,518
Business	1058 (1)	890	854
Less: pensioner rebates (mandatory)	1058 (1)	(185)	(248)
Less: pensioner rebates (Council policy)	1058 (1)	(6)	(14)
Rates levied to ratepayers		10,252	9,888
Pensioner rate subsidies received	1058 (1)	101	95
Total ordinary rates		10,353	9,983
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	1,472	1,381
Stormwater management services	1058 (1)	121	119
Water supply services	1058 (1)	2,650	2,364
Sewerage services	1058 (1)	2,481	2,590
Waste management services (non-domestic)	1058 (1)	115	116
Less: pensioner rebates (mandatory)	1058 (1)	(244)	(163)
Annual charges levied		6,595	6,407
Pensioner subsidies received:			
– Water	1058 (1)	49	46
– Sewerage	1058 (1)	46	44
– Domestic waste management	1058 (1)	45	48
Total annual charges		6,735	6,545
TOTAL RATES AND ANNUAL CHARGES		17,088	16,528

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

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

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

Accounting policy for rates and charges

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

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

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

2019 accounting policy

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

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

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	130	440
Water supply services	15 (1)	1,831	2,009
Sewerage services	15 (1)	224	65
Waste management services (non-domestic)	15 (1)	579	896
Other	15 (1)	19	17
Total specific user charges		2,783	3,427
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	394	317
Inspection services	15 (1)	18	109
Private works – section 67	15 (1)	714	1,495
Regulatory fees	15 (1)	–	1
Section 10.7 certificates (EP&A Act)	15 (1)	36	37
Section 603 certificates	15 (1)	40	37
Tapping fees	15 (1)	8	31
Town planning	15 (1)	345	288
Other	15 (1)	3	9
Health control	15 (1)	4	14
Animal control	15 (1)	6	16
Total fees and charges – statutory/regulatory		1,568	2,354
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	15 (1)	370	269
Caravan park	15 (1)	101	95
Cemeteries	15 (1)	120	123
Child care	15 (1)	3	3
Gravel pits	15 (1)	53	76
Leaseback fees – Council vehicles	15 (1)	92	70
Park rents	15 (1)	1	10
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	1,183	528
Swimming centres	15 (1)	9	11
Public halls	15 (1)	2	11
Recreational grounds / swimming pools / libraries	15 (1)	40	14
Special meter reading	15 (1)	17	18
Other	15 (1)	98	126
Total fees and charges – other		2,089	1,354
TOTAL USER CHARGES AND FEES		6,440	7,135

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

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

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

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

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

Accounting policy for user charges and fees

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

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

Note 3. Revenue from continuing operations (continued)

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

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

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

2019 accounting policy

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)	1058 (2)	–	642
Fines	1058 (1)	12	4
Legal fees recovery – rates and charges (extra charges)	1058 (1)	15	44
Commissions and agency fees	1058 (1)	273	292
Recycling income (non-domestic)	1058 (1)	27	–
Insurance claims / rebates	1058 (1)	179	159
Water – meter rents / sundry income	1058 (1)	38	49
Other	1058 (1)	101	120
Sewer – sundry income	1058 (1)	50	–
<u>TOTAL OTHER REVENUE</u>		<u>695</u>	<u>1,310</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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.

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

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,692	2,695	–	–
Financial assistance – local roads component	1058 (1)	1,513	1,459	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,851	2,757	–	–
Financial assistance – local roads component	1058 (1)	1,607	1,551	–	–
Total general purpose		8,663	8,462	–	–
Specific purpose					
Aged care	1058 (1)	933	954	–	–
Bushfire and emergency services	1058 (1)	354	357	250	–
Economic development	1058 (1)	–	–	217	–
Heritage and cultural	1058 (1)	12	39	–	–
Library – per capita	1058 (1)	88	64	–	–
LIRS subsidy	1058 (1)	82	39	–	–
Noxious weeds	1058 (1)	121	100	–	–
Recreation and culture	1058 (1)	–	93	385	–
Street lighting	1058 (1)	54	53	–	–
Transport (roads to recovery)	1058 (1)	2,862	594	–	–
Transport (other roads and bridges funding)	1058 (1)	352	232	255	2,244
Energy fuel rebate scheme	1058 (1)	145	109	–	–
Waste management	1058 (1)	53	–	–	–
River access	1058 (1)	–	–	425	189
Other	1058 (1)	31	13	–	–
Youth services	1058 (1)	18	20	–	–
Stronger communities fund	1058 (2)	–	1,500	11,150	4,088
Total specific purpose		5,105	4,167	12,682	6,521
Total grants		13,768	12,629	12,682	6,521
Grant revenue is attributable to:					
– Commonwealth funding		11,695	9,989	285	–
– State funding		2,019	2,640	12,297	6,521
– Other funding		54	–	100	–
		13,768	12,629	12,682	6,521

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

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

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

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

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

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

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	54	25
S 7.12 – fixed development consent levies		1058 (1)	–	–	430	296
S 64 – water supply contributions		1058 (1)	–	–	445	279
S 64 – sewerage service contributions		1058 (1)	–	–	250	173
Other developer contributions		1058 (1)	–	–	8	52
Total developer contributions – cash			–	–	1,187	825
Non-cash contributions						
Other developer/other contributions		1058 (1)	–	–	2,641	3,110
Total developer contributions non-cash			–	–	2,641	3,110
Total developer contributions	25		–	–	3,828	3,935
Other contributions:						
Cash contributions						
Recreation and culture		1058 (1)	–	–	20	–
Roads and bridges		1058 (1)	21	27	2,287	1,170
RMS contributions (regional roads, block grant)		1058 (1)	3,274	3,340	1,630	597
Tourism		1058 (1)	3	–	–	–
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	423	25
Other		1058 (1)	56	165	–	22
RMS contributions (flood / storm damage)		1058 (1)	–	847	–	–
Staff		1058 (1)	47	72	–	–
S355 committees		1058 (1)	–	41	5	54
Bike paths / pedestrian access		1058 (1)	–	–	81	–
Drummuster		1058 (1)	7	–	–	–
Libraries		1058 (1)	–	2	–	–
Waste management		1058 (1)	34	22	–	60
Donations		1058 (1)	24	26	–	–
Total other contributions – cash			3,466	4,542	4,446	1,928
Total other contributions			3,466	4,542	4,446	1,928
Total contributions			3,466	4,542	8,274	5,863
TOTAL GRANTS AND CONTRIBUTIONS			17,234	17,171	20,956	12,384

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

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

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

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

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

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

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

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

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

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

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

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	2,684	1,452
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,555
Add: operating grants received for the provision of goods and services in a future period	352	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(323)
Less: operating grants received in a previous reporting period now spent and recognised as income	(923)	–
Unexpended and held as externally restricted assets (operating grants)	2,113	2,684
Capital grants		
Unexpended at the close of the previous reporting period	10,904	11,440
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	4,363
Add: capital grants received for the provision of goods and services in a future period	1,190	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(4,899)
Less: capital grants received in a previous reporting period now spent and recognised as income	(9,267)	–
Unexpended and held as externally restricted assets (capital grants)	2,827	10,904
Contributions		
Unexpended at the close of the previous reporting period	2,240	2,046
Add: contributions recognised as income in the current period but not yet spent	998	341
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 (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(36)	(147)
Unexpended and held as externally restricted assets (contributions)	3,202	2,240

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	129	114
– Cash and investments	1,085	1,602
– Deferred debtors	109	44
Dividend income (other)	15	11
Total Interest and investment income	1,338	1,771
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	74	77
General Council cash and investments	815	1,167
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	31	24
– Section 64	16	15
Water fund operations	188	228
Sewerage fund operations	214	260
Total interest and investment revenue	1,338	1,771

Accounting policy for interest and investment revenue

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	13,031	12,153
Employee termination costs	202	153
Employee leave entitlements (ELE)	2,349	2,544
Superannuation	1,181	1,118
Superannuation – defined benefit plans	299	226
Workers' compensation insurance	988	944
Fringe benefit tax (FBT)	198	177
Payroll tax	38	60
Protective clothing	30	41
Other	–	20
Total employee costs	18,316	17,436
Less: capitalised costs	(2,117)	(2,041)
TOTAL EMPLOYEE COSTS EXPENSED	16,199	15,395
Number of 'full-time equivalent' employees (FTE) at year end	193	174
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	203	174

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		–	–
Interest on loans		67	92
Total interest bearing liability costs		67	92
Total interest bearing liability costs expensed		67	92
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	15	6	9
Interest applicable on interest free (and favourable) loans to Council		13	26
Total other borrowing costs		19	35
TOTAL BORROWING COSTS EXPENSED		86	127

Accounting policy for borrowing costs

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

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

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	1,497	1,692
Contractor and consultancy costs	2,093	851
– Planning Consultants	227	125
– Waste Management Consultants	69	124
– Waste, Transfer Station & Recycling Collections Contractors	1,431	1,646
– IT Software Licences	354	209
– IT Cloud Contract and Managed Services	1,116	433
– Road & Bridges Contractors	389	849
– State Road Contractors	677	383
– Water Supply Contractors	277	285
– Wastewater Contractors	364	246
– Aged & Community Service Contractors	21	105
– Building Service & Maintenance Contractors	444	367
– Plant Fleet Contractors	179	160
– Swimming Pool Contractors	195	128
– Floodplain Management Contractors	49	130
– Asset Management Contractors	347	121
– Organisational Service Consultants	636	212
– Stronger Communities Service Contractors	481	151
Auditors remuneration ²	182	126
Legal expenses:		
– Legal expenses: planning and development	7	9
– Legal expenses: debt recovery	11	43
– Legal expenses: other	23	15
Leases expense:		
Expenses from short-term leases (2020 only)	151	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	23
Other	2	3
Total materials and contracts	11,222	8,436
TOTAL MATERIALS AND CONTRACTS	11,222	8,436

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Photocopiers	–	23
	–	23

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	124	68
Remuneration for audit and other assurance services	124	68
Total Auditor-General remuneration	124	68
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal audit services	40	40
Remuneration for audit and other assurance services	40	40
(ii) Non-assurance services		
Internal Audit Committee	18	18
Remuneration for non-assurance services	18	18
Total remuneration of non NSW Auditor-General audit firms	58	58
Total Auditor remuneration	182	126

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,420	1,216
Office equipment		248	246
Furniture and fittings		50	34
Land improvements (depreciable)		126	126
Infrastructure:	10(a)		
– Buildings – non-specialised		338	340
– Buildings – specialised		1,194	1,181
– Other structures		498	489
– Roads		8,703	8,697
– Bridges		1,284	1,277
– Footpaths		373	183
– Stormwater drainage		576	568
– Water supply network		1,180	1,174
– Sewerage network		952	942
– Swimming pools		6	11
Right of use assets	13	–	–
Other assets:			
– Heritage collections		12	12
– Library books		1	2
– Other		63	59
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10(a)	28	24
– Quarry assets	15,10(a)	12	8
Total gross depreciation and amortisation costs		<u>17,064</u>	<u>16,589</u>
Total depreciation and amortisation costs		<u>17,064</u>	<u>16,589</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10(a)		
– Bulk earthworks		–	12,534
– Bridges		–	889
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>–</u>	<u>13,423</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>–</u>	<u>13,423</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>17,064</u>	<u>30,012</u>

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 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.

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

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	191	237
Training costs (other than salaries and wages)	135	228
Travel expenses	54	104
Bank charges	52	57
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	3	6
– Emergency services levy (includes FRNSW, SES, and RFS levies)	19	16
– NSW rural fire service levy	456	363
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	109	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	67	25
Donations, contributions and assistance to other organisations (Section 356)	377	673
– stronger communities fund grants	483	48
Electricity and heating	811	785
Fire and emergency services levy (FESL) implementation costs	33	30
Fire control expenses	19	–
Insurance	723	763
Postage/freight	88	61
Printing and stationery	95	90
Street lighting	211	266
Subscriptions and publications	144	207
Telephone and communications	482	370
Valuation fees	61	68
Vehicle registrations	139	138
Other	66	69
Total other expenses	4,845	4,737
TOTAL OTHER EXPENSES	4,845	4,737

Accounting policy for other expenses

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

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		691	1,165
Less: carrying amount of plant and equipment assets sold/written off		(534)	(1,049)
Net gain/(loss) on disposal		<u>157</u>	<u>116</u>
Infrastructure	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(6,924)	(3,327)
Net gain/(loss) on disposal		<u>(6,924)</u>	<u>(3,327)</u>
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		1,021	181
Less: carrying amount of real estate assets sold/written off		(938)	(180)
Net gain/(loss) on disposal		<u>83</u>	<u>1</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		50,986	33,059
Less: carrying amount of investments sold/redeemed/matured		(50,200)	(33,059)
Net gain/(loss) on disposal		<u>786</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(5,898)</u>	<u>(3,210)</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 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	2,834	1,622
Cash-equivalent assets		
– Short-term deposits	3,500	–
Total cash and cash equivalents	<u>6,334</u>	<u>1,622</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 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	44,513	–	60,196	–
d. 'Financial assets at fair value through other comprehensive income'	–	2	–	2
Total Investments	<u>44,513</u>	<u>2</u>	<u>60,196</u>	<u>2</u>
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>50,847</u>	<u>2</u>	<u>61,818</u>	<u>2</u>
Financial assets at amortised cost				
Long term deposits	44,513	–	60,196	–
Total	<u>44,513</u>	<u>–</u>	<u>60,196</u>	<u>–</u>
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	–	2	–	2
Total	<u>–</u>	<u>2</u>	<u>–</u>	<u>2</u>

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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, term deposits 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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	50,847	2	61,818	2
attributable to:				
External restrictions	28,508	2	35,045	2
Internal restrictions	20,973	–	25,376	–
Unrestricted	1,366	–	1,397	–
	50,847	2	61,818	2

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	2,994	–
Specific purpose unexpended loans – general	–	768
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
External restrictions – included in liabilities	2,994	768

External restrictions – other

Developer contributions – general	1,841	1,364
Developer contributions – water fund	419	117
Developer contributions – sewer fund	938	672
Specific purpose unexpended grants (recognised as revenue) – general fund	1,946	13,588
Water supplies	8,378	7,681
Sewerage services	10,087	9,005
Special levies – land and water management	135	135
Crown land management	93	93
Domestic waste management	1,590	1,538
Other	89	86
External restrictions – other	25,516	34,279

Total external restrictions

28,510	35,047
---------------	---------------

Internal restrictions

Plant and vehicle replacement	776	1,986
Infrastructure replacement	1,561	3,223
Employees leave entitlement	2,261	2,113
Carry over works	1,921	2,918
Staff/other housing	131	54
Waste management	3,571	3,571
Community Services	161	–
Prepaid financial assistance grant (fag)	4,457	4,308
Town improvements	218	30
Cemetery improvements	136	37
Sand/gravel pit restorations	234	234
Parks, halls and reserves	448	705
Office equipment	582	894
Town planning	46	46
Stormwater drainage	84	275
Recreation and culture	65	192

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Bush fire services	45	–
Roads	298	–
Retirement village	667	668
Other – investment projects	–	62
Levee bank	9	9
Insurance claims	163	163
Industrial development	1,183	1,433
Halls	–	57
Financial assistance grant	78	78
Election	75	75
Economic	336	16
Cemetery	136	81
Caravan park	443	348
Buildings	697	1,549
Other	191	251
Total internal restrictions	20,973	25,376
TOTAL RESTRICTIONS	49,483	60,423

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,928	–	1,527	–
Interest and extra charges	298	–	262	–
User charges and fees	882	–	872	–
Accrued revenues				
– Interest on investments	181	–	700	–
– Other income accruals	447	–	271	–
Net investment in finance lease	–	–	–	–
Deferred debtors	761	1,142	696	960
Government grants and subsidies	4,473	–	2,188	–
Loans to non-profit organisations	40	83	40	105
Net GST receivable	359	–	185	–
Other debtors	587	–	868	–
Total	9,956	1,225	7,609	1,065
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	9,833	1,195	7,486	1,035
Externally restricted receivables				
Water supply				
– Rates and availability charges	291	–	241	–
– Other	873	–	877	–
Sewerage services				
– Rates and availability charges	244	–	194	–
– Other	101	–	109	–
Domestic waste management	184	–	140	–
Total external restrictions	1,693	–	1,561	–
Unrestricted receivables	8,140	1,195	5,925	1,035
TOTAL NET RECEIVABLES	9,833	1,195	7,486	1,035

\$ '000	2020	2019
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 year	153	153

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,025	1,309	1,557	1,715
Stores and materials	532	–	512	–
Loose tools	–	155	–	155
Total inventories at cost	1,557	1,464	2,069	1,870
<u>TOTAL INVENTORIES</u>	<u>1,557</u>	<u>1,464</u>	<u>2,069</u>	<u>1,870</u>
(b) Other assets				
Prepayments	223	–	76	–
<u>TOTAL OTHER ASSETS</u>	<u>223</u>	<u>–</u>	<u>76</u>	<u>–</u>
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,780	1,464	2,145	1,870
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,780</u>	<u>1,464</u>	<u>2,145</u>	<u>1,870</u>

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Industrial/commercial		1,025	1,309	1,557	1,715
Total real estate for resale		1,025	1,309	1,557	1,715
(Valued at the lower of cost and net realisable value)					
Represented by:					
Development costs		1,025	1,309	1,557	1,715
Total costs		1,025	1,309	1,557	1,715
Total real estate for resale		1,025	1,309	1,557	1,715
Movements:					
Real estate assets at beginning of the year		1,557	1,715	1,419	2,033
– WDV of sales (expense)	6	(532)	(406)	(180)	–
– Transfer between current/non-current		–	–	318	(318)
Total real estate for resale		1,025	1,309	1,557	1,715

(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	2020	2019
Real estate for resale	698	1,092
	698	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.

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 2020

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

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Renewals	Additions new assets	Re-measurement of asset remediation provision	Carrying value of disposals	Depreciation expense	WIP transfers	Developer / Other contribution	Other movements CMCC Transfer	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	5,117	–	5,117	4,455	6,073	–	–	–	(4,514)	–	–	–	11,131	–	11,131
Plant and equipment	19,564	(9,113)	10,451	3,153	572	–	(534)	(1,420)	–	–	279	–	21,889	(9,388)	12,501
Office equipment	2,053	(851)	1,202	–	456	–	–	(248)	93	–	–	–	2,602	(1,099)	1,503
Furniture and fittings	839	(509)	330	–	230	–	–	(50)	–	–	–	–	1,069	(559)	510
Land:															
– Operational land	8,022	–	8,022	–	–	–	–	–	–	–	–	–	8,022	–	8,022
– Community land	11,740	–	11,740	–	–	–	–	–	–	–	–	–	11,740	–	11,740
– Land under roads (post 30/6/08)	19	–	19	–	–	–	–	–	–	–	–	–	19	–	19
Land improvements – depreciable	8,804	(4,871)	3,933	–	–	–	–	(126)	–	–	–	–	8,804	(4,997)	3,807
Infrastructure:															
– Buildings – non-specialised	15,471	(5,415)	10,056	–	109	–	–	(338)	–	–	–	–	15,581	(5,754)	9,827
– Buildings – specialised	46,178	(25,263)	20,915	987	2,674	–	(122)	(1,194)	704	–	–	–	50,121	(26,157)	23,964
– Other structures	18,505	(3,932)	14,573	1,017	256	–	(47)	(498)	647	–	–	–	20,312	(4,364)	15,948
– Roads	331,932	(123,251)	208,681	6,652	1,398	–	(4,089)	(8,703)	1,956	984	–	–	335,143	(128,264)	206,879
– Bridges	77,552	(28,013)	49,539	1,691	633	–	(584)	(1,284)	853	–	–	–	79,164	(28,316)	50,848
– Footpaths	12,832	(3,271)	9,561	–	906	–	–	(373)	41	165	–	–	13,944	(3,644)	10,300
– Bulk earthworks (non-depreciable)	292,733	–	292,733	2,059	272	–	(2,057)	–	–	186	–	–	293,193	–	293,193
– Stormwater drainage	49,855	(7,806)	42,049	123	535	–	(5)	(576)	170	867	–	–	51,542	(8,379)	43,163
– Water supply network	61,247	(20,041)	41,206	181	22	–	(14)	(1,180)	35	102	–	392	62,110	(21,366)	40,744
– Sewerage network	59,485	(20,558)	38,927	96	34	–	(4)	(952)	–	336	–	375	60,489	(21,677)	38,812
– Swimming pools	551	(545)	6	–	–	–	–	(6)	–	–	–	–	551	(551)	–
Other assets:															
– Heritage collections	593	(301)	292	81	–	–	–	(12)	15	–	–	–	689	(313)	376
– Library books	24	(21)	3	–	–	–	–	(1)	–	–	–	–	24	(22)	2
– Other	620	(197)	423	56	–	–	–	(63)	–	–	–	–	677	(261)	416
Reinstatement, rehabilitation and restoration assets (refer Note 17):															
– Tip assets	1,956	(746)	1,210	–	–	(215)	–	(28)	–	–	–	–	1,755	(788)	967
– Quarry assets	310	(177)	133	–	–	(43)	–	(12)	–	–	–	–	272	(194)	78
Total Infrastructure, property, plant and equipment	1,026,002	(254,881)	771,121	20,551	14,170	(258)	(7,456)	(17,064)	–	2,640	279	767	1,050,843	(266,093)	784,750

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

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

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

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Re-measurement of asset remediation provision	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Developer / other contributions	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
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	–	–	(489)	–	–	1,006	–	18,505	(3,932)	14,573
– Roads	329,449	(89,530)	239,919	6,879	1,062	–	(2,689)	(8,697)	–	(93,647)	1,060	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	–	(296)	(183)	–	–	100	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	–	(170)	(568)	–	(5,811)	488	11,085	49,855	(7,806)	42,049
– Water supply network	59,278	(18,554)	40,724	494	290	–	–	(1,174)	–	–	195	678	61,247	(20,041)	41,206
– Sewerage network	58,124	(19,311)	38,813	179	–	–	(5)	(942)	–	–	261	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 17):															
– 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	344	(4,375)	(16,589)	(13,423)	–	3,110	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).

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by 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 12.5	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	20 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 120
Reticulation pipes: other	25 to 75		
Pumps and telemetry	5 to 50		
Treatment Ponds	Infinite		
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 110
Bridge: other	20 to 60	Land improvements (levee bank)	70
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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation 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 2020

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	1,512	–	1,512	–	–	–
Plant and equipment	57	53	4	57	51	6
Land						
– Operational land	616	–	616	616	–	616
Buildings	2,517	1,180	1,337	2,517	1,136	1,381
Infrastructure	62,110	21,366	40,744	61,280	20,042	41,238
Total water supply	66,812	22,599	44,213	64,470	21,229	43,241
Sewerage services						
Plant and equipment	23	23	–	23	23	–
Land						
– Operational land	1,123	–	1,123	1,123	–	1,123
Buildings	181	79	102	181	75	106
Infrastructure	60,489	21,677	38,812	59,485	20,559	38,926
Total sewerage services	61,816	21,779	40,037	60,812	20,657	40,155
Domestic waste management						
Plant and equipment	9	8	1	9	8	1
Land						
– Operational land	370	–	370	370	–	370
– Community land	133	–	133	133	–	133
Buildings	318	196	122	318	187	131
Other structures	1,045	241	804	1,045	204	841
Total DWM	1,875	445	1,430	1,875	399	1,476
TOTAL RESTRICTED IPP&E	130,503	44,823	85,680	127,157	42,285	84,872

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Water Licences		
Opening values at 1 July		
Gross book value	1,664	1,492
Net book value – opening balance	1,664	1,492
Movements for the year		
– Revaluation	107	172
Closing values at 30 June		
Gross book value	1,771	1,664
Total water licences – net book value	1,771	1,664
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>1,771</u>	<u>1,664</u>

Accounting policy for intangible assets

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

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

Water licences are individually separated from the land and can be sold on a permanent or temporary transfer basis. At present, Council only trades the water entitlement associated with the water licences on a temporary basis, with income received from the sales of water entitlements disclosed as other revenue.

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

Water licences purchased are initially recorded at cost and are valued yearly at 30 June and the revaluation is based on market evidence. Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as impairment loss.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

(i) Externally restricted assets

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,752	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	242	–
Total grants received in advance		2,994	–
Total contract liabilities		2,994	–

Notes

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

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,994	–
Contract liabilities relating to externally restricted assets	2,994	–
Total contract liabilities relating to restricted assets	2,994	–
Total contract liabilities	2,994	–

Accounting policy for contract assets and liabilities

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

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council has one lease over a building and also has leases for photocopiers, which are considered as short term leases.

Buildings

Council has one building which is leased for a doctors surgery. Lease is month by month and no formal lease agreement is currently in place.

Council also has staff housing rental agreements in place and these are all under 12 months duration.

Vehicles

Council does not lease any vehicles.

Office and IT equipment

Council does lease photocopiers, but these lease arrangements are considered short term leases.

\$ '000

2020

(a) Income Statement

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

Expenses relating to short-term leases	151
	<u>151</u>

(b) Statement of Cash Flows

Total cash outflow for leases	151
	<u>151</u>

Leases at significantly below market value – concessionary / peppercorn leases

Council, as lessee, doesn't have any concessionary/ peppercorn leases.

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

which the lease payments are based (e.g. CPI). Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

(ii) Council as a lessor

(c) Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Caravan parks	192
Room/Facility Hire	75
Other (vacant land, council owned staff housing, retirement units)	95
Total income relating to operating leases	464

(iv) Maturity analysis of contractual lease income

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

< 1 year	334
1–2 years	308
2–3 years	311
3–4 years	312
4–5 years	315
> 5 years	4,526
Total undiscounted contractual lease income receivable	6,106

Accounting policy

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

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

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*. The lease income is recognised on a straight-line basis over the lease term.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	271	–	293	–
Goods and services – operating expenditure	4,026	–	4,064	–
Accrued expenses:				
– Borrowings	1	–	1	–
– Salaries and wages	521	–	730	–
– Other expenditure accruals	344	–	140	–
Security bonds, deposits and retentions	1,185	–	704	–
Total payables	6,348	–	5,932	–
Borrowings				
Loans – secured ¹	548	3,142	725	957
Total borrowings	548	3,142	725	957
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>6,896</u>	<u>3,142</u>	<u>6,657</u>	<u>957</u>

(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.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	104	–	115	–
Sewer	36	–	27	–
Payables and borrowings relating to externally restricted assets	140	–	142	–
Total payables and borrowings relating to restricted assets	140	–	142	–
Total payables and borrowings relating to unrestricted assets	6,756	3,142	6,515	957
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>6,896</u>	<u>3,142</u>	<u>6,657</u>	<u>957</u>

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

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,682	2,008	–	–	–	–	3,690
TOTAL	1,682	2,008	–	–	–	–	3,690

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	2,456	(774)	–	–	–	1,682
TOTAL	2,456	(774)	–	–	–	1,682

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

(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	80	53
Total financing arrangements	730	703

Drawn facilities as at balance date:

– Credit cards/purchase cards	6	22
Total drawn financing arrangements	6	22

Undrawn facilities as at balance date:

– Bank overdraft facilities	650	650
– Credit cards/purchase cards	74	31
Total undrawn financing arrangements	724	681

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,089	–	1,961	–
Long service leave	2,134	338	2,121	219
Sub-total – aggregate employee benefits	4,223	338	4,082	219
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,179	–	1,413
Sub-total – asset remediation/restoration	–	1,179	–	1,413
<u>TOTAL PROVISIONS</u>	<u>4,223</u>	<u>1,517</u>	<u>4,082</u>	<u>1,632</u>

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

Employee Benefits	2,261	–	2,113	–
Gravel Pit Restorations	234	–	234	–
Waste Management – Landfills	464	–	615	–
Provisions relating to internally restricted assets	2,959	–	2,962	–
Total provisions relating to restricted assets	2,959	–	2,962	–
Total provisions relating to unrestricted assets	1,264	1,517	1,120	1,632
<u>TOTAL PROVISIONS</u>	<u>4,223</u>	<u>1,517</u>	<u>4,082</u>	<u>1,632</u>

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

(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	1,865	2,346
	<u>1,865</u>	<u>2,346</u>

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

Note 15. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
2020			
At beginning of year	1,961	2,340	4,301
Additional provisions	1,239	518	1,757
Amounts used (payments)	(1,111)	(386)	(1,497)
Total ELE provisions at end of year	2,089	2,472	4,561
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 year	1,961	2,340	4,301

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	1,413	1,413
Changes to provision:		
– Revised costs	(240)	(240)
Unwinding of discount	6	6
Total other provisions at end of year	1,179	1,179
2019		
At beginning of year	1,059	1,059
– Revised costs	342	342
Unwinding of discount	12	12
Total other provisions at end of year	1,413	1,413

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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.

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(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) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019. The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

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

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Principal v agent

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

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

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

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

Grants – operating

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Grants – capital**

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

In relation to the above changes in accounting policies, the Council has not amended the presentation of any items as Council determined no impact from the transition to requirements of AASB 15 and AASB 1058.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	238
– Under AASB 1058	10,828
Total Contract liabilities	<u>11,066</u>

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	6,334	–	–	6,334	
Investments	44,513	–	–	44,513	
Receivables	9,833	–	–	9,833	
Inventories	1,557	–	–	1,557	
Other	223	–	–	223	
Total current assets	<u>62,460</u>	<u>–</u>	<u>–</u>	<u>62,460</u>	
Current liabilities					
Payables	6,348	–	–	6,348	
Contract liabilities	2,994	–	(2,994)	–	
Borrowings	548	–	–	548	
Provisions	4,223	–	–	4,223	
Total current liabilities	<u>14,113</u>	<u>–</u>	<u>(2,994)</u>	<u>11,119</u>	
Non-current assets					
Investments	2	–	–	2	
Receivables	1,195	–	–	1,195	

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Inventories	1,464	–	–	1,464	
Infrastructure, property, plant and equipment	784,750	–	–	784,750	
Intangible assets	1,771	–	–	1,771	
Investments accounted for using equity method	49	–	–	49	
Total non-current assets	789,231	–	–	789,231	
Non-current liabilities					
Borrowings	3,142	–	–	3,142	
Provisions	1,517	–	–	1,517	
Total Non-current liabilities	4,659	–	–	4,659	
Net assets	832,919	–	2,994	835,913	
Equity					
Accumulated surplus	724,856	–	2,994	727,850	
Revaluation reserves	108,063	–	–	108,063	
Council equity interest	832,919	–	2,994	835,913	
Total equity	832,919	–	2,994	835,913	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of financial position for the year ended 30 June 2020 due to grant funding of \$11.066 million been received either prior or during the 2018/19 financial year and thus requiring a change to income and retained earnings for the period.

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	17,088	–	–	17,088	
User charges and fees	6,440	–	–	6,440	
Other revenues	695	–	–	695	
Grants and contributions provided for operating purposes	17,234	–	(4)	17,230	
Grants and contributions provided for capital purposes	20,956	–	8,076	29,032	
Interest and investment income	1,338	–	–	1,338	
Rental income	464	–	–	464	
Total Income from continuing operations	64,215	–	8,072	72,287	

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	16,199	–	–	16,199	
Borrowing costs	86	–	–	86	
Materials and contracts	11,222	–	–	11,222	
Depreciation and amortisation	17,064	–	–	17,064	
Other expenses	4,845	–	–	4,845	
Net losses from the disposal of assets	5,898	–	–	5,898	
Net share of interests in joint ventures and associates using the equity method	17	–	–	17	
Total Expenses from continuing operations	55,331	–	–	55,331	
Total Operating result from continuing operations	8,884	–	8,072	16,956	
Net operating result for the year	8,884	–	8,072	16,956	
Total comprehensive income	9,758	–	–	9,758	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of financial position for the year ended 30 June 2020 due to grant funding of \$11.066 million been received either prior or during the 2018/19 financial year and thus requiring a change to income and retained earnings for the period.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	847,555	–	847,555
Contract liabilities	–	11,066	11,066
Total liabilities	13,328	11,066	24,394
Accumulated surplus	727,038	(11,066)	715,972
Total equity	834,227	(11,066)	823,161

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

There is no financial statement impact due to the adoption of AASB 16.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,334	1,622
Balance as per the Statement of Cash Flows		6,334	1,622

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

Net operating result from Income Statement		8,884	(5,581)
Adjust for non-cash items:			
Depreciation and amortisation		17,064	16,589
Net losses/(gains) on disposal of assets		5,898	3,210
Non-cash capital grants and contributions		(2,641)	(3,110)
Adoption of AASB 15/1058		(11,066)	–
Distribution of CMCC net share		348	–
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 exp. on interest-free loans received by Council (previously fair valued)		13	26
Unwinding of discount rates on reinstatement provisions		6	12
Share of net (profits)/losses of associates/joint ventures using the equity method		17	(37)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,260)	(680)
Decrease/(increase) in inventories		(20)	(116)
Decrease/(increase) in other current assets		(147)	(5)
Increase/(decrease) in payables		(38)	1,370
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		(5)	281
Increase/(decrease) in other liabilities		459	216
Increase/(decrease) in contract liabilities		2,994	–
Increase/(decrease) in provision for employee benefits		260	331
Increase/(decrease) in other provisions		(240)	342
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		19,526	26,270

(c) Non-cash investing and financing activities

Developer contributions 'in kind'		2,641	3,110
Total non-cash investing and financing activities		2,641	3,110

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Associates	(17)	37	49	414
Total	(17)	37	49	414

(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
	2020	2019	2020	2019
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 2020. The financial position and performance of subsidiaries for the financial year ended 30 June 2020 have been included in these consolidated financial statements.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	41	45
Expenses	(39)	(51)
Profit for the period	2	(6)
Total comprehensive income	2	(6)
Summarised statement of financial position		
Current assets	58	55

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Total assets	58	55
Net assets	58	55
Summarised statement of cash flows		
Cash flows from operating activities	2	19
Net increase (decrease) in cash and cash equivalents	2	19

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

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
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 2020. The financial position and performance of subsidiaries for the financial year ended 30 June 2020 have been included in these consolidated financial statements.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	59	61
Expenses	(38)	(25)
Profit for the period	21	36
Total comprehensive income	21	36
Summarised statement of financial position		
Current assets	183	160
Non-current assets	424	439
Total assets	607	599
Non-current liabilities	17	30
Total liabilities	17	30

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Net assets	590	569
Summarised statement of cash flows		
Cash flows from operating activities	37	36
Net increase (decrease) in cash and cash equivalents	37	36

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 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
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 2020. The financial position and performance of subsidiaries for the financial year ended 30 June 2020 have been included in these consolidated financial statements.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	249	167
Expenses	(219)	(96)
Profit for the period	30	71
Total comprehensive income	30	71
Summarised statement of financial position		
Current assets	484	508
Total assets	484	508
Current liabilities	141	196
Total liabilities	141	196
Net assets	343	312
Summarised statement of cash flows		

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Cash flows from operating activities	30	71
Net increase (decrease) in cash and cash equivalents	30	71

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(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	2020	2019
Central Murray County Council	Associate	% Net Assets	–	357
Central Murray Regional Library	Associate	% Net Assets	46	57
Total carrying amounts – material associates			46	414

(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

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019	2020	2019
Central Murray County Council	–	1,153	0%	31%	0%	31%	0%	25%
Central Murray Regional Library	398	490	12%	12%	12%	12%	33%	33%

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(d) Summarised financial information for associates

\$ '000	Central Murray County Council ¹		Central Murray Regional Library	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	–	318	331	400
Other current assets	–	77	–	–
Non-current assets				
	–	865	166	193
Current liabilities				
Other current liabilities	–	107	99	103
Net assets	–	1,153	398	490
Reconciliation of the carrying amount				
Opening net assets (1 July)	1,153	1,051	511	449
Profit/(loss) for the period	–	102	(11)	62
Wind Up of CMCC	(1,153)	–	–	–
Closing net assets	–	1,153	500	511
Council's share of net assets (%)	31%	31%	11%	11%
Council's share of net assets (\$)	–	357	46	56
Statement of comprehensive income				
Income	–	1,024	478	486
Interest income	–	9	6	10
Depreciation and amortisation	–	(98)	(67)	(37)
Other expenses	–	(833)	(428)	(397)
Profit/(loss) from continuing operations	–	102	(11)	62
Profit/(loss) for period	–	102	(11)	62
Total comprehensive income	–	102	(11)	62
Share of income – Council (%)	31%	31%	11%	11%
Profit/(loss) – Council (\$)	–	32	(1)	7
Total comprehensive income – Council (\$)	–	32	(1)	7
Summarised Statement of cash flows				
Cash flows from operating activities	–	152	56	33
Cash flows from financing activities	–	–	(40)	(95)
Cash flows from investing activities	–	(348)	–	(40)
Net increase (decrease) in cash and cash equivalents	–	(196)	16	(102)

(1) CMCC wound up 1 July 2019. Funds distributed to member councils.

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.

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

Note 18. Interests in other entities (continued)

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	104	3,774
Plant and equipment	–	580
Water Supply	2,981	134
Bridges	–	99
Other	231	1,227
Total commitments	3,316	5,814
These expenditures are payable as follows:		
Within the next year	3,316	5,814
Total payable	3,316	5,814
Sources for funding of capital commitments:		
Unrestricted general funds	–	99
Future grants and contributions	–	333
Unexpended grants	315	4,630
Externally restricted reserves	2,981	134
Internally restricted reserves	20	618
Total sources of funding	3,316	5,814

Details of capital commitments

Contracts that the Council has entered into for Capital projects.

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	23
Later than one year and not later than 5 years	–	2
Total non-cancellable operating lease commitments	–	25

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.

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies

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

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

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.

The additional lump sum contribution is around 0.30% 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 2019. 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 5(a) for the year ending 30 June 2020 was \$202,115.39. 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 \$200,786.72

The estimated employer reserves financial position for the pooled employees at 30 June 2020 is:

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

* excluding member accounts and reserves 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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

(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 June 2008.

(ii) Infringement notices/fines

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

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

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

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

(iii) 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".

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

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 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,334	1,622	2,785	1,622
Receivables	11,028	8,521	10,848	8,520
Investments				
– 'Financial assets at amortised cost'	44,513	60,196	48,090	60,196
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income'	2	2	2	2
Total financial assets	61,877	70,341	61,725	70,340
Financial liabilities				
Payables	6,348	5,932	5,869	5,639
Loans/advances	3,690	1,682	3,961	1,682
Total financial liabilities	10,038	7,614	9,830	7,321

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 market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) 'at fair value through profit and loss' or (ii) '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:

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

- **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
2020				
Possible impact of a 1% movement in interest rates	441	441	441	441
2019				
Possible impact of a 1% movement in interest rates	602	602	602	602

(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 2020

Note 21. 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
2020						
Gross carrying amount	2	1,183	354	271	118	1,928
2019						
Gross carrying amount	–	775	323	160	269	1,527

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	7,024	1,537	5	111	576	9,253
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	15.25%	0.95%
ECL provision	–	–	–	–	88	88
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	–	–	–	–	–	–

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	1,185	4,908	–	–	6,093	6,077
Loans and advances	3.94%	–	782	1,757	1,422	3,961	3,690
Total financial liabilities		1,185	5,690	1,757	1,422	10,054	9,767
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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 30/06/2020 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	17,025	17,088	63	0% F
User charges and fees	5,762	6,440	678	12% F
Overall better than budgeted performance in areas of development application fees and water usage fees.				
Other revenues	938	695	(243)	(26)% U
Main difference is that Rental Income has been moved to a new line as a result of change in accounting standards reporting requirements. Rental income was \$464,000.				
Operating grants and contributions	17,777	17,234	(543)	(3)% U
Capital grants and contributions	4,237	20,956	16,719	395% F
Council received additional capital grant funding that wasn't included in the original budget. Grant funding received by Council included \$2.6 million for non-cash developer contributions, \$4.0 million for RMS roadworks contributions, mainly for the Gee Gee Bridge and Deniliquin-Barham projects, \$450,000 more in Section 94 contributions over expected budget, \$445,000 more in Section 64 contributions over expected budget and \$423,000 in High Water security contributions as part of developments (which are cash contributions that go towards the purchase of intangible water licences).				
Also, the remeasurement under the new accounting standard of AASB 1058 (Note 16) has also resulted in \$8.1 million being reclassified via retained earnings and revenue adjustment for the 2019/20 financial year. Council brought to account revenue as a result of expending grant funding received prior to 1 July 2019.				
Interest and investment revenue	1,205	1,338	133	11% F
A better than expected return on investments interest.				
Rental income	-	464	464	∞ F
New line created due to change in accounting standards reporting requirements. previously, was apart of Other Revenues.				
Joint ventures and associates – net profits	-	-	-	∞ F

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	16,102	16,199	(97)	(1)% U
Actual is down due to over \$2 million in wages costs being capital expenditure related and not operating. This results in the \$2 million in wages been capitalised and not treated as operational.				
Borrowing costs	104	86	18	17% F
Overall better result in loan interest expense when compared to budget.				
Materials and contracts	11,195	11,222	(27)	0% U
Depreciation and amortisation	13,442	17,064	(3,622)	(27)% U
At the time of setting the budget, the Depreciation was budgeted as pre-2018/19 levels. The 2018/19 financial year saw an increase in depreciation expense to \$16 million due to some revaluations been conducted in Transport assets. This result in a higher depreciation expense and accounts for the variance in budget vs actual for 2019/20 financial year.				
Other expenses	2,670	4,845	(2,175)	(81)% U
When the 2019/20 budget was established, there was a mis-match in some expenditure which resulted in it been recorded as Materials and Contracts, when it was Other Expenses. The adjustment was accounted for on the Dec 2019 quarter budget review and was for a total of \$1.581 million. The true starting budget for Other Expenses should have been \$4.251 million.				
Net losses from disposal of assets	-	5,898	(5,898)	∞ U
Net disposal on transport and building assets. Council undertook a large infrastructure renewal and new program during the 2019/20 financial year. The original budget didn't factor in any loss on disposal of assets.				
Revaluation decrement / impairment of IPP&E	-	-	-	∞ F
Joint ventures and associates – net losses	-	17	(17)	∞ U
Council's share of the CMCC Library venture.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	14,203	19,526	5,323	37% F
Higher than expected capital grant funding of \$8 million received by Council above expected budget accounts for the majority of variance.				
Cash flows from investing activities	(24,582)	(16,809)	7,773	(32)% F
High than expected budget for purchase of infrastructure, property, plant and equipment contributed to this variance. Budget was (\$26,073k) but cash expenditure came in at (\$35,499k) - a variance of (\$9,426k). This was offset by a net movement in sale of investments of \$16,924k.				
Cash flows from financing activities	(797)	1,995	2,792	(350)% F
Drawdown of loan by Council of \$2.7 million was the variance in this situation.				

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- 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

2020	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	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets - " Available for sale"	30/06/2020	–	–	2	2
Total financial assets		–	–	2	2
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/2015	–	–	12,501	12,501
Office Equipment	30/06/2015	–	–	1,503	1,503
Furniture & Fittings	30/06/2015	–	–	510	510
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	–	–	3,807	3,807
Buildings – non-specialised	30/06/2017	–	9,827	–	9,827
Buildings – specialised	30/06/2017	–	–	23,964	23,964
Other Structures	30/06/2019	–	–	15,948	15,948
Roads	30/06/2019	–	–	206,879	206,879
Bridges	30/06/2019	–	–	50,848	50,848
Footpaths	30/06/2019	–	–	10,300	10,300
Bulk Earthworks	30/06/2019	–	–	293,193	293,193
Stormwater Drainage	30/06/2019	–	–	43,163	43,163
Water Supply Network	30/06/2017	–	–	40,744	40,744
Sewerage Network	30/06/2017	–	–	38,812	38,812
Swimming Pools	30/06/2017	–	–	–	–
Heritage Collections	30/06/2017	–	–	376	376
Library Books	30/06/2015	–	–	2	2
Other Assets	30/06/2017	–	–	416	416
Tip Assets	30/06/2017	–	–	967	967
Quarry Assets	30/06/2017	–	–	78	78

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2020		Fair value measurement hierarchy			
\$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Total infrastructure, property, plant and equipment					
		–	17,849	755,770	773,619
Discontinued operations					
Water Access Licences	30/06/2020	1,771	–	–	1,771
Total discontinued operations		1,771	–	–	1,771
2019		Fair value measurement hierarchy			
\$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets - " Available for sale"	30/06/2019	–	–	2	2
Total financial assets		–	–	2	2
Infrastructure, property, plant and equipment					
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
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

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

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

(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

Other Structures comprise of sundry recreational assets, signage, shade sails, irrigation systems, lights, fencing, cemeteries, wharfs, boat ramps, skate parks, pounds, sheds, carports, 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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

- 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 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.

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

Note 23. Fair Value Measurement (continued)

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 2020

Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Land improvement depreciable
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
2020					
Opening balance	10,451	1,202	330	11,740	3,933
Purchases (GBV)	3,725	549	230	–	–
Disposals (WDV)	(534)	–	–	–	–
Depreciation and impairment	(1,420)	(248)	(50)	–	(126)
Other Movement - CMCC Transfer	279	–	–	–	–
Closing balance	12,501	1,503	510	11,740	3,807

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

\$ '000	Building specialised	Other structures	Roads, bridges and footpaths	Bulk earthworks	Stormwater drainage
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
2020					
Opening balance	20,915	14,573	267,781	292,733	42,049
Purchases (GBV)	4,365	1,920	15,279	2,517	1,695
Disposals (WDV)	(122)	(47)	(4,673)	(2,057)	(5)
Depreciation and impairment	(1,194)	(498)	(10,360)	–	(576)
Closing balance	23,964	15,948	268,027	293,193	43,163

\$ '000	Water supply network	Sewerage network	Swimming pools
2019			
Opening balance	40,724	38,813	17
Purchases (GBV)	978	440	–
Disposals (WDV)	–	(6)	–
Depreciation and impairment	(1,174)	(942)	(12)

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Swimming pools
Revaluation Increments to Equity	–	622	–
Reinstatement	678	–	–
Closing balance	41,206	38,927	5
2020			
Opening balance	41,206	38,927	5
Purchases (GBV)	340	466	–
Disposals (WDV)	(14)	(4)	–
Depreciation and impairment	(1,180)	(952)	(5)
Revaluation Increments to Equity	392	375	–
Closing balance	40,744	38,812	–

\$ '000	Tip and quarry assets	Other assets	Total
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
2020			
Opening balance	1,344	716	747,905
Purchases (GBV)	–	152	31,238
Disposals (WDV)	–	–	(7,456)
Depreciation and impairment	(40)	(76)	(16,725)
Other Movement - CMCC Transfer ¹	–	–	279
Revaluation Increments to Equity	–	–	767
Reinstatement	(258)	–	(258)
Closing balance	1,046	792	755,750

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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 (30/6/20)	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant and equipment	12,501	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Office equipment	1,503	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Furniture and fittings	510	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Community Land	11,740	Valuer General	Rateable Land Values
Land Under Road	19	Valuer General	Rateable Land Values
Land improvements – depreciable	3,807	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Buildings – specialised	23,964	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Other structures	15,948	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Roads, bridges and footpaths	268,027	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Bulk earthworks	293,193	Depreciated Replacement Cost	Gross Replacement Cost
Stormwater drainage	43,163	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Water supply network	40,744	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Sewerage network	38,812	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Swimming Pools	–	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Tips and Quarries	1,046	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Other Assets	792	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

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

Note 23. Fair Value Measurement (continued)

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

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 2020

Note 24. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,036	969
Post-employment benefits	127	114
Other long-term benefits	205	10
Termination benefits	153	–
Total	1,521	1,093

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Venue hire and catering	1	8	–		–	–
Deferred debtor loan	2	70	–		–	–
2019						
Deferred debtor loan	2	–	–		–	–

1 Rich River Golf Club provided Council with venue hire and catering. A KMP was a former employee of the Club.

2 A KMP has purchased land from Council at arm's length.

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

(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
2020					
Plant maintenance and servicing	1	–	Normal creditor terms	–	–
2019					
Plant maintenance and servicing	2	–	Normal creditor terms	–	–

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

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
\$ '000	Cash	Non-cash							
Drainage	12	56	867	1	(867)	–	69	–	
Roads	919	306	1,031	20	(1,066)	–	1,210	–	
Open space	69	54	–	2	–	–	125	–	
Community facilities	21	25	–	–	–	–	46	–	
Domestic Waste	20	35	–	1	–	–	56	–	
S7.11 contributions – under a plan	1,041	476	1,898	24	(1,933)	–	1,506	–	
S7.12 levies – under a plan	306	7	–	6	–	–	319	–	
Total S7.11 and S7.12 revenue under plans	1,347	483	1,898	30	(1,933)	–	1,825	–	
S7.11 not under plans	16	–	305	–	(305)	–	16	–	
S64 contributions	790	695	438	17	(583)	–	1,357	–	
Total contributions	2,153	1,178	2,641	47	(2,821)	–	3,198	–	

S7.11 Contributions – under a plan

CONTRIBUTION PLAN (former Murray Shire)

Drainage	11	51	867	1	(867)	–	63	–
Roads	601	254	1,031	14	(1,031)	–	869	–
Open space	68	50	–	2	–	–	120	–
Community facilities	–	20	–	–	–	–	20	–

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

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Domestic Waste	20	35	–	1	–	–	56	–
Total	700	410	1,898	18	(1,898)	–	1,128	–
CONTRIBUTION PLAN (former Wakool)								
Drainage	1	5	–	–	–	–	6	–
Roads	318	52	–	6	(35)	–	341	–
Open space	1	4	–	–	–	–	5	–
Community facilities	21	5	–	–	–	–	26	–
Total	341	66	–	6	(35)	–	378	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN (former Murray Shire)

Community facilities	306	7	–	6	–	–	319	–
Total	306	7	–	6	–	–	319	–

S7.11 Contributions – not under a plan

S94 CONTRIBUTIONS – NOT UNDER A PLAN (former Wakool)

Kerb & Gutter	16	–	305	–	(305)	–	16	–
Total	16	–	305	–	(305)	–	16	–

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

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S64 contributions								
S64 contributions (former Murray Shire)								
Sewer	468	172	102	11	(102)	–	651	–
Water	118	369	336	1	(480)	–	344	–
Total	586	541	438	12	(582)	–	995	–
S64 contributions (former Wakool)								
Sewerage	203	78	–	5	–	–	286	–
Water	–	76	–	–	–	–	76	–
Total	203	154	–	5	–	–	362	–

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	11,875	2,720	2,493
User charges and fees	4,247	1,960	233
Interest and investment revenue	936	188	214
Other revenues	533	100	62
Grants and contributions provided for operating purposes	16,796	102	336
Grants and contributions provided for capital purposes	19,838	868	250
Rental income	464	–	–
Total income from continuing operations	54,689	5,938	3,588
Expenses from continuing operations			
Employee benefits and on-costs	13,553	1,698	948
Borrowing costs	85	1	–
Materials and contracts	9,848	839	535
Depreciation and amortisation	14,882	1,226	956
Other expenses	4,097	500	248
Net losses from the disposal of assets	5,880	14	4
Share of interests in joint ventures and associates using the equity method	17	–	–
Total expenses from continuing operations	48,362	4,278	2,691
Operating result from continuing operations	6,327	1,660	897
Net operating result for the year	6,327	1,660	897
Net operating result attributable to each council fund	6,327	1,660	897
Net operating result for the year before grants and contributions provided for capital purposes	(13,511)	792	647

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	(1,064)	3,689	3,709
Investments	32,089	5,108	7,316
Receivables	8,324	1,164	345
Inventories	1,557	–	–
Other	223	–	–
Total current assets	41,129	9,961	11,370
Non-current assets			
Investments	2	–	–
Receivables	1,195	–	–
Inventories	1,464	–	–
Infrastructure, property, plant and equipment	700,500	44,213	40,037
Investments accounted for using the equity method	49	–	–
Intangible assets	–	1,771	–
Total non-current assets	703,210	45,984	40,037
TOTAL ASSETS	744,339	55,945	51,407
LIABILITIES			
Current liabilities			
Payables	6,208	104	36
Contract liabilities	2,994	–	–
Borrowings	548	–	–
Provisions	4,223	–	–
Total current liabilities	13,973	104	36
Non-current liabilities			
Borrowings	3,142	–	–
Provisions	1,517	–	–
Total non-current liabilities	4,659	–	–
TOTAL LIABILITIES	18,632	104	36
Net assets	725,707	55,841	51,371
EQUITY			
Accumulated surplus	635,393	50,137	39,326
Revaluation reserves	90,314	5,704	12,045
Council equity interest	725,707	55,841	51,371
Total equity	725,707	55,841	51,371

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(6,157)	(14.23)%	(3.12)%	6.53%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	43,259				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	26,025	40.53%	47.50%	49.05%	>60.00%
Total continuing operating revenue ¹	64,215				
3. Unrestricted current ratio					
Current assets less all external restrictions	31,561	3.46x	4.09x	5.92x	>1.50x
Current liabilities less specific purpose liabilities	9,114				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,993	13.90x	16.56x	14.58x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	791				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,191	11.54%	9.51%	10.31%	<10.00%
Rates, annual and extra charges collectible	18,986				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	50,847	15.99	23.97	24.51	>3.00
Monthly payments from cash flow of operating and financing activities	3,179	mths	mths	mths	mths

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

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

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

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(21.80)%	(7.76)%	15.62%	16.53%	19.38%	15.52%	>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	33.01%	39.53%	83.66%	90.24%	83.67%	87.24%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.46x	4.09x	95.78x	9.71x	315.83x	11.22x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	9.37x	13.67x	1,993.00 x	33.02x	∞	∞	>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	12.09%	9.83%	10.52%	9.14%	9.65%	8.12%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.67 mths	20.54 mths	∞	28.85 mths	∞	64.69 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

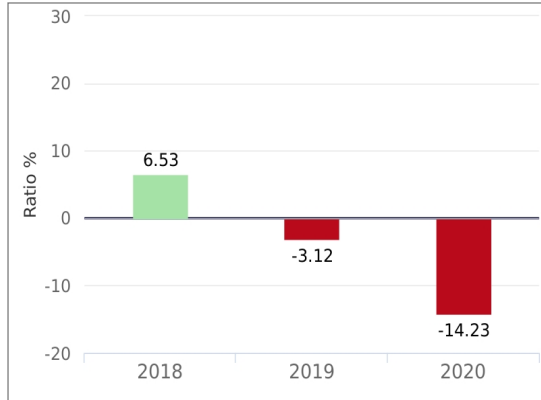
(1) - (2) Refer to Notes at Note 26a above.

(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 2020

Note 27(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 2019/20 result

2019/20 ratio (14.23)%

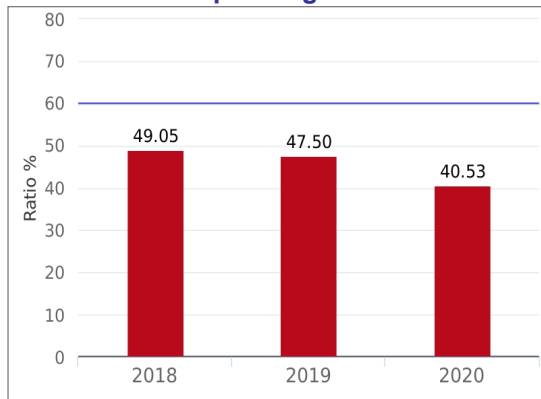
2019/20 has seen a deterioration in this ratio. This is mainly due to an overall increase in materials and contracts expenditure, whilst overall revenue has remained consistent when compared to the 2018/19 financial year.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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 2019/20 result

2019/20 ratio 40.53%

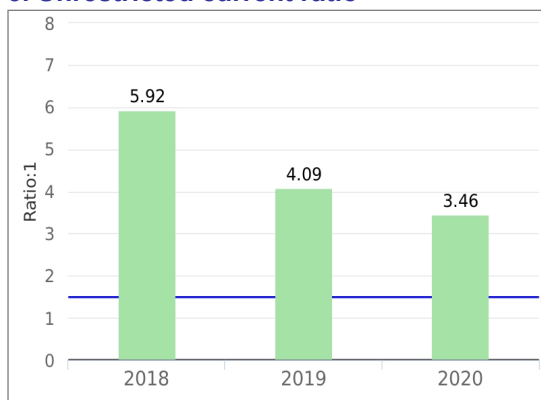
Grant funding remaining constant when compared to the 2018/19 financial year. With total grants for 2019/20 financial year of just over \$30 million, this has resulted in this ratio being below the 60% benchmark as own source revenue comes to \$26 million. Council will struggle to achieve this benchmark as it has reliance on grant funding to function due to the low rate base to levy rates and annual charges.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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 2019/20 result

2019/20 ratio 3.46x

This ratio is still above the benchmark of 1.50, but has continued to decline over the past 3 years. The decrease can be attributed to a reduction in investment holding due to Council spending grant funding in the 2019/20 financial year, which was received in the 2018/19 financial year. These grants were mainly the Stronger Community Funding and the Stronger Country Communities Funding. The total expended in 2019/20 was \$9 million and this contributed to the drop in this ratio.

Benchmark: — > 1.50x

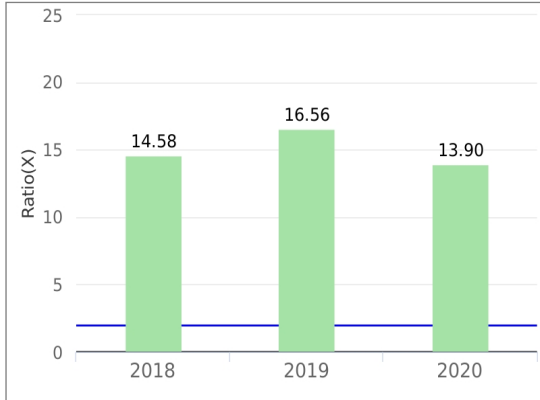
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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

Note 27(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 2019/20 result

2019/20 ratio 13.90x

This ratio remains consistent and shows Council can cover its debt servicing obligations extremely well. The benchmark is minimum 2.00 and Council has achieved 16.90 for 2019/20 financial year. Council did draw down a further \$2.7 million loan during the year and the ratio remained consistent.

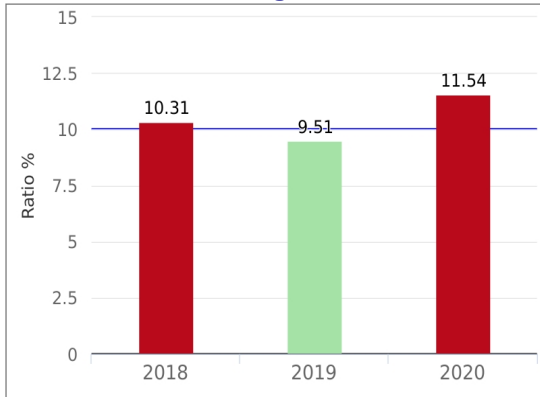
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

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 2019/20 result

2019/20 ratio 11.54%

COVID-19 epidemic has had some impact on Council's debt collection processes. As a result, there has been an increase of this ratio above the 10.00 rural benchmark as Council has eased off on debt collection. COVID-19 will continue to impact this ratio as ratepayers in hardship look to options to defer rate payments and payment plans to help with their financial situation.

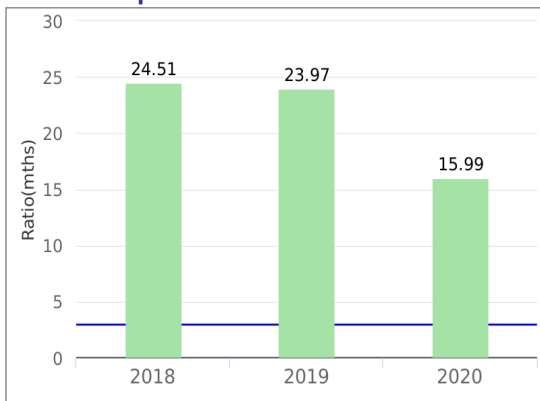
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 15.99 mths

This ratio is above the benchmark of 3 months, showing Council could operate for nearly 17 months without any further cash injection. This ratio is down on previous years, mainly due to Council investment total dropping from \$60 million in 2018/19 to \$44 million as a result of Council expending unspent grant funding on capital projects during the 2019/20 financial year.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Murray River Council

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Principal place of business:

52 Perricoota Road
Moama NSW 2731

Contact details

Mailing Address:
PO Box 906
Moama NSW 2731

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**CHIEF EXECUTIVE OFFICER**

Des Bilske

RESPONSIBLE ACCOUNTING OFFICER

Des Bilske

PUBLIC OFFICER

Des Bilske

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 Murray River Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY



Cr Chris Bilkey
Mayor
Murray River Council
PO Box 906
MOAMA NSW 2731

Contact: Chariee Bultitude
Phone no: 02 9275 7104
Our ref: D2028101/1763

27 November 2020

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2020 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 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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





SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues have been assessed as high risk and will be reported in the Management Letter from the final phase of my audit.

- **Management of infrastructure, property, plant and equipment** – Council's accounting, assessment and recording procedures of infrastructure, property, plant and equipment (IPPE) highlighted a number of issues which required audit adjustments and raised implications over the material accuracy of IPPE.
- **Fair value impairment assessment – IPPE** – Management performed a fair value and impairment assessment for the first time in the 2020 financial year. However, the assessment requires further attention by management to ensure it is sufficient, robust and appropriately documented.
- **Financial Statement close process and audit readiness** – Council's financial statement close process and audit readiness highlighted a number of repeat issues which had implications on the audit process and increased the risk of Council's ability to meet statutory reporting deadlines.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	17.09	16.53	 3.4
Grants and contributions revenue	38.19	29.56	 29.2
Operating result from continuing operations	8.88	(5.58)	 259.1
Net operating result before capital grants and contributions	(12.07)	(17.97)	 32.8

Rates and annual charges revenue was \$17.1 million (\$16.5 million for the year ended 30 June 2019). The increase of \$0.6 million (3.4 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.

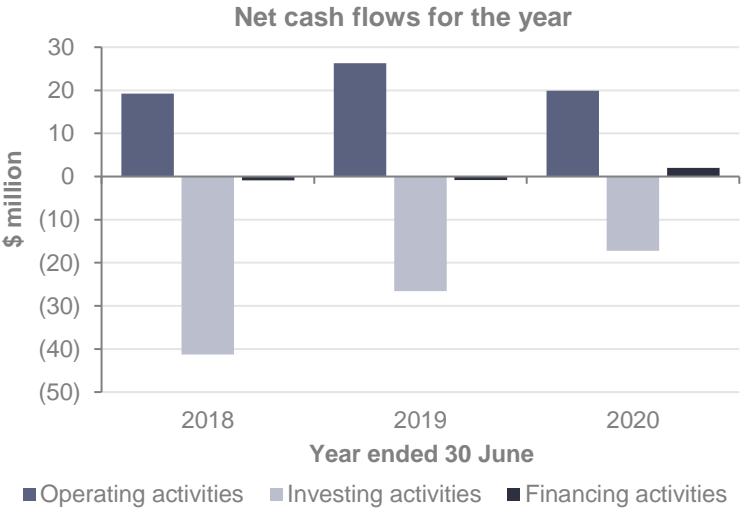
Grants and contributions revenue was \$38.2 million (\$29.6 million for the year ended 30 June 2019). The increase of \$8.6 million (29.2 per cent) was primarily due to the implementation at 1 July 2019 and 30 June 2020 transition adjustments from the adoption of AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers*.

Council's net operating result was a surplus of \$8.9 million (\$5.6 million deficit for the year ended 30 June 2019). The increase of \$14.5 million was mainly due to a \$13.4 million revaluation decrement and impairment recognised in the Income Statement in the year ended 30 June 2019 versus no decrement or impairment recognised in the year ended 30 June 2020.

The net operating result before capital grants and contributions was a deficit of \$12.1 million (\$18.0 million deficit for the year ended 30 June 2019). The improvement of \$5.9 million was mainly due to the \$8.6 million increase in grants and contributions revenue for the year ended 30 June 2020 and the non-recurring \$13.4 million revaluation decrement and impairment predominately relating to bulk earthworks in the year ended 30 June 2019.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$6.3 million (\$1.6 million for the year ended 30 June 2019). There was a net increase in cash and cash equivalents of \$4.7 million at 30 June 2020.
- Net cash provided by operating activities has decreased by \$6.6 million. This is mainly due to the increase in materials and contracts payments.
- Net cash used in investing activities decreased by \$9.7 million. This is mainly due to the increase in the sale of investment securities of \$17.9 million. This is partially offset by the increase in the purchase of infrastructure, property, plant and equipment of \$9.1 million.
- Net cash provided by financing activities was \$2.0 million attributed to proceeds from borrowings of \$2.7 million (nil proceeds from borrowings in 2019).



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$'000	\$'000	
External restrictions	28,510	35,047	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease of \$6.5 million is mainly due to the \$8.6 million decrease in specific purpose unexpended grants offset by an increase of \$1.1 million in sewerage services. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease of \$4.4 million in the internal restrictions is primarily due to a \$1.7 million decrease in infrastructure replacement and a \$1.2 million decrease in plant and vehicle replacement. Unrestricted cash and investments was \$1.4 million, which is available to provide liquidity for day-to-day operations of the Council.
Internal restrictions	20,973	25,376	
Unrestricted	1,366	1,397	
Cash and investments	50,849	61,820	

Debt

- Council has \$3.7 million of external borrowings (2019: \$1.7 million) which is secured over the revenue of Council.
- Council has a \$650 thousand bank overdraft facility (2019: \$650 thousand) which was undrawn as at 30 June 2020.

PERFORMANCE

Performance measures

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

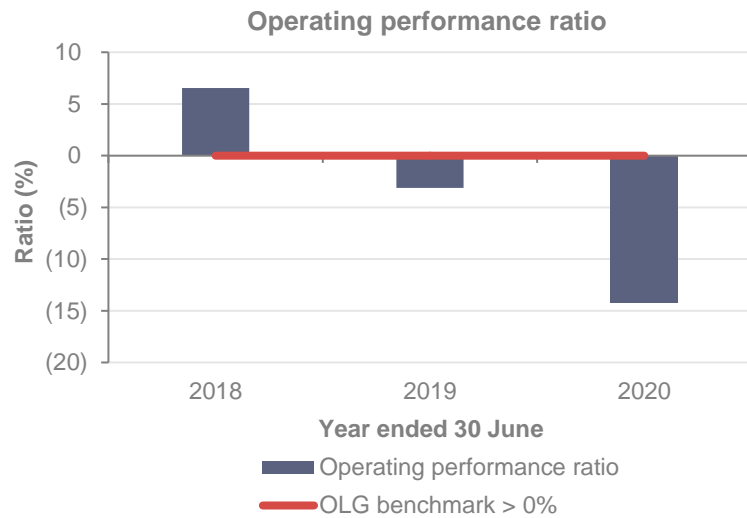
Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

This indicates the Council did not contain operating expenditures within operating revenue.

The operating performance ratio decreased to (14.23)% (2019: (3.1%)) due to the increase in expenses from continuing operations. An increase in materials and contracts expense of \$2.8 million and an increase in employee benefits and on-costs of \$0.8 million, contributed to the increase in expenses and decrease in operating performance.



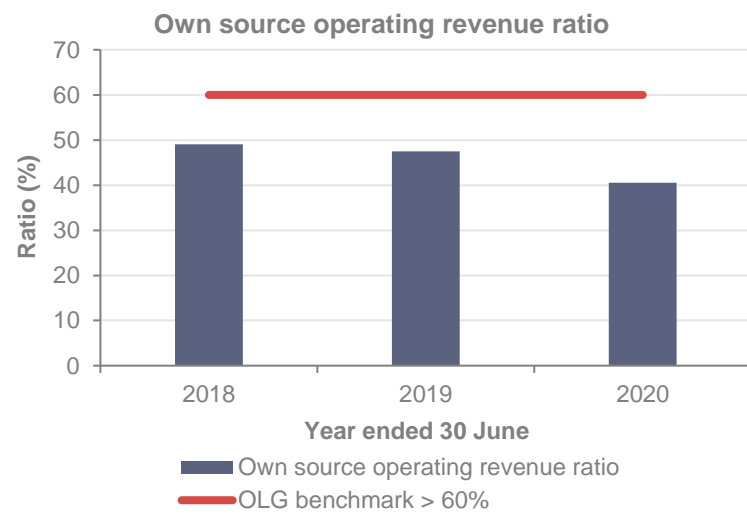
Own source operating revenue ratio

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 OLG is greater than 60 per cent.

The Council did not meet the OLG benchmark for the current reporting period.

This indicates that the Council is reliant on external funding sources, such as grants and contributions.

The operating performance ratio decreased to 40.5% (2019: 47.5%).

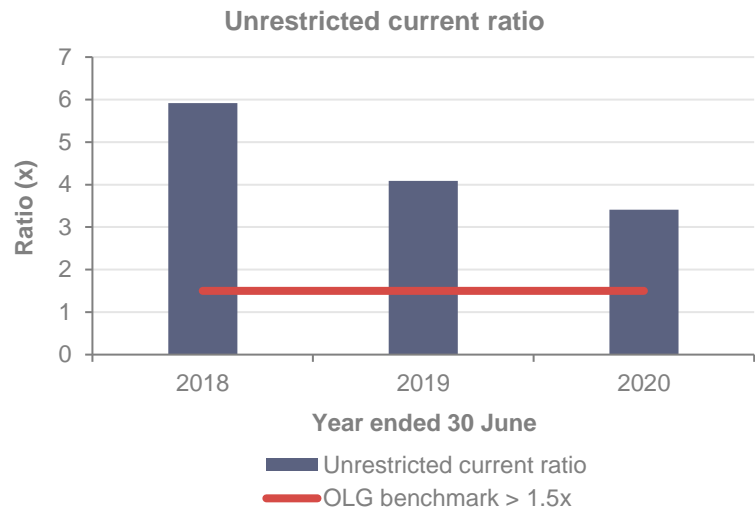


Unrestricted current ratio

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

The Council's liquidity ratio of 3.4 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 3.4 times (2019: 4.1 times) due to an increase in current liabilities associated with grants received by Council.

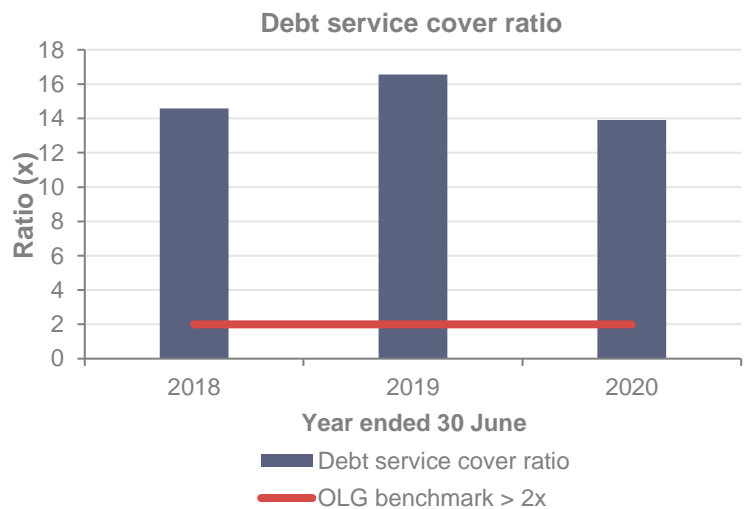


Debt service cover ratio

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

The Council's debt service cover ratio of 13.9 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 with prior years.

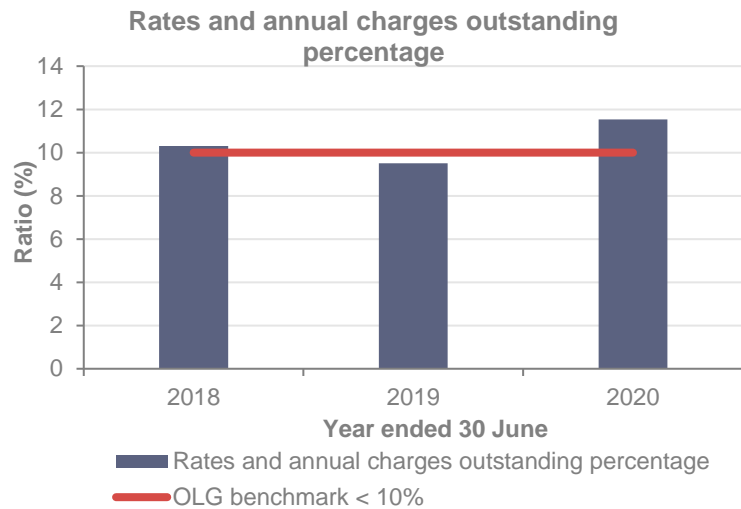


Rates and annual charges outstanding per centage

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

The Council's rates and annual charges outstanding ratio of 11.5% is outside the industry benchmark of less than 10% for regional and rural councils.

The rates and annual charges outstanding per centage of 11.5% has declined from the prior year (2019: 9.5%), which indicates a greater challenge in debt recovery at Council. This area requires improved focus for the 2021 year.

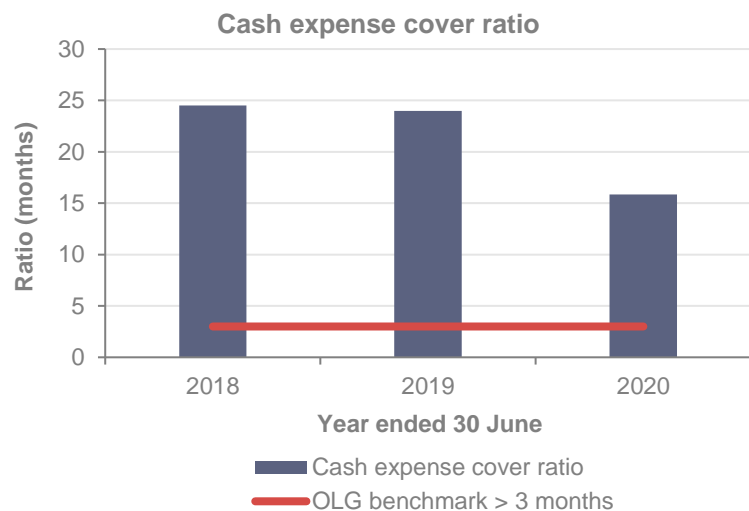


Cash expense cover ratio

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

The Council's cash expense cover ratio was 16 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 16 months of operating cash expenditure without additional cash inflows at 30 June 2020.

The Council's cash expense cover ratio has decreased from the prior year due to the reduction in cash and investments held.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$20.6 million of assets in the 2019–20 financial year, compared to \$14.5 million of assets in the 2018–19 financial year. The majority of renewals related to roads of \$6.7 million, capital works in progress of \$4.5 million, plant and equipment of \$3.2 million and bulk earthworks of \$2.1 million.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$11.1 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

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

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

Legislative compliance

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

cc: Mr Des Bilske, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Murray River Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Note 1 – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

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 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 November 2020.



Cr Chris Bilkey
Mayor
24 November 2020



Cr Alan Mathers
Councillor
24 November 2020



Mr Desmond Bilske
CEO and Responsible Accounting Officer
24 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,720	2,602
User charges	1,923	2,025
Fees	37	42
Interest	188	229
Grants and contributions provided for non-capital purposes	102	195
Other income	100	199
Total income from continuing operations	5,070	5,292
Expenses from continuing operations		
Employee benefits and on-costs	1,698	1,902
Borrowing costs	1	5
Materials and contracts	839	723
Depreciation, amortisation and impairment	1,226	1,237
Water purchase charges	151	195
Loss on sale of assets	14	–
Calculated taxation equivalents	26	4
Other expenses	349	355
Total expenses from continuing operations	4,304	4,421
Surplus (deficit) from continuing operations before capital amounts	766	871
Grants and contributions provided for capital purposes	868	356
Surplus (deficit) from continuing operations after capital amounts	1,634	1,227
Surplus (deficit) from all operations before tax	1,634	1,227
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(211)	(240)
SURPLUS (DEFICIT) AFTER TAX	1,423	987
Plus accumulated surplus	48,500	46,404
Plus/less: prior period adjustments	3	869
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	211	240
Closing accumulated surplus	50,137	48,500
Return on capital %	1.7%	2.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,423	987
Less: capital grants and contributions (excluding developer contributions)	(868)	(356)
Surplus for dividend calculation purposes	555	631
Potential dividend calculated from surplus	278	316

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,493	2,377
User charges	13	65
Liquid trade waste charges	211	223
Fees	9	9
Interest	214	273
Grants and contributions provided for non-capital purposes	336	261
Other income	62	21
Total income from continuing operations	3,338	3,229
Expenses from continuing operations		
Employee benefits and on-costs	948	1,026
Materials and contracts	535	411
Depreciation, amortisation and impairment	956	947
Loss on sale of assets	4	6
Calculated taxation equivalents	9	14
Other expenses	248	338
Total expenses from continuing operations	2,700	2,742
Surplus (deficit) from continuing operations before capital amounts	638	487
Grants and contributions provided for capital purposes	250	173
Surplus (deficit) from continuing operations after capital amounts	888	660
Surplus (deficit) from all operations before tax	888	660
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(175)	(134)
SURPLUS (DEFICIT) AFTER TAX	713	526
Plus accumulated surplus	38,438	36,564
Plus/less: prior period adjustments	–	1,214
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	175	134
Closing accumulated surplus	39,326	38,438
Return on capital %	1.6%	1.2%
Subsidy from Council	–	43
Calculation of dividend payable:		
Surplus (deficit) after tax	713	526
Less: capital grants and contributions (excluding developer contributions)	(250)	(173)
Surplus for dividend calculation purposes	463	353
Potential dividend calculated from surplus	231	177

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019 ¹
ASSETS		
Current assets		
Cash and cash equivalents	3,689	3,630
Investments	5,108	4,168
Receivables	1,164	1,118
Total current assets	9,961	8,916
Non-current assets		
Infrastructure, property, plant and equipment	44,213	43,241
Intangible assets	1,771	1,664
Total non-current assets	45,984	44,905
TOTAL ASSETS	55,945	53,821
LIABILITIES		
Current liabilities		
Payables	104	78
Borrowings	–	37
Total current liabilities	104	115
TOTAL LIABILITIES	104	115
NET ASSETS	55,841	53,706
EQUITY		
Accumulated surplus	50,137	48,500
Revaluation reserves	5,704	5,206
TOTAL EQUITY	55,841	53,706

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

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019 ¹
ASSETS		
Current assets		
Cash and cash equivalents	3,709	3,127
Investments	7,316	6,550
Receivables	345	303
Total current assets	<u>11,370</u>	<u>9,980</u>
Non-current assets		
Infrastructure, property, plant and equipment	40,037	40,155
Total non-current assets	<u>40,037</u>	<u>40,155</u>
TOTAL ASSETS	<u>51,407</u>	<u>50,135</u>
LIABILITIES		
Current liabilities		
Payables	36	27
Total current liabilities	<u>36</u>	<u>27</u>
TOTAL LIABILITIES	<u>36</u>	<u>27</u>
NET ASSETS	<u>51,371</u>	<u>50,108</u>
EQUITY		
Accumulated surplus	39,326	38,438
Revaluation reserves	12,045	11,670
TOTAL EQUITY	<u>51,371</u>	<u>50,108</u>

(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 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

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 2020

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 2020

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 0.88% at 30/6/20.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Murray River Council

To the Councillors of 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 Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply 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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY

Murray River Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	10,545	10,277
Plus or minus adjustments ²	b	97	114
Notional general income	c = a + b	10,642	10,391
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	277	281
Sub-total	k = (c + g + h + i + j)	10,919	10,672
Plus (or minus) last year's carry forward total	l	128	3
Sub-total	n = (l + m)	128	3
Total permissible income	o = k + n	11,047	10,675
Less notional general income yield	p	11,046	10,545
Catch-up or (excess) result	q = o - p	-	130
Less unused catch-up ⁵	s	-	(2)
Carry forward to next year ⁶	t = q + r + s	-	128

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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 2021.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	1,438	1,438	518	518	33,791	65,702	19.0%	37.0%	29.0%	11.0%	4.0%
	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	1,438	1,438	518	518	33,791	65,702	19.0%	37.0%	29.0%	11.0%	4.0%
Other structures	Other structures	402	402	425	425	15,948	20,312	61.0%	21.0%	8.0%	7.0%	3.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	402	402	425	425	15,948	20,312	61.0%	21.0%	8.0%	7.0%	3.0%
Roads	Sealed roads	9,871	9,871	2,503	2,503	189,889	304,623	36.0%	28.0%	21.0%	12.0%	3.0%
	Unsealed roads	1,434	1,434	959	959	16,990	30,520	33.0%	22.0%	26.0%	14.0%	5.0%
	Bridges	2,378	2,378	74	74	50,848	79,164	32.0%	37.0%	23.0%	6.0%	2.0%
	Footpaths	478	478	49	49	10,300	13,944	47.0%	46.0%	4.0%	0.0%	3.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	293,193	293,193	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	14,161	14,161	3,585	3,585	561,220	721,444	61.7%	17.7%	12.6%	6.3%	1.8%
Water supply network	Water supply network	1,959	1,959	953	953	40,744	62,110	32.0%	47.0%	12.0%	6.0%	3.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,959	1,959	953	953	40,744	62,110	32.0%	47.0%	12.0%	6.0%	3.0%
Sewerage network	Sewerage network	848	848	590	590	38,812	60,489	26.0%	46.0%	16.0%	11.0%	1.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	848	848	590	590	38,812	60,489	26.0%	46.0%	16.0%	11.0%	1.0%
Stormwater drainage	Stormwater drainage	17	17	123	123	43,163	51,542	66.0%	32.0%	2.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	17	17	123	123	43,163	51,542	66.0%	32.0%	2.0%	0.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
Open space / recreational assets	Swimming pools	550	550	4	4	–	551	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	4	4	–	551	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%	0.0%
TOTAL - ALL ASSETS		19,375	19,375	6,198	6,198	733,678	982,150	54.9%	23.4%	13.2%	6.6%	1.9%

(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 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	20,551	136.06%	71.04%	114.08%	>=100.00%
Depreciation, amortisation and impairment	15,104				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	19,375	2.64%	2.19%	0.85%	<2.00%
Net carrying amount of infrastructure assets	733,678				
Asset maintenance ratio					
Actual asset maintenance	6,198	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance	6,198				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	19,375	1.97%	1.65%	0.67%	
Gross replacement cost	982,150				

(*) 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.