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# General Purpose Financial Statements

For the year ended 30 June 2022



# Murrumbidgee Council

## General Purpose Financial Statements

for the year ended 30 June 2022

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### Overview

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

35 Jerilderie Street  
Jerilderie NSW 2716

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

- 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 B1-2.

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

# Murrumbidgee Council

## General Purpose Financial Statements

for the year ended 30 June 2022

### Statement by Councillors and Management

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

The attached general purpose financial statements have been prepared in accordance with:

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2022.



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Cr. Ruth McRae  
**Mayor**  
18 October 2022



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Cr. Robert Black  
**Councillor**  
18 October 2022



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John Scarce  
**General Manager**  
18 October 2022



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Kaitlin Salzke  
**Responsible Accounting Officer**  
18 October 2022

# Murrumbidgee Council

## Income Statement

for the year ended 30 June 2022

| Original<br>unaudited<br>budget<br>2022    | \$ '000  | Notes | Actual<br>2022 | Actual<br>2021 |
|--|--|-------|----------------|----------------|
| <b>Income from continuing operations</b>   |  |       |                |                |
| 6,197                                      | Rates and annual charges   | B2-1  | 6,044          | 5,897          |
| 2,680                                      | User charges and fees  | B2-2  | 2,400          | 2,465          |
| 278  | Other revenues   | B2-3  | 269            | 278            |
| 7,821                                      | Grants and contributions provided for operating purposes   | B2-4  | 9,813          | 9,256          |
| 7,112                                      | Grants and contributions provided for capital purposes   | B2-4  | 6,106          | 4,714          |
| 209  | Interest and investment income   | B2-5  | 116            | 161            |
| 185  | Other income   | B2-6  | 205            | 170            |
| –  | Net gain from the disposal of assets   | B4-1  | 418            | –              |
| 24,482                                     | <b>Total income from continuing operations</b>   |       | <b>25,371</b>  | <b>22,941</b>  |
| <b>Expenses from continuing operations</b> |  |       |                |                |
| 7,686                                      | Employee benefits and on-costs   | B3-1  | 6,458          | 7,380          |
| 4,918                                      | Materials and services   | B3-2  | 5,248          | 6,203          |
| –  | Borrowing costs  | B3-3  | –              | 2              |
| 6,433                                      | Depreciation, amortisation and impairment of non-financial assets                                      | B3-4  | 6,314          | 5,973          |
| 376  | Other expenses   | B3-5  | 520            | 648            |
| –  | Net loss from the disposal of assets   | B4-1  | –              | 113            |
| 19,413                                     | <b>Total expenses from continuing operations</b>   |       | <b>18,540</b>  | <b>20,319</b>  |
| 5,069                                      | <b>Operating result from continuing operations</b>   |       | <b>6,831</b>   | <b>2,622</b>   |
| 5,069                                      | <b>Net operating result for the year attributable to Council</b>                                       |       | <b>6,831</b>   | <b>2,622</b>   |
| (2,043)                                    | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>725</b>     | <b>(2,092)</b> |

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

## Murrumbidgee Council

### Statement of Comprehensive Income

for the year ended 30 June 2022

| \$ '000  | Notes | 2022          | 2021         |
|--|-------|---------------|--------------|
| <b>Net operating result for the year – from Income Statement</b>                       |       | <b>6,831</b>  | <b>2,622</b> |
| <b>Other comprehensive income:</b>   |       |               |              |
| Amounts which will not be reclassified subsequently to the operating result            |       |               |              |
| Gain on revaluation of IPP&E   | C1-7  | <b>26,448</b> | 162          |
| Gain on revaluation of intangible assets   | C1-8  | <b>533</b>    | –            |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>26,981</b> | 162          |
| <b>Total other comprehensive income for the period</b>                                 |       | <b>26,981</b> | 162          |
| <b>Total comprehensive income for the year attributable to Council</b>                 |       | <b>33,812</b> | 2,784        |

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

## Murrumbidgee Council

### Statement of Financial Position

as at 30 June 2022

| \$ '000  | Notes | 2022           | 2021           |
|--|-------|----------------|----------------|
| <b>ASSETS</b>  |       |                |                |
| <b>Current assets</b>                                |       |                |                |
| Cash and cash equivalents                            | C1-1  | 13,585         | 6,555          |
| Investments  | C1-2  | 16,700         | 20,834         |
| Receivables  | C1-4  | 2,326          | 1,894          |
| Inventories  | C1-5  | 1,655          | 1,340          |
| Contract assets and contract cost assets             | C1-6  | 1,554          | 516            |
| Other  |       | 45             | 43             |
| <b>Total current assets</b>                          |       | <b>35,865</b>  | <b>31,182</b>  |
| <b>Non-current assets</b>                            |       |                |                |
| Inventories  | C1-5  | 791            | 1,161          |
| Infrastructure, property, plant and equipment (IPPE) | C1-7  | 293,908        | 264,272        |
| Intangible assets                                    | C1-8  | 2,274          | 1,741          |
| <b>Total non-current assets</b>                      |       | <b>296,973</b> | <b>267,174</b> |
| <b>Total assets</b>                                  |       | <b>332,838</b> | <b>298,356</b> |
| <b>LIABILITIES</b>                                   |       |                |                |
| <b>Current liabilities</b>                           |       |                |                |
| Payables   | C3-1  | 1,739          | 1,506          |
| Contract liabilities                                 | C3-2  | 9,873          | 9,125          |
| Employee benefit provisions                          | C3-4  | 3,001          | 3,304          |
| <b>Total current liabilities</b>                     |       | <b>14,613</b>  | <b>13,935</b>  |
| <b>Non-current liabilities</b>                       |       |                |                |
| Employee benefit provisions                          | C3-4  | 65             | 73             |
| <b>Total non-current liabilities</b>                 |       | <b>65</b>      | <b>73</b>      |
| <b>Total liabilities</b>                             |       | <b>14,678</b>  | <b>14,008</b>  |
| <b>Net assets</b>                                    |       | <b>318,160</b> | <b>284,348</b> |
| <b>EQUITY</b>  |       |                |                |
| Accumulated surplus                                  |       | 284,851        | 278,020        |
| IPPE revaluation reserve                             |       | 33,309         | 6,328          |
| <b>Total equity</b>                                  |       | <b>318,160</b> | <b>284,348</b> |

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

## Murrumbidgee Council

### Statement of Changes in Equity

for the year ended 30 June 2022

| \$ '000                                  | Notes | 2022                |                          |                | 2021                |                          |                |
|--|-------|---------------------|--------------------------|----------------|---------------------|--------------------------|----------------|
|  |       | Accumulated surplus | IPPE revaluation reserve | Total equity   | Accumulated surplus | IPPE revaluation reserve | Total equity   |
| Opening balance at 1 July                |       | 278,020             | 6,328                    | 284,348        | 275,398             | 6,166                    | 281,564        |
| Net operating result for the year        |       | 6,831               | –                        | 6,831          | 2,622               | –                        | 2,622          |
| <b>Other comprehensive income</b>        |       |                     |                          |                |                     |                          |                |
| Gain on revaluation of IPP&E             | C1-7  | –                   | 26,448                   | 26,448         | –                   | 162                      | 162            |
| Gain on revaluation of intangible assets |       | –                   | 533                      | 533            | –                   | –                        | –              |
| <b>Other comprehensive income</b>        |       | <b>–</b>            | <b>26,981</b>            | <b>26,981</b>  | <b>–</b>            | <b>162</b>               | <b>162</b>     |
| <b>Total comprehensive income</b>        |       | <b>6,831</b>        | <b>26,981</b>            | <b>33,812</b>  | <b>2,622</b>        | <b>162</b>               | <b>2,784</b>   |
| <b>Closing balance at 30 June</b>        |       | <b>284,851</b>      | <b>33,309</b>            | <b>318,160</b> | <b>278,020</b>      | <b>6,328</b>             | <b>284,348</b> |

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

## Murrumbidgee Council

## Statement of Cash Flows

for the year ended 30 June 2022

| Original<br>unaudited<br>budget<br>2022     | \$ '000   | Notes | Actual<br>2022 | Actual<br>2021  |
|---|---|-------|----------------|-----------------|
| <b>Cash flows from operating activities</b> |   |       |                |                 |
| <i>Receipts:</i>                            |   |       |                |                 |
| 6,197                                       | Rates and annual charges                                  |       | 5,953          | 5,920           |
| 2,680                                       | User charges and fees                                     |       | 2,759          | 2,849           |
| 209   | Interest received   |       | 83             | 217             |
| 14,934                                      | Grants and contributions                                  |       | 14,942         | 13,302          |
| –   | Bonds, deposits and retentions received                   |       | 2              | –               |
| 462   | Other   |       | 1,843          | 2,540           |
| <i>Payments:</i>                            |   |       |                |                 |
| (7,685)                                     | Payments to employees                                     |       | (6,649)        | (7,209)         |
| (4,918)                                     | Payments for materials and services                       |       | (5,432)        | (7,765)         |
| –   | Borrowing costs   |       | –              | (2)             |
| –   | Bonds, deposits and retentions refunded                   |       | –              | (3)             |
| (376)                                       | Other   |       | (1,562)        | (672)           |
| 11,503                                      | <b>Net cash flows from operating activities</b>           | G1-1  | <b>11,939</b>  | <b>9,177</b>    |
| <b>Cash flows from investing activities</b> |   |       |                |                 |
| <i>Receipts:</i>                            |   |       |                |                 |
| –   | Sale of investments                                       |       | 20,834         | 15,756          |
| 100   | Sale of real estate assets                                |       | 243            | 81              |
| 370   | Proceeds from sale of IPPE                                |       | 578            | 50              |
| –   | Deferred debtors receipts                                 |       | 2              | 3               |
| <i>Payments:</i>                            |   |       |                |                 |
| –   | Purchase of investments                                   |       | (20,834)       | (20,834)        |
| –   | Acquisition of term deposits                              |       | 4,134          | –               |
| (16,753)                                    | Payments for IPPE   |       | (9,823)        | (8,922)         |
| –   | Purchase of real estate assets                            |       | (43)           | (38)            |
| (16,283)                                    | <b>Net cash flows from/(used in) investing activities</b> |       | <b>(4,909)</b> | <b>(13,904)</b> |
| <b>Cash flows from financing activities</b> |   |       |                |                 |
| <i>Receipts:</i>                            |   |       |                |                 |
| 4,375                                       | Proceeds from borrowings                                  |       | –              | –               |
| <i>Payments:</i>                            |   |       |                |                 |
| (25)  | Repayment of borrowings                                   |       | –              | (41)            |
| 4,350                                       | <b>Net cash flows from financing activities</b>           |       | <b>–</b>       | <b>(41)</b>     |
| (430)                                       | <b>Net change in cash and cash equivalents</b>            |       | <b>7,030</b>   | <b>(4,768)</b>  |
| 16,061                                      | Cash and cash equivalents at beginning of year            |       | 6,555          | 11,323          |
| 15,631                                      | <b>Cash and cash equivalents at end of year</b>           | C1-1  | <b>13,585</b>  | <b>6,555</b>    |
| –   | plus: Investments on hand at end of year                  | C1-2  | 16,700         | 20,834          |
| 15,631                                      | <b>Total cash, cash equivalents and investments</b>       |       | <b>30,285</b>  | <b>27,389</b>   |

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



# Murrumbidgee Council

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# Murrumbidgee Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 18 October 2022. 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 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, 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.

#### **Historical cost convention**

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

#### **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 C1-7
- (ii) estimated fair values of intangible assets - refer Note C1-8
- (iii) employee benefit provisions – refer Note C3-4.

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

### **Monies and other assets received by Council**

#### **The Consolidated Fund**

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

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

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

## A1-1 Basis of preparation (continued)

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- Darlington Point Sewerage Fund
- Jerilderie Sewerage Fund

### The Trust Fund

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

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

- Wallis Estate
- Sundry Trust Deposits

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

### COVID-19 Impacts

During the 2022 financial year, COVID-19 has continued to cause a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from the main administration building when required. Whilst this has caused some inconvenience it has not resulted in significant additional cost.

Rate collections are similar to the previous years, as detailed in Note C1-4 of the financial statements. Other receivables have not been impacted.

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

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID-19

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Council does not make material use of volunteer services.

### 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 2022 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

### New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

Those newly adopted standards have had no impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

## B Financial Performance

### B1 Functions or activities

#### B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

| \$ '000                                | Income        |               | Expenses      |               | Operating result |              | Grants and contributions |               | Carrying amount of assets |                |
|--|---------------|---------------|---------------|---------------|------------------|--------------|--------------------------|---------------|---------------------------|----------------|
|  | 2022          | 2021          | 2022          | 2021          | 2022             | 2021         | 2022                     | 2021          | 2022                      | 2021           |
| <b>Functions or activities</b>         |               |               |               |               |                  |              |                          |               |                           |                |
| Governance and Administration          | 12,122        | 11,526        | 6,552         | 6,606         | 5,570            | 4,920        | 7,155                    | 7,784         | 42,160                    | 36,588         |
| Public Order and Safety                | 339           | 359           | 540           | 720           | (201)            | (361)        | 334                      | 354           | 2,144                     | 1,924          |
| Health                                 | 9             | 8             | 48            | 46            | (39)             | (38)         | –                        | –             | 992                       | 852            |
| Environmental Protection               | 587           | 470           | 872           | 1,140         | (285)            | (670)        | 228                      | 209           | 14,773                    | 16,541         |
| Community Services and Education       | 1,574         | 518           | 323           | 510           | 1,251            | 8            | 1,554                    | 272           | 2,570                     | 1,144          |
| Housing and Community Amenities        | 471           | 581           | 702           | 700           | (231)            | (119)        | 205                      | 107           | 5,125                     | 4,533          |
| Recreation and Cultural                | 2,243         | 2,894         | 2,034         | 2,031         | 209              | 863          | 1,842                    | 2,319         | 24,446                    | 20,512         |
| Mining, Manufacturing and Construction | 40            | 25            | 29            | 53            | 11               | (28)         | –                        | –             | 226                       | 226            |
| Transport and Communications           | 4,480         | 2,924         | 4,590         | 4,728         | (110)            | (1,804)      | 4,480                    | 2,834         | 208,768                   | 185,810        |
| Economic Affairs                       | 1,685         | 1,709         | 1,111         | 1,841         | 574              | (132)        | 53                       | 18            | 3,247                     | 3,307          |
| Water Supply                           | 1,193         | 1,278         | 1,087         | 1,157         | 106              | 121          | 68                       | 73            | 13,304                    | 12,527         |
| Sewerage Services                      | 628           | 649           | 652           | 787           | (24)             | (138)        | –                        | –             | 14,878                    | 14,392         |
| Other                                  | –             | –             | –             | –             | –                | –            | –                        | –             | 205                       | –              |
| <b>Total functions and activities</b>  | <b>25,371</b> | <b>22,941</b> | <b>18,540</b> | <b>20,319</b> | <b>6,831</b>     | <b>2,622</b> | <b>15,919</b>            | <b>13,970</b> | <b>332,838</b>            | <b>298,356</b> |

## B1-2 Components of functions or activities

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Details relating to the Council's functions or activities as reported in B1-1 are as follows:

### **Governance and Administration**

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

### **Public Order and Safety**

Animal control, fire and emergency services.

### **Health**

Health, food control and medical services.

### **Environmental Protection**

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

### **Community Services and Education**

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

### **Housing and Community Amenities**

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

### **Recreation and Cultural**

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

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

Building control, quarries and gravel pits.

### **Transport and Communications**

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

### **Economic Affairs**

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

### **Water Supply**

Provision of water supply to towns.

### **Sewerage Services**

Provision of sewerage services to towns.

## B2 Sources of income

### B2-1 Rates and annual charges

| \$ '000   | Timing | 2022         | 2021         |
|---|--------|--------------|--------------|
| <b>Ordinary rates</b>   |        |              |              |
| Residential   | 2      | 418          | 340          |
| Farmland  | 2      | 3,826        | 3,848        |
| Business  | 2      | 230          | 156          |
| Less: pensioner rebates (mandatory)                                   | 2      | (34)         | (32)         |
| <b>Rates levied to ratepayers</b>                                     |        | <b>4,440</b> | <b>4,312</b> |
| Pensioner rate subsidies received                                     | 2      | 19           | 17           |
| <b>Total ordinary rates</b>   |        | <b>4,459</b> | <b>4,329</b> |
| <b>Special rates</b>  |        |              |              |
| Town improvement  | 2      | –            | 56           |
| Less: pensioner rebates (mandatory)                                   | 2      | –            | (3)          |
| <b>Rates levied to ratepayers</b>                                     |        | <b>–</b>     | <b>53</b>    |
| Pensioner rate subsidies received:                                    |        |              |              |
| – Other   | 2      | –            | 2            |
| <b>Total special rates</b>  |        | <b>–</b>     | <b>55</b>    |
| <b>Annual charges</b>   |        |              |              |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small> |        |              |              |
| Domestic waste management services                                    | 2      | 216          | 210          |
| Stormwater management services  | 2      | –            | 10           |
| Water supply services   | 2      | 678          | 636          |
| Waste management services (non-domestic)                              | 2      | 108          | 104          |
| Sewerage services   | 2      | 613          | 584          |
| Less: pensioner rebates (mandatory)                                   | 2      | (66)         | (70)         |
| <b>Annual charges levied</b>  |        | <b>1,549</b> | <b>1,474</b> |
| Pensioner subsidies received:   |        |              |              |
| – Water   | 2      | 11           | 12           |
| – Sewerage  | 2      | 11           | 12           |
| – Domestic waste management   | 2      | 14           | 15           |
| <b>Total annual charges</b>   |        | <b>1,585</b> | <b>1,513</b> |
| <b>Total rates and annual charges</b>                                 |        | <b>6,044</b> | <b>5,897</b> |
| <b>Timing of revenue recognition for rates and annual charges</b>     |        |              |              |
| Rates and annual charges recognised at a point in time (2)            |        | 6,044        | 5,897        |
| <b>Total rates and annual charges</b>                                 |        | <b>6,044</b> | <b>5,897</b> |

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

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

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

## B2-2 User charges and fees

| \$ '000   | Timing | 2022         | 2021         |
|---|--------|--------------|--------------|
| <b>Specific user charges</b>  |        |              |              |
| (per s.502 - specific 'actual use' charges)                                   |        |              |              |
| Water supply services   | 2      | 429          | 475          |
| Sewerage services   | 2      | 2            | 7            |
| Waste management services (non-domestic)                                      | 2      | 31           | 29           |
| <b>Total specific user charges</b>  |        | <b>462</b>   | <b>511</b>   |
| <b>Other user charges and fees</b>  |        |              |              |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |        |              |              |
| Building regulation   | 2      | 39           | 23           |
| Building services – other   | 2      | 4            | 5            |
| Planning and building regulation  | 2      | 95           | 49           |
| Private works – section 67  | 2      | 399          | 491          |
| Regulatory/statutory fees   | 2      | 3            | 2            |
| Registration fees   | 2      | –            | 3            |
| Section 10.7 certificates (EP&A Act)  | 2      | 23           | 18           |
| Section 603 certificates  | 2      | 12           | 12           |
| <b>Total fees and charges – statutory/regulatory</b>                          |        | <b>575</b>   | <b>603</b>   |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |        |              |              |
| Community centres   | 2      | 5            | 4            |
| Leaseback fees – Council vehicles   | 2      | 26           | 43           |
| Library   | 2      | 1            | 1            |
| Park rents  | 2      | 1            | 3            |
| Transport for NSW works (state roads not controlled by Council)               | 2      | 1,200        | 1,102        |
| Saleyards   | 2      | 15           | 11           |
| Waste disposal tipping fees   | 2      | 3            | 7            |
| Cemetery  | 2      | 59           | 78           |
| Community care services   | 2      | 20           | 87           |
| Other   | 2      | 33           | 15           |
| <b>Total fees and charges – other</b>   |        | <b>1,363</b> | <b>1,351</b> |
| <b>Total other user charges and fees</b>                                      |        | <b>1,938</b> | <b>1,954</b> |
| <b>Total user charges and fees</b>  |        | <b>2,400</b> | <b>2,465</b> |
| <b>Timing of revenue recognition for user charges and fees</b>                |        |              |              |
| User charges and fees recognised at a point in time (2)                       |        | 2,400        | 2,465        |
| <b>Total user charges and fees</b>  |        | <b>2,400</b> | <b>2,465</b> |

### Accounting policy

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

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

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.



## B2-3 Other revenues

| \$ '000  | Timing | 2022       | 2021       |
|--|--------|------------|------------|
| Commissions and agency fees                            | 2      | 94         | 88         |
| Diesel rebate  | 2      | 52         | 76         |
| Recycling income (non-domestic)                        | 2      | 7          | 26         |
| Insurance rebates                                      | 2      | 35         | 22         |
| Miscellaneous sales                                    | 2      | 3          | 15         |
| Other  | 2      | 62         | 9          |
| Contributions to long service leave                    | 2      | 16         | 42         |
| <b>Total other revenue</b>                             |        | <b>269</b> | <b>278</b> |
| <b>Timing of revenue recognition for other revenue</b> |        |            |            |
| Other revenue recognised at a point in time (2)        |        | 269        | 278        |
| <b>Total other revenue</b>                             |        | <b>269</b> | <b>278</b> |

### Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided or the payment is received, whichever occurs first.

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

Fines are recognised when the penalty has been paid.

## B2-4 Grants and contributions

| \$ '000  | Timing | Operating<br>2022 | Operating<br>2021 | Capital<br>2022 | Capital<br>2021 |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| <b>General purpose grants and non-developer contributions (untied)</b>     |        |                   |                   |                 |                 |
| <b>General purpose (untied)</b>  |        |                   |                   |                 |                 |
| <b>Current year allocation</b>   |        |                   |                   |                 |                 |
| Financial assistance   | 2      | 2,574             | 2,305             | -               | -               |
| <b>Payment in advance - future year allocation</b>                         |        |                   |                   |                 |                 |
| Financial assistance   | 2      | 3,959             | 2,469             | -               | -               |
| <b>Other</b>   |        |                   |                   |                 |                 |
| Other grants   | 2      | 32                | -                 | -               | -               |
| <b>Amount recognised as income during current year</b>                     |        | <b>6,565</b>      | <b>4,774</b>      | <b>-</b>        | <b>-</b>        |
| <b>Special purpose grants and non-developer contributions (tied)</b>       |        |                   |                   |                 |                 |
| <b>Cash contributions</b>  |        |                   |                   |                 |                 |
| Child care   | 2      | -                 | -                 | -               | 12              |
| Water supplies   | 2      | 68                | 73                | -               | -               |
| Economic development   | 2      | -                 | 2                 | -               | -               |
| Employment and training programs   | 2      | 4                 | 26                | -               | -               |
| Environmental programs   | 1      | 171               | 132               | -               | -               |
| Heritage and cultural  | 2      | 103               | 10                | -               | -               |
| Library  | 2      | 73                | 73                | -               | -               |
| Noxious weeds  | 2      | 57                | 77                | -               | -               |
| NSW Rural Fire Service   | 2      | 329               | 352               | 5               | 1               |
| Recreation and culture   | 1      | -                 | 6                 | -               | 489             |
| Stronger Communities Fund  | 1      | 57                | -                 | 1,738           | 916             |
| Community services   | 1      | 190               | 190               | -               | -               |
| Stronger Country Communities   | 1      | -                 | 93                | 1,653           | 2,698           |
| Street lighting  | 2      | 46                | 46                | -               | -               |
| Drought Communities  | 1      | 201               | 944               | -               | -               |
| Transport (Roads to Recovery)  | 2      | 1,008             | 1,512             | -               | -               |
| Transport (other roads and bridges funding)                                | 1      | -                 | -                 | 1,249           | 225             |
| Local Roads and Community Infrastructure                                   | 1      | -                 | -                 | 1,343           | 175             |
| Planning Portal  | 2      | 37                | 9                 | -               | -               |
| Other specific grants  | 2      | 24                | 37                | 34              | 5               |
| Solar farm contribution  | 2      | -                 | 20                | -               | -               |
| Recreation and culture   | 2      | -                 | -                 | 5               | 9               |
| Transport for NSW contributions (regional roads, block grant)              | 2      | 880               | 880               | -               | 123             |
| <b>Total special purpose grants and non-developer contributions – cash</b> |        | <b>3,248</b>      | <b>4,482</b>      | <b>6,027</b>    | <b>4,653</b>    |
| <b>Total grants and non-developer contributions</b>                        |        | <b>9,813</b>      | <b>9,256</b>      | <b>6,027</b>    | <b>4,653</b>    |
| <b>Comprising:</b>   |        |                   |                   |                 |                 |
| – Commonwealth funding   |        | 7,936             | 7,256             | 1,942           | 95              |
| – State funding  |        | 1,874             | 1,949             | 4,057           | 4,543           |
| – Other funding  |        | 3                 | 51                | 28              | 15              |
|  |        | <b>9,813</b>      | <b>9,256</b>      | <b>6,027</b>    | <b>4,653</b>    |

## B2-4 Grants and contributions (continued)

### Developer contributions

| \$ '000  | Timing | Operating<br>2022 | Operating<br>2021 | Capital<br>2022 | Capital<br>2021 |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| <b>Developer contributions:<br/>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b> |        |                   |                   |                 |                 |
| <b>Cash contributions</b>  |        |                   |                   |                 |                 |
| S 7.11 – contributions towards amenities/services                                      | 2      | –                 | –                 | 79              | 61              |
| <b>Total developer contributions – cash</b>  |        | <b>–</b>          | <b>–</b>          | <b>79</b>       | <b>61</b>       |
| <b>Total developer contributions</b>   |        | <b>–</b>          | <b>–</b>          | <b>79</b>       | <b>61</b>       |
| <b>Total contributions</b>   |        | <b>–</b>          | <b>–</b>          | <b>79</b>       | <b>61</b>       |
| <b>Total grants and contributions</b>  |        | <b>9,813</b>      | <b>9,256</b>      | <b>6,106</b>    | <b>4,714</b>    |
| <b>Timing of revenue recognition for grants and contributions</b>                      |        |                   |                   |                 |                 |
| Grants and contributions recognised over time (1)                                      |        | 619               | 1,175             | 5,983           | 4,503           |
| Grants and contributions recognised at a point in time (2)                             |        | 9,194             | 8,081             | 123             | 211             |
| <b>Total grants and contributions</b>  |        | <b>9,813</b>      | <b>9,256</b>      | <b>6,106</b>    | <b>4,714</b>    |

### Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

| \$ '000   | Operating<br>2022 | Operating<br>2021 | Capital<br>2022 | Capital<br>2021 |
|---|-------------------|-------------------|-----------------|-----------------|
| <b>Unspent grants and contributions</b>   |                   |                   |                 |                 |
| Unspent funds at 1 July   | 249               | 604               | 9,125           | 10,005          |
| <b>Add:</b> operating grants recognised as income in the current period but not yet spent                                 | 16                | 5                 | –               | –               |
| <b>Add:</b> funds received and not recognised as revenue in the current year  | –                 | –                 | 4,233           | 1,385           |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent   | (140)             | (360)             | (3,485)         | (2,265)         |
| <b>Unspent funds at 30 June</b>   | <b>125</b>        | <b>249</b>        | <b>9,873</b>    | <b>9,125</b>    |
| <b>Contributions</b>  |                   |                   |                 |                 |
| Unspent funds at 1 July   | 224               | 18                | 407             | 441             |
| <b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 873               | 224               | 79              | 61              |
| <b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year         | (224)             | (18)              | –               | (95)            |
| <b>Unspent contributions at 30 June</b>   | <b>873</b>        | <b>224</b>        | <b>486</b>      | <b>407</b>      |

## B2-4 Grants and contributions (continued)

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### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include milestones within AASB 15 grants. Payment terms vary depending on the terms of the grant: cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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

#### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

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

#### Developer contributions

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

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

#### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

## B2-5 Interest and investment income

| \$ '000  | 2022       | 2021       |
|--|------------|------------|
| <b>Interest on financial assets measured at amortised cost</b>   |            |            |
| – Overdue rates and annual charges (incl. special purpose rates) | 34         | 31         |
| – Cash and investments   | 82         | 130        |
| <b>Total interest and investment income (losses)</b>             | <b>116</b> | <b>161</b> |
| <b>Interest and investment income is attributable to:</b>        |            |            |
| <b>Unrestricted investments/financial assets:</b>                |            |            |
| Overdue rates and annual charges (general fund)                  | 15         | 14         |
| General Council cash and investments                             | 58         | 99         |
| <b>Restricted investments/funds – external:</b>                  |            |            |
| Water fund operations  | 22         | 22         |
| Sewerage fund operations   | 21         | 26         |
| <b>Total interest and investment income</b>                      | <b>116</b> | <b>161</b> |

### Accounting policy

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

## B2-6 Other income

| \$ '000                    | Notes | 2022       | 2021       |
|----------------------------|-------|------------|------------|
| <b>Rental income</b>       |       |            |            |
| Property rental            |       | 47         | 48         |
| Housing rental             |       | 158        | 122        |
| <b>Total rental income</b> | C2-2  | <b>205</b> | <b>170</b> |
| <b>Total other income</b>  |       | <b>205</b> | <b>170</b> |

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

| \$ '000  | 2022         | 2021         |
|--|--------------|--------------|
| Salaries and wages   | 6,014        | 5,814        |
| Employee leave entitlements (ELE)  | 672          | 1,287        |
| Superannuation   | 715          | 703          |
| Workers' compensation insurance  | 140          | 326          |
| Fringe benefits tax (FBT)  | 59           | 36           |
| Other  | 55           | 9            |
| <b>Total employee costs</b>  | <b>7,655</b> | <b>8,175</b> |
| Less: capitalised costs  | (1,197)      | (795)        |
| <b>Total employee costs expensed</b>   | <b>6,458</b> | <b>7,380</b> |
| Number of 'full-time equivalent' employees (FTE) at year end                   | 87           | 83           |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 92           | 91           |

#### Accounting policy

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

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.

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 E3-1 for more information.

## B3-2 Materials and services

| \$ '000   | Notes | 2022          | 2021    |
|---|-------|---------------|---------|
| <b>Raw materials and consumables</b>                  |       | <b>12,654</b> | 10,764  |
| <b>Contractor and consultancy costs:</b>              |       |               |         |
| – Waste collection                                    |       | 116           | 113     |
| – Other   |       | 1,329         | 1,569   |
| <b>Audit fees</b>                                     | F2-1  | <b>77</b>     | 72      |
| <b>Other expenses:</b>                                |       |               |         |
| – Advertising   |       | 37            | 57      |
| – Bank charges  |       | 14            | 14      |
| – Councillor and mayoral fees and associated expenses | F1-2  | 211           | 181     |
| – Electricity and heating                             |       | 299           | 353     |
| – Fire control expenses                               |       | 58            | 78      |
| – Insurance   |       | 509           | 443     |
| – Street lighting                                     |       | 40            | 93      |
| – Subscriptions – shires association                  |       | –             | 22      |
| – Subscriptions and publications – other              |       | 105           | 109     |
| – Telephone and communications                        |       | 86            | 89      |
| – Training costs (other than salaries and wages)      |       | 48            | 80      |
| – Travel expenses                                     |       | 89            | 3       |
| – Valuation fees                                      |       | –             | 21      |
| – Other   |       | 2             | 1       |
| <b>Legal expenses:</b>                                |       |               |         |
| – Planning and development                            |       | 3             | 1       |
| – Other   |       | 7             | 6       |
| <b>Expenses from leases of low value assets</b>       |       | <b>–</b>      | 3       |
| <b>Total materials and services</b>                   |       | <b>15,684</b> | 14,072  |
| Less: capitalised costs                               |       | (10,436)      | (7,869) |
| <b>Total materials and services</b>                   |       | <b>5,248</b>  | 6,203   |

### Accounting policy

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

## B3-3 Borrowing costs

| \$ '000                                     | 2022     | 2021 |
|---|----------|------|
| <b>(i) Interest bearing liability costs</b> |          |      |
| Interest on loans                           | –        | 2    |
| <b>Total borrowing costs expensed</b>       | <b>–</b> | 2    |

### Accounting policy

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.

## B3-4 Depreciation, amortisation and impairment of non-financial assets

| \$ '000   | Notes | 2022         | 2021         |
|---|-------|--------------|--------------|
| <b>Depreciation and amortisation</b>  |       |              |              |
| Plant and equipment   |       | 1,254        | 1,203        |
| Office equipment  |       | 56           | 81           |
| Furniture and fittings  |       | 13           | 10           |
| Land improvements (depreciable)   |       | 406          | 339          |
| <b>Infrastructure:</b>  | C1-7  |              |              |
| – Buildings – non-specialised   |       | 177          | 175          |
| – Buildings – specialised   |       | 576          | 552          |
| – Other structures  |       | 61           | 39           |
| – Roads   |       | 3,176        | 2,998        |
| – Bridges   |       | 91           | 80           |
| – Footpaths   |       | 79           | 69           |
| – Other road assets   |       | 233          | 45           |
| – Stormwater drainage   |       | 83           | 145          |
| – Water supply network  |       | 291          | 305          |
| – Sewerage network  |       | 279          | 290          |
| – Swimming pools  |       | 41           | 38           |
| – Other open space/recreational assets  |       | 54           | 46           |
| <b>Other assets:</b>  |       |              |              |
| – Library books   |       | 15           | 11           |
| <b>Total gross depreciation and amortisation costs</b>                          |       | <b>6,885</b> | <b>6,426</b> |
| Less: capitalised costs   |       | (571)        | (453)        |
| <b>Total depreciation, amortisation and impairment for non-financial assets</b> |       | <b>6,314</b> | <b>5,973</b> |

### Accounting policy

#### 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.

#### 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 not tested for impairment since 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 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 non-financial 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).

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.



## B3-5 Other expenses

| \$ '000  | 2022       | 2021       |
|--|------------|------------|
| Contributions/levies to other levels of government                           |            |            |
| – NSW – SES  | 6          | 8          |
| – NSW Fire Brigade levy  | 21         | 23         |
| – NSW Rural Fire Service levy  | 341        | 467        |
| – Mobile book library contribution   | 104        | 102        |
| Donations, contributions and assistance to other organisations (Section 356) | 48         | 48         |
| <b>Total other expenses</b>  | <b>520</b> | <b>648</b> |

### Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

## B4 Gains or losses

### B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

| \$ '000   | Notes | 2022        | 2021         |
|---|-------|-------------|--------------|
| <b>Gain (or loss) on disposal of plant and equipment</b>              | C1-7  |             |              |
| Proceeds from disposal – plant and equipment                          |       | 507         | 50           |
| Less: carrying amount of plant and equipment assets sold/written off  |       | (197)       | –            |
| <b>Gain (or loss) on disposal</b>                                     |       | <b>310</b>  | <b>50</b>    |
| <b>Gain (or loss) on disposal of infrastructure</b>                   | C1-7  |             |              |
| Proceeds from disposal – infrastructure                               |       | 71          | –            |
| Less: carrying amount of infrastructure assets sold/written off       |       | (124)       | (197)        |
| <b>Gain (or loss) on disposal</b>                                     |       | <b>(53)</b> | <b>(197)</b> |
| <b>Gain (or loss) on disposal of real estate assets held for sale</b> | C1-5  |             |              |
| Proceeds from disposal – real estate assets                           |       | 243         | 81           |
| Less: carrying amount of real estate assets sold/written off          |       | (82)        | (47)         |
| <b>Gain (or loss) on disposal</b>                                     |       | <b>161</b>  | <b>34</b>    |
| <b>Gain (or loss) on disposal of investments</b>                      | C1-2  |             |              |
| Proceeds from disposal/redemptions/maturities – investments           |       | 20,834      | 15,756       |
| Less: carrying amount of investments sold/redeemed/matured            |       | (20,834)    | (15,756)     |
| <b>Gain (or loss) on disposal</b>                                     |       | <b>–</b>    | <b>–</b>     |
| <b>Net gain (or loss) from disposal of assets</b>                     |       | <b>418</b>  | <b>(113)</b> |

### Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

**Material variations of more than 10%** between original budget and actual results or where the variance is considered material by nature are explained below.

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

| \$ '000   | 2022<br>Budget | 2022<br>Actual | 2022<br>----- Variance ----- |                |
|---|----------------|----------------|------------------------------|----------------|
| <b>Revenues</b>   |                |                |                              |                |
| <b>User charges and fees</b>  | 2,680          | 2,400          | (280)                        | (10)% <b>U</b> |
| Council's user fees & charges were reduced due to decreased Transport for NSW works undertaken, together with reduced water usage charges.  |                |                |                              |                |
| <b>Operating grants and contributions</b>   | 7,821          | 9,813          | 1,992                        | 25% <b>F</b>   |
| Council received an additional amount of approximately \$1.5M prepaid Financial Assistance Grant over the previous year. A number of other grant opportunities arose during the year together with the utilisation of funding previously held as liabilities.   |                |                |                              |                |
| <b>Capital grants and contributions</b>   | 7,112          | 6,106          | (1,006)                      | (14)% <b>U</b> |
| Council included proposed grants for water supply works and other various small grants within the original budget estimates. The water supply works have been deferred and some smaller grants were not forthcoming. Subsequent additional grant funds for Stronger Country Communities and Local Roads and Community Infrastructure works have been sourced, together with utilisation of other grants previously held as liabilities. |                |                |                              |                |
| <b>Interest and investment revenue</b>  | 209            | 116            | (93)                         | (44)% <b>U</b> |
| Interest on investments is reduced due to continuing low interest rates.  |                |                |                              |                |

### Statement of cash flows

|   |       |   |         |                 |
|---|-------|---|---------|-----------------|
| <b>Cash flows from financing activities</b>   | 4,350 | - | (4,350) | (100)% <b>U</b> |
| Council did not take up the proposed borrowings due to dererral of works for caravan park upgrades and real estate development. |       |   |         |                 |

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

| \$ '000                                | 2022          | 2021         |
|--|---------------|--------------|
| <b>Cash assets</b>                     |               |              |
| Cash on hand and at bank               | 1,533         | 2,352        |
| Cash equivalent assets                 |               |              |
| – Short-term deposits                  | 12,052        | 4,203        |
| <b>Total cash and cash equivalents</b> | <b>13,585</b> | <b>6,555</b> |

#### Accounting policy

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.

#### C1-2 Financial investments

| \$ '000  | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Debt securities at amortised cost</b>                   |                 |                     |                 |                     |
| Long-term deposits   | 16,700          | –                   | 20,834          | –                   |
| <b>Total cash assets, cash equivalents and investments</b> | <b>30,285</b>   | <b>–</b>            | <b>27,389</b>   | <b>–</b>            |

#### Accounting policy

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

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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

#### C1-3 Restricted and allocated cash, cash equivalents and investments

## C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

| \$ '000  | 2022            | 2021            |
|--|-----------------|-----------------|
| (a) Externally restricted cash, cash equivalents and investments                         |                 |                 |
| <b>Total cash, cash equivalents and investments</b>                                      | <b>30,285</b>   | 27,389          |
| Less: Externally restricted cash, cash equivalents and investments                       | <u>(19,094)</u> | <u>(17,304)</u> |
| <b>Cash, cash equivalents and investments not subject to external restrictions</b>       | <b>11,191</b>   | 10,085          |
| <b>External restrictions</b>   |                 |                 |
| <b>External restrictions – included in liabilities</b>                                   |                 |                 |
| External restrictions included in cash, cash equivalents and investments above comprise: |                 |                 |
| Specific purpose unexpended grants – general fund  | <u>9,998</u>    | 9,125           |
| <b>External restrictions – included in liabilities</b>                                   | <b>9,998</b>    | 9,125           |
| <b>External restrictions – other</b>   |                 |                 |
| External restrictions included in cash, cash equivalents and investments above comprise: |                 |                 |
| Developer contributions – general  | 486             | 407             |
| Transport for NSW contributions  | 873             | 224             |
| Specific purpose unexpended grants (recognised as revenue) – general fund                | –               | 249             |
| Water fund   | 2,880           | 2,596           |
| Sewer fund   | 4,351           | 4,197           |
| Other special levies   | 432             | 432             |
| Domestic waste management  | <u>74</u>       | <u>74</u>       |
| <b>External restrictions – other</b>   | <b>9,096</b>    | 8,179           |
| <b>Total external restrictions</b>   | <b>19,094</b>   | 17,304          |

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

| \$ '000  | 2022           | 2021           |
|--|----------------|----------------|
| (b) Internal allocations   |                |                |
| <b>Cash, cash equivalents and investments not subject to external restrictions</b> | <b>11,191</b>  | 10,085         |
| Less: Internally restricted cash, cash equivalents and investments                 | <u>(9,832)</u> | <u>(8,150)</u> |
| <b>Unrestricted and unallocated cash, cash equivalents and investments</b>         | <b>1,359</b>   | 1,935          |
| <b>Internal allocations</b>  |                |                |
| At 30 June, Council has internally allocated funds to the following:               |                |                |
| Infrastructure replacement   | 2,704          | 2,704          |
| Employees leave entitlement  | 1,096          | 1,071          |
| Carry over works   | 468            | 193            |
| Deposits, retentions and bonds   | 26             | 24             |
| Plant and vehicle replacement  | 1,118          | 1,654          |
| State Emergency Service  | 15             | 15             |
| Local Environmental Plan   | 20             | 20             |
| Financial Assistance Grant advance payment   | 3,959          | 2,469          |
| Real estate development  | 150            | –              |
| Caravan park   | 70             | –              |
| Jerilderie Monash Committee  | <u>206</u>     | <u>–</u>       |
| <b>Total internal allocations</b>  | <b>9,832</b>   | 8,150          |

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or

### C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

policy of the elected Council.

| <b>\$ '000</b>   | <b>2022</b>  | 2021  |
|--|--------------|-------|
| (c) Unrestricted and unallocated   |              |       |
| <b>Unrestricted and unallocated cash, cash equivalents and investments</b> | <b>1,359</b> | 1,935 |

## C1-4 Receivables

| \$ '000   | 2022         | 2022        | 2021         | 2021        |
|---|--------------|-------------|--------------|-------------|
|   | Current      | Non-current | Current      | Non-current |
| Rates and annual charges                            | 533          | –           | 430          | –           |
| Interest and extra charges                          | 48           | –           | 39           | –           |
| User charges and fees                               | 519          | –           | 846          | –           |
| Accrued revenues                                    |              |             |              |             |
| – Interest on investments                           | 35           | –           | 11           | –           |
| Deferred debtors                                    | –            | –           | 2            | –           |
| Government grants and subsidies                     | 1,140        | –           | 453          | –           |
| Net GST receivable                                  | 52           | –           | 123          | –           |
| Other debtors                                       | 29           | –           | 20           | –           |
| <b>Total</b>  | <b>2,356</b> | <b>–</b>    | <b>1,924</b> | <b>–</b>    |
| <b>Less: provision for impairment</b>               |              |             |              |             |
| User charges and fees                               | (30)         | –           | (30)         | –           |
| <b>Total provision for impairment – receivables</b> | <b>(30)</b>  | <b>–</b>    | <b>(30)</b>  | <b>–</b>    |
| <b>Total net receivables</b>                        | <b>2,326</b> | <b>–</b>    | <b>1,894</b> | <b>–</b>    |

### Accounting policy

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.

### Impairment

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

When estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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 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.

### COVID-19

Council's rate and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision.

## C1-5 Inventories

| \$ '000                              | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|--------------------------------------|-----------------|---------------------|-----------------|---------------------|
| <b>(i) Inventories at cost</b>       |                 |                     |                 |                     |
| Real estate for resale (refer below) | 792             | 791                 | 461             | 1,161               |
| Stores and materials                 | 863             | -                   | 879             | -                   |
| <b>Total inventories</b>             | <b>1,655</b>    | <b>791</b>          | <b>1,340</b>    | <b>1,161</b>        |

### Externally restricted assets

| \$ '000                                   | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Water</b>                              |                 |                     |                 |                     |
| Stores and materials                      | 27              | -                   | 26              | -                   |
| <b>Total water</b>                        | <b>27</b>       | <b>-</b>            | <b>26</b>       | <b>-</b>            |
| <b>Total externally restricted assets</b> | <b>27</b>       | <b>-</b>            | <b>26</b>       | <b>-</b>            |
| <b>Total inventories</b>                  | <b>1,655</b>    | <b>791</b>          | <b>1,340</b>    | <b>1,161</b>        |

### (ii) Other disclosures

| \$ '000  | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Details for real estate development</b> |                 |                     |                 |                     |
| Residential                                    | 724             | 533                 | 370             | 926                 |
| Industrial/commercial                          | 68              | 258                 | 91              | 235                 |
| <b>Total real estate for resale</b>            | <b>792</b>      | <b>791</b>          | <b>461</b>      | <b>1,161</b>        |

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

| \$ '000                | 2022       | 2021       |
|------------------------|------------|------------|
| Real estate for resale | 699        | 431        |
|                        | <b>699</b> | <b>431</b> |

### Accounting policy

#### 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

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.

## C1-6 Contract assets and Contract cost assets

| \$ '000                      | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Contract assets              | 1,554           | –                   | 516             | –                   |
| <b>Total contract assets</b> | <b>1,554</b>    | <b>–</b>            | <b>516</b>      | <b>–</b>            |

### **Significant changes in contract assets**

Contract assets have increased significantly at year end due to the completion or milestones of contracts being reached including Stronger Country Community Funds (SCCF) and various road grants for which invoices have been raised but not yet received.

### **Accounting policy**

#### **Contract assets**

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.



## C1-7 Infrastructure, property, plant and equipment

| By aggregated asset class                                  | At 1 July 2021        |   |                     | Asset movements during the reporting period |                      |                             |                      |               |                           |  | At 30 June 2022       |   |                     |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|-----------------------|---|---------------------|
|  | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| <b>\$ '000</b>   |                       |   |                     |   |                      |                             |                      |               |                           |  |                       |   |                     |
| Capital work in progress                                   | 1,409                 | –                                       | 1,409               | 4,059                                       | 792                  | –                           | –                    | (152)         | –                         | –                                      | 6,108                 | –                                       | 6,108               |
| Plant and equipment  | 14,006                | (7,942)                                 | 6,064               | 1,861                                       | –                    | (194)                       | (1,254)              | –             | –                         | –                                      | 15,230                | (8,753)                                 | 6,477               |
| Office equipment   | 926                   | (798)                                   | 128                 | 28  | –                    | (3)                         | (56)                 | –             | –                         | –                                      | 949                   | (852)                                   | 97                  |
| Furniture and fittings                                     | 433                   | (302)                                   | 131                 | 7   | –                    | –                           | (13)                 | –             | –                         | –                                      | 440                   | (315)                                   | 125                 |
| <b>Land:</b>   |                       |   |                     |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Operational land   | 3,316                 | –                                       | 3,316               | –   | –                    | –                           | –                    | –             | –                         | –                                      | 3,316                 | –                                       | 3,316               |
| – Community land   | 1,902                 | –                                       | 1,902               | –   | –                    | –                           | –                    | –             | –                         | –                                      | 1,902                 | –                                       | 1,902               |
| Land improvements – depreciable                            | 13,316                | (2,247)                                 | 11,069              | –   | 942                  | –                           | (406)                | 14            | 204                       | 1,626                                  | 16,707                | (3,258)                                 | 13,449              |
| <b>Infrastructure:</b>                                     |                       |   |                     |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Buildings – non-specialised                              | 8,458                 | (3,068)                                 | 5,390               | 14  | 124                  | (97)                        | (177)                | –             | –                         | 889                                    | 9,773                 | (3,630)                                 | 6,143               |
| – Buildings – specialised                                  | 31,439                | (12,709)                                | 18,730              | 37  | 1,320                | –                           | (576)                | 138           | –                         | 2,969                                  | 37,917                | (15,299)                                | 22,618              |
| – Other structures   | 2,359                 | (124)                                   | 2,235               | –   | 27                   | –                           | (61)                 | –             | –                         | 249                                    | 2,649                 | (199)                                   | 2,450               |
| – Roads  | 167,924               | (54,905)                                | 113,019             | 967   | –                    | –                           | (3,176)              | –             | –                         | 10,379                                 | 199,284               | (78,095)                                | 121,189             |
| – Bridges  | 6,649                 | (4,234)                                 | 2,415               | –   | –                    | –                           | (91)                 | –             | –                         | 505                                    | 8,041                 | (5,212)                                 | 2,829               |
| – Footpaths  | 4,332                 | (1,040)                                 | 3,292               | 9   | –                    | (5)                         | (79)                 | –             | –                         | (206)                                  | 4,608                 | (1,597)                                 | 3,011               |
| – Other road assets (including bulk earthworks)            | 2,150                 | (1,041)                                 | 1,109               | 104   | –                    | (22)                        | (233)                | –             | 3,375                     | 4,384                                  | 14,835                | (6,118)                                 | 8,717               |
| – Bulk earthworks (non-depreciable)                        | 64,258                | –                                       | 64,258              | –   | –                    | –                           | –                    | –             | –                         | 3,476                                  | 67,734                | –                                       | 67,734              |
| – Stormwater drainage                                      | 13,310                | (4,755)                                 | 8,555               | –   | –                    | –                           | (83)                 | –             | (3,497)                   | 811                                    | 9,559                 | (3,773)                                 | 5,786               |
| – Water supply network                                     | 18,091                | (10,000)                                | 8,091               | –   | 11                   | –                           | (291)                | –             | –                         | 447                                    | 19,139                | (10,881)                                | 8,258               |
| – Sewerage network   | 20,686                | (10,864)                                | 9,822               | –   | 40                   | –                           | (279)                | –             | –                         | 547                                    | 21,911                | (11,781)                                | 10,130              |
| – Swimming pools   | 2,115                 | (110)                                   | 2,005               | –   | –                    | –                           | (41)                 | –             | –                         | 201                                    | 2,326                 | (161)                                   | 2,165               |
| – Other open space/recreational assets                     | 1,699                 | (400)                                   | 1,299               | –   | 33                   | –                           | (54)                 | –             | (82)                      | 171                                    | 1,835                 | (468)                                   | 1,367               |
| <b>Other assets:</b>                                       |                       |   |                     |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Library books  | 55                    | (22)                                    | 33                  | 19  | –                    | –                           | (15)                 | –             | –                         | –                                      | 68                    | (31)                                    | 37                  |
| <b>Total infrastructure, property, plant and equipment</b> | <b>378,833</b>        | <b>(114,561)</b>                        | <b>264,272</b>      | <b>7,105</b>                                | <b>3,289</b>         | <b>(321)</b>                | <b>(6,885)</b>       | <b>–</b>      | <b>–</b>                  | <b>26,448</b>                          | <b>444,331</b>        | <b>(150,423)</b>                        | <b>293,908</b>      |

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

## C1-7 Infrastructure, property, plant and equipment (continued)

| By aggregated asset class                                  | At 1 July 2020        |   |                     | Asset movements during the reporting period |                      |                             |                      |               |   |  | At 30 June 2021       |   |                     |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---|--|-----------------------|---|---------------------|
|  | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Tfrs from/(to) real estate assets (Note C1-5) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| <b>\$ '000</b>   |                       |   |                     |   |                      |                             |                      |               |   |  |                       |   |                     |
| Capital work in progress                                   | 1,529                 | –                                       | 1,529               | 371   | 263                  | –                           | –                    | (754)         | –   | –                                      | 1,409                 | –                                       | 1,409               |
| Plant and equipment  | 13,428                | (6,969)                                 | 6,459               | –   | 808                  | –                           | (1,203)              | –             | –   | –                                      | 14,006                | (7,942)                                 | 6,064               |
| Office equipment   | 897                   | (726)                                   | 171                 | –   | 38                   | –                           | (81)                 | –             | –   | –                                      | 926                   | (798)                                   | 128                 |
| Furniture and fittings                                     | 369                   | (293)                                   | 76                  | –   | 65                   | –                           | (10)                 | –             | –   | –                                      | 433                   | (302)                                   | 131                 |
| <b>Land:</b>   |                       |   |                     |   |                      |                             |                      |               |   |  |                       |   |                     |
| – Operational land   | 3,296                 | –                                       | 3,296               | –   | –                    | –                           | –                    | –             | 20  | –                                      | 3,316                 | –                                       | 3,316               |
| – Community land   | 1,902                 | –                                       | 1,902               | –   | –                    | –                           | –                    | –             | –   | –                                      | 1,902                 | –                                       | 1,902               |
| Land improvements – depreciable                            | 12,690                | (1,967)                                 | 10,723              | 61  | 618                  | –                           | (339)                | 6             | –   | –                                      | 13,316                | (2,247)                                 | 11,069              |
| <b>Infrastructure:</b>                                     |                       |   |                     |   |                      |                             |                      |               |   |  |                       |   |                     |
| – Buildings – non-specialised                              | 8,221                 | (3,016)                                 | 5,205               | –   | 244                  | –                           | (175)                | 116           | –   | –                                      | 8,458                 | (3,068)                                 | 5,390               |
| – Buildings – specialised                                  | 30,132                | (12,703)                                | 17,429              | 735   | 1,260                | (144)                       | (552)                | 2             | –   | –                                      | 31,439                | (12,709)                                | 18,730              |
| – Other structures   | 828                   | (86)                                    | 742                 | –   | 905                  | –                           | (39)                 | 627           | –   | –                                      | 2,359                 | (124)                                   | 2,235               |
| – Roads  | 167,336               | (54,250)                                | 113,086             | 2,938                                       | –                    | (7)                         | (2,998)              | –             | –   | –                                      | 167,924               | (54,905)                                | 113,019             |
| – Bridges  | 6,649                 | (4,154)                                 | 2,495               | –   | –                    | –                           | (80)                 | –             | –   | –                                      | 6,649                 | (4,234)                                 | 2,415               |
| – Footpaths  | 4,129                 | (973)                                   | 3,156               | 24  | 181                  | –                           | (69)                 | –             | –   | –                                      | 4,332                 | (1,040)                                 | 3,292               |
| – Other road assets (including bulk earthworks)            | 2,150                 | (996)                                   | 1,154               | –   | –                    | –                           | (45)                 | –             | –   | –                                      | 2,150                 | (1,041)                                 | 1,109               |
| – Bulk earthworks (non-depreciable)                        | 64,258                | –                                       | 64,258              | –   | –                    | –                           | –                    | –             | –   | –                                      | 64,258                | –                                       | 64,258              |
| – Stormwater drainage                                      | 13,287                | (4,626)                                 | 8,661               | 55  | –                    | (19)                        | (145)                | 3             | –   | –                                      | 13,310                | (4,755)                                 | 8,555               |
| – Water supply network                                     | 17,922                | (9,617)                                 | 8,305               | 18  | 4                    | (4)                         | (305)                | –             | –   | 73                                     | 18,091                | (10,000)                                | 8,091               |
| – Sewerage network   | 20,480                | (10,499)                                | 9,981               | 65  | –                    | (23)                        | (290)                | –             | –   | 89                                     | 20,686                | (10,864)                                | 9,822               |
| – Swimming pools   | 1,738                 | (72)                                    | 1,666               | –   | 377                  | –                           | (38)                 | –             | –   | –                                      | 2,115                 | (110)                                   | 2,005               |
| – Other open space/recreational assets                     | 1,378                 | (360)                                   | 1,018               | 8   | 319                  | –                           | (46)                 | –             | –   | –                                      | 1,699                 | (400)                                   | 1,299               |
| <b>Other assets:</b>                                       |                       |   |                     |   |                      |                             |                      |               |   |  |                       |   |                     |
| – Library books  | 43                    | (17)                                    | 26                  | –   | 18                   | –                           | (11)                 | –             | –   | –                                      | 55                    | (22)                                    | 33                  |
| <b>Total infrastructure, property, plant and equipment</b> | <b>372,662</b>        | <b>(111,324)</b>                        | <b>261,338</b>      | <b>4,275</b>                                | <b>5,100</b>         | <b>(197)</b>                | <b>(6,426)</b>       | <b>–</b>      | <b>20</b>                                     | <b>162</b>                             | <b>378,833</b>        | <b>(114,561)</b>                        | <b>264,272</b>      |

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

## C1-7 Infrastructure, property, plant and equipment (continued)

### Accounting policy

#### Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

#### Useful lives of IPPE

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| <b>Plant and equipment</b>        | Years     | <b>Other equipment</b>               | Years     |
|-----------------------------------|-----------|--------------------------------------|-----------|
| Office equipment                  | 3 to 10   | Playground equipment                 | 20 to 50  |
| Office furniture                  | 5 to 20   | Benches, seats etc.                  | 40 to 50  |
| Computer equipment                | 5 to 10   |                                      |           |
| Vehicles                          | 5 to 8    | <b>Buildings</b>                     |           |
| Heavy plant/road making equipment | 5 to 20   | Buildings: masonry                   | 20 to 75  |
| Other plant and equipment         | 5 to 20   | Buildings: other                     | 20 to 63  |
|                                   |           | <b>Stormwater assets</b>             |           |
| <b>Water and sewer assets</b>     |           | Drains                               | 80 to 120 |
| Dams and reservoirs               | 100       | Culverts                             | 50 to 200 |
| Bores                             | 5 to 40   | Flood control structures             | 80 to 100 |
| Reticulation pipes: PVC           | 50 to 100 |                                      |           |
| Reticulation pipes: other         | 15 to 75  |                                      |           |
| Pumps and telemetry               | 15 to 20  |                                      |           |
|                                   |           | <b>Other infrastructure assets</b>   |           |
| <b>Transportation assets</b>      |           | Bulk earthworks                      | infinite  |
| Sealed roads: surface             | 15 to 44  | Swimming pools                       | 25 to 60  |
| Sealed roads: structure           | 60 to 240 | Other open space/recreational assets | 20        |
| Unsealed roads                    | 20 to 25  |                                      |           |
| Bridge: concrete                  | 80 to 150 |                                      |           |
| Bridge: other                     | 80 to 150 |                                      |           |
| Road pavements                    | 60        |                                      |           |
| Kerb, gutter and footpaths        | 10 to 80  |                                      |           |

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

#### Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

## C1-7 Infrastructure, property, plant and equipment (continued)

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### **Land under roads**

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

### **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**

Council recognises the land and buildings used by the Rural Fire Service situated within the Local Government area, however, it does not account for Rural Fire Service plant or other equipment.

## C1-8 Intangible assets

Intangible assets are as follows:

| \$ '000   | 2022         | 2021         |
|---|--------------|--------------|
| <b>Water Licenses</b>                           |              |              |
| <b>Opening values at 1 July</b>                 |              |              |
| Gross book value                                | 1,741        | 1,741        |
| <b>Net book value – opening balance</b>         | <b>1,741</b> | <b>1,741</b> |
| <b>Movements for the year</b>                   |              |              |
| Revaluation                                     | 533          | –            |
| <b>Closing values at 30 June</b>                |              |              |
| Gross book value                                | 2,274        | 1,741        |
| <b>Total water licenses – net book value</b>    | <b>2,274</b> | <b>1,741</b> |
| <b>Total intangible assets – net book value</b> | <b>2,274</b> | <b>1,741</b> |

### Accounting policy

#### Water Licences

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

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

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

At present, Council only trades the water entitlement associated with the water licences on a temporary basis, with income received from the sales of water entitlements disclosed as other revenue.

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

Water licences purchased are initially recorded at cost and are valued at least every 5 years based on market evidence. Water 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.

Licences have been revalued at 30/6/22 at the water exchange market cost.

## C2 Leasing activities

### C2-1 Council as a lessee

Council previously held leases over office equipment. This lease expired in 20/21 and no further leases have been entered into.

#### Office and IT equipment

Council previously had a lease for a plan printer which was a low value asset. The lease was for 5 years and expired in the 2020/21 financial year with no renewal option; the payments were fixed.

#### (a) Income Statement

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

| \$ '000                               | 2022     | 2021     |
|---------------------------------------|----------|----------|
| Expenses relating to low-value leases | -        | 3        |
|                                       | <u>-</u> | <u>3</u> |

#### (b) Statement of Cash Flows

|                               |          |          |
|-------------------------------|----------|----------|
| Total cash outflow for leases | -        | 3        |
|                               | <u>-</u> | <u>3</u> |

#### Accounting policy

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.

#### 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.

## C2-2 Council as a lessor

### Operating leases

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

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

| \$ '000  | 2022       | 2021       |
|--|------------|------------|
| <b>(ii) Assets held as property, plant and equipment</b>   |            |            |
| Council provides operating leases on Council houses and for community groups, the table below relates to operating leases on assets disclosed in C1-7. |            |            |
| Lease income (excluding variable lease payments not dependent on an index or rate)   | 205        | 170        |
| <b>Total income relating to operating leases for Council assets</b>  | <b>205</b> | <b>170</b> |

### Amount of IPPE leased out by Council under operating leases

|  |              |              |
|--|--------------|--------------|
| Land   | 685          | 667          |
| Buildings  | 4,720        | 3,856        |
| <b>Total amount of IPPE leased out by Council under operating leases</b> | <b>5,405</b> | <b>4,523</b> |

### (iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

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

|   |            |            |
|---|------------|------------|
| < 1 year  | 143        | 130        |
| 1–2 years   | 127        | 125        |
| 2–3 years   | 116        | 109        |
| 3–4 years   | 116        | 102        |
| 4–5 years   | 105        | 102        |
| > 5 years   | 96         | 93         |
| <b>Total undiscounted lease payments to be received</b> | <b>703</b> | <b>661</b> |

### Accounting policy

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

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

If the lease contains lease and non-lease components, 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 for an operating lease and as finance income using amortised cost basis for finance leases.

## C3 Liabilities of Council

### C3-1 Payables

| \$ '000                                    | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Goods and services – operating expenditure | 1,003           | –                   | 1,203           | –                   |
| Accrued expenses:                          |                 |                     |                 |                     |
| – Salaries and wages                       | 300             | –                   | 180             | –                   |
| Advances                                   | 44              | –                   | 12              | –                   |
| Security bonds, deposits and retentions    | 26              | –                   | 24              | –                   |
| Prepaid rates                              | 101             | –                   | 89              | –                   |
| Jerilderie Monash Committee Funds          | 206             | –                   | –               | –                   |
| Other                                      | 59              | –                   | (2)             | –                   |
| <b>Total payables</b>                      | <b>1,739</b>    | <b>–</b>            | <b>1,506</b>    | <b>–</b>            |

#### Accounting policy

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.

#### Payables

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



## C3-2 Contract Liabilities

| \$ '000  | Notes | 2022<br>Current | 2022<br>Non-current | 2021<br>Current | 2021<br>Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| <b>Grants and contributions received in advance:</b>               |       |                 |                     |                 |                     |
| Unexpended capital grants (to construct Council-controlled assets) | (i)   | 9,873           | -                   | 9,125           | -                   |
| <b>Total contract liabilities</b>                                  |       | <b>9,873</b>    | <b>-</b>            | <b>9,125</b>    | <b>-</b>            |

### Notes

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

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

### Revenue recognised that was included in the contract liability balance at the beginning of the period

| \$ '000  | 2022         | 2021         |
|--|--------------|--------------|
| <b>Grants and contributions received in advance:</b>   |              |              |
| Capital grants (to construct Council controlled assets)  | 3,485        | 2,265        |
| <b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b> | <b>3,485</b> | <b>2,265</b> |

### Significant changes in contract liabilities

Council spent \$3,485,000 from previously held grants including \$824,000 for Local Roads & Community Infrastructure programs, \$607,000 from Stronger Country Communities programs, \$101,000 Drought Communities, \$108,000 Crown Lands funding and \$1,795,000 of Stronger Communities Fund programs.

An additional \$4,233,000 was transferred to contract liabilities for grants received but remaining unspent. This includes \$996,000 for Local Roads & Community Infrastructure programs, \$1,505,000 Fixing Local Roads programs, \$1,000,000 Public Spaces funding and an additional \$440,000 for SCCF4 funded programs.

### Accounting policy

Contract liabilities are recorded when 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.

## C3-3 Borrowings

### Financing arrangements

| \$ '000                                     | 2022      | 2021      |
|---|-----------|-----------|
| <b>Total facilities</b>                     |           |           |
| - Credit cards/purchase cards               | 18        | 18        |
| <b>Total financing arrangements</b>         | <b>18</b> | <b>18</b> |
| <b>Undrawn facilities</b>                   |           |           |
| - Credit cards/purchase cards               | 9         | 9         |
| <b>Total undrawn financing arrangements</b> | <b>9</b>  | <b>9</b>  |

### Accounting policy

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.

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.

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 borrowing costs.

## C3-4 Employee benefit provisions

| \$ '000                                  | 2022         | 2022        | 2021         | 2021        |
|--|--------------|-------------|--------------|-------------|
|  | Current      | Non-current | Current      | Non-current |
| Annual leave                             | 885          | –           | 904          | –           |
| Long service leave                       | 2,022        | 63          | 2,251        | 70          |
| ELE on-costs                             | 94           | 2           | 149          | 3           |
| <b>Total employee benefit provisions</b> | <b>3,001</b> | <b>65</b>   | <b>3,304</b> | <b>73</b>   |

### Current employee benefit provisions not anticipated to be settled within the next twelve months

| \$ '000  | 2022         | 2021         |
|--|--------------|--------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. |              |              |
| Provisions – employee benefits   | 2,307        | 2,674        |
|  | <b>2,307</b> | <b>2,674</b> |

### Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

#### IPPE Revaluation reserve

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

## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of 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.

#### D1-1 Income Statement by fund

| \$ '000  | General<br>2022 | Water<br>2022 | Sewer<br>2022 |
|--|-----------------|---------------|---------------|
| <b>Income from continuing operations</b>   |                 |               |               |
| Rates and annual charges   | 4,954           | 447           | 643           |
| User charges and fees  | 1,660           | 732           | 8             |
| Interest and investment revenue  | 73              | 22            | 21            |
| Other revenues   | 269             | –             | –             |
| Grants and contributions provided for operating purposes   | 9,745           | 68            | –             |
| Grants and contributions provided for capital purposes   | 6,106           | –             | –             |
| Net gains from disposal of assets  | 418             | –             | –             |
| Other income   | 205             | –             | –             |
| <b>Total income from continuing operations</b>   | <b>23,430</b>   | <b>1,269</b>  | <b>672</b>    |
| <b>Expenses from continuing operations</b>   |                 |               |               |
| Employee benefits and on-costs   | 5,933           | 279           | 246           |
| Materials and services   | 4,445           | 601           | 202           |
| Depreciation, amortisation and impairment of non-financial assets                                      | 5,731           | 298           | 285           |
| Other expenses   | 520             | –             | –             |
| <b>Total expenses from continuing operations</b>   | <b>16,629</b>   | <b>1,178</b>  | <b>733</b>    |
| <b>Operating result from continuing operations</b>   | <b>6,801</b>    | <b>91</b>     | <b>(61)</b>   |
| <b>Net operating result for the year</b>   | <b>6,801</b>    | <b>91</b>     | <b>(61)</b>   |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>695</b>      | <b>91</b>     | <b>(61)</b>   |

## D1-2 Statement of Financial Position by fund

| \$ '000                                       | General<br>2022 | Water<br>2022 | Sewer<br>2022 |
|---|-----------------|---------------|---------------|
| <b>ASSETS</b>                                 |                 |               |               |
| <b>Current assets</b>                         |                 |               |               |
| Cash and cash equivalents                     | 7,987           | 2,383         | 3,215         |
| Investments                                   | 15,067          | 497           | 1,136         |
| Receivables                                   | 1,921           | 269           | 136           |
| Inventories                                   | 1,628           | 27            | –             |
| Contract assets and contract cost assets      | 1,413           | 141           | –             |
| Other   | 45              | –             | 25            |
| <b>Total current assets</b>                   | <b>28,061</b>   | <b>3,317</b>  | <b>4,512</b>  |
| <b>Non-current assets</b>                     |                 |               |               |
| Inventories                                   | 791             | –             | –             |
| Infrastructure, property, plant and equipment | 274,598         | 8,963         | 10,347        |
| Intangible assets                             | 1,250           | 1,024         | –             |
| Other   | –               | –             | 19            |
| <b>Total non-current assets</b>               | <b>276,639</b>  | <b>9,987</b>  | <b>10,366</b> |
| <b>Total assets</b>                           | <b>304,700</b>  | <b>13,304</b> | <b>14,878</b> |
| <b>LIABILITIES</b>                            |                 |               |               |
| <b>Current liabilities</b>                    |                 |               |               |
| Payables                                      | 1,739           | –             | –             |
| Contract liabilities                          | 9,873           | –             | –             |
| Borrowings                                    | 25              | –             | –             |
| Employee benefit provision                    | 3,001           | –             | –             |
| <b>Total current liabilities</b>              | <b>14,638</b>   | <b>–</b>      | <b>–</b>      |
| <b>Non-current liabilities</b>                |                 |               |               |
| Borrowings                                    | 19              | –             | –             |
| Employee benefit provision                    | 65              | –             | –             |
| <b>Total non-current liabilities</b>          | <b>84</b>       | <b>–</b>      | <b>–</b>      |
| <b>Total liabilities</b>                      | <b>14,722</b>   | <b>–</b>      | <b>–</b>      |
| <b>Net assets</b>                             | <b>289,978</b>  | <b>13,304</b> | <b>14,878</b> |
| <b>EQUITY</b>                                 |                 |               |               |
| Accumulated surplus                           | 259,505         | 11,571        | 13,775        |
| Revaluation reserves                          | 30,473          | 1,733         | 1,103         |
| <b>Total equity</b>                           | <b>289,978</b>  | <b>13,304</b> | <b>14,878</b> |

## D1-3 Details of internal loans

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

| <b>Details of individual internal loans</b> | <b>Council ID / Ref</b> |
|---|-------------------------|
| Borrower (by purpose)                       | Real Estate Development |
| Lender (by purpose)                         | Sewer Fund              |
| Date of Minister's approval                 | 4/9/2013                |
| Date raised                                 | 1/4/2014                |
| Term years                                  | 10                      |
| Dates of maturity                           | 1/4/24                  |
| Rate of interest (%)                        | variable                |
| Amount originally raised (\$'000)           | 250                     |

## D2 Interests in other entities

### D2-1 Subsidiaries, joint arrangements and associates not recognised

| Name of entity/operation                | Principal activity/type of entity                              | 2022                   | 2022                   |
|---|--|------------------------|------------------------|
|   |  | (\$'000)<br>Net profit | (\$'000)<br>Net assets |
| Western Riverina Libraries <sup>1</sup> | Provision of library services to member local government areas | 17                     | 669                    |

(1) Council holds an 18% share of equity in the Western Riverina Libraries.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and investments portfolio. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

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

| <b>\$ '000</b>  | <b>2022</b> | 2021 |
|---|-------------|------|
| <p>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.</p> |             |      |
| Impact of a 1% movement in interest rates   |             |      |
| – Equity / Income Statement   | <b>301</b>  | 274  |



## E1-1 Risks relating to financial instruments held (continued)

### (b) Credit risk

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

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

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council having significant risk exposures in its local area given the nature of Council activities.

Council makes suitable provision for doubtful receivables as required.

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

#### Credit risk profile

##### Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

| \$ '000               | Not yet<br>overdue | overdue rates and annual charges |           | Total |
|-----------------------|--------------------|----------------------------------|-----------|-------|
|                       |                    | < 5 years                        | ≥ 5 years |       |
| <b>2022</b>           |                    |                                  |           |       |
| Gross carrying amount | –                  | 479                              | 54        | 533   |
| 2021                  |                    |                                  |           |       |
| Gross carrying amount | –                  | 388                              | 42        | 430   |

##### Receivables - non-rates and annual charges and contract assets

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

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

| \$ '000                | Not yet<br>overdue | Overdue debts |              |              |           | Total     |
|------------------------|--------------------|---------------|--------------|--------------|-----------|-----------|
|                        |                    | 0 - 30 days   | 31 - 60 days | 61 - 90 days | > 91 days |           |
| <b>2022</b>            |                    |               |              |              |           |           |
| Gross carrying amount  | –                  | 2,559         | 6            | 25           | 787       | 3,377     |
| Expected loss rate (%) | 0.00%              | 0.00%         | 0.00%        | 0.00%        | 3.82%     | 0.89%     |
| <b>ECL provision</b>   | –                  | –             | –            | –            | <b>30</b> | <b>30</b> |
| 2021                   |                    |               |              |              |           |           |
| Gross carrying amount  | 1,003              | 197           | 21           | 67           | 722       | 2,010     |
| Expected loss rate (%) | 0.00%              | 0.00%         | 0.00%        | 0.00%        | 4.16%     | 1.49%     |
| <b>ECL provision</b>   | –                  | –             | –            | –            | <b>30</b> | <b>30</b> |

## E1-1 Risks relating to financial instruments held (continued)

### (c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, 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 by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

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

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

| \$ '000   | Subject<br>to no<br>maturity | ≤ 1 Year     | payable in:    |           | Contractual<br>cash flows | Actual<br>carrying<br>values |
|---|------------------------------|--------------|----------------|-----------|---------------------------|------------------------------|
|   |                              |              | 1 - 5<br>Years | > 5 Years |                           |                              |
| <b>2022</b>                                     |                              |              |                |           |                           |                              |
| Payables  | 26                           | 1,508        | –              | –         | 1,534                     | 1,739                        |
| <b>Total financial liabilities</b> <sup>1</sup> | <b>26</b>                    | <b>1,508</b> | <b>–</b>       | <b>–</b>  | <b>1,534</b>              | <b>1,739</b>                 |
| <b>2021</b>                                     |                              |              |                |           |                           |                              |
| Payables  | 24                           | 1,393        | –              | –         | 1,417                     | 1,506                        |
| <b>Total financial liabilities</b> <sup>1</sup> | <b>24</b>                    | <b>1,393</b> | <b>–</b>       | <b>–</b>  | <b>1,417</b>              | <b>1,506</b>                 |

(1) For comparative data, prior year payables actual carrying values have been adjusted to include pre paid rates as a result of changes to the Code of Accounting Practice in 2022.

## E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Intangible assets

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

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

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

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

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

## E2-1 Fair value measurement (continued)

| \$ '000  | Notes | Fair value measurement hierarchy     |          |                                       |               |   |                |                |                |
|--|-------|--------------------------------------|----------|---------------------------------------|---------------|---|----------------|----------------|----------------|
|  |       | Level 1 Quoted prices in active mkts |          | Level 2 Significant observable inputs |               | Level 3 Significant unobservable inputs |                | Total          |                |
|  |       | 2022                                 | 2021     | 2022                                  | 2021          | 2022                                    | 2021           | 2022           | 2021           |
| <b>Recurring fair value measurements</b>                   |       |                                      |          |                                       |               |   |                |                |                |
| <b>Infrastructure, property, plant and equipment</b> C1-7  |       |                                      |          |                                       |               |   |                |                |                |
| Plant and equipment  |       | -                                    | -        | 6,477                                 | 6,064         | -                                       | -              | 6,477          | 6,064          |
| Office equipment   |       | -                                    | -        | 97                                    | 128           | -                                       | -              | 97             | 128            |
| Furniture & fittings                                       |       | -                                    | -        | 125                                   | 131           | -                                       | -              | 125            | 131            |
| Library books  |       | -                                    | -        | 37                                    | 33            | -                                       | -              | 37             | 33             |
| Operational land   |       | -                                    | -        | -                                     | -             | 3,316                                   | 3,316          | 3,316          | 3,316          |
| Community land   |       | -                                    | -        | -                                     | -             | 1,902                                   | 1,902          | 1,902          | 1,902          |
| Land improvements – depreciable                            |       | -                                    | -        | -                                     | -             | 13,449                                  | 11,069         | 13,449         | 11,069         |
| Buildings – non specialised                                |       | -                                    | -        | 6,143                                 | 5,390         | -                                       | -              | 6,143          | 5,390          |
| Buildings – specialised                                    |       | -                                    | -        | -                                     | -             | 22,618                                  | 18,730         | 22,618         | 18,730         |
| Other structures   |       | -                                    | -        | -                                     | -             | 2,450                                   | 2,235          | 2,450          | 2,235          |
| Roads  |       | -                                    | -        | -                                     | -             | 121,189                                 | 113,019        | 121,189        | 113,019        |
| Bridges  |       | -                                    | -        | -                                     | -             | 2,829                                   | 2,415          | 2,829          | 2,415          |
| Footpaths  |       | -                                    | -        | -                                     | -             | 3,011                                   | 3,292          | 3,011          | 3,292          |
| Other road assets  |       | -                                    | -        | -                                     | -             | 8,717                                   | 1,109          | 8,717          | 1,109          |
| Bulk earthworks (non depreciable)                          |       | -                                    | -        | -                                     | -             | 67,734                                  | 64,258         | 67,734         | 64,258         |
| Stormwater drainage  |       | -                                    | -        | -                                     | -             | 5,786                                   | 8,555          | 5,786          | 8,555          |
| Water supply network                                       |       | -                                    | -        | -                                     | -             | 8,258                                   | 8,091          | 8,258          | 8,091          |
| Sewerage network   |       | -                                    | -        | -                                     | -             | 10,130                                  | 9,822          | 10,130         | 9,822          |
| Swimming pools   |       | -                                    | -        | -                                     | -             | 2,165                                   | 2,005          | 2,165          | 2,005          |
| Other open space/recreational                              |       | -                                    | -        | -                                     | -             | 1,367                                   | 1,299          | 1,367          | 1,299          |
| <b>Total infrastructure, property, plant and equipment</b> |       | <b>-</b>                             | <b>-</b> | <b>12,879</b>                         | <b>11,746</b> | <b>274,921</b>                          | <b>251,117</b> | <b>287,800</b> | <b>262,863</b> |
| <b>Intangible assets</b>                                   |       |                                      |          |                                       |               |   |                |                |                |
| Water licences   |       | -                                    | -        | 2,274                                 | 1,741         | -                                       | -              | 2,274          | 1,741          |
| <b>Total intangible assets</b>                             |       | <b>-</b>                             | <b>-</b> | <b>2,274</b>                          | <b>1,741</b>  | <b>-</b>                                | <b>-</b>       | <b>2,274</b>   | <b>1,741</b>   |

## E2-1 Fair value measurement (continued)

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

| \$ '000   | Fair value hierarchy transfers                        |  |   |  |
|---|---|--|---|--|
|   | 2022<br>Level 1<br>Quoted<br>prices in<br>active mkts | 2022<br>Level 2<br>Significant<br>observable<br>inputs | 2021<br>Level 1<br>Quoted<br>prices in<br>active mkts | 2021<br>Level 2<br>Significant<br>observable<br>inputs |
| <b>Infrastructure, property, plant and equipment</b>                      |   |  |   |  |
| Intangible Assets   | -   | -  | (1,741)   | 1,741  |
| <b>Total Transfers between level 1 and level 2 fair value hierarchies</b> | <b>-</b>  | <b>-</b>   | <b>(1,741)</b>  | <b>1,741</b>   |

Council's policy for determining transfers between fair value hierarchies is undertaken at the end of the reporting period.

### Valuation techniques

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

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

### Infrastructure, property, plant and equipment (IPPE)

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

Council officers undertook a re-valuation for these assets as at 30 June 2017. Subsequently, these assets have been held at depreciated historical cost, which is expected to provide a reasonable approximation of fair value.

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

Land values are based on the values provided by the NSW Valuer General for rating purposes.

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

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

#### Land improvements

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

Valuation techniques remained the same for the reporting period.

To reflect increases to fair value as a result of higher input costs, indexation was applied to these assets to 30 June 2022. The index factor used was the ABS series 3109 PPI (other heavy and civil engineering construction Australia).

#### Buildings – non-specialised and specialised

Building values (both specialised and non-specialised) are based on cost price and valuations provided by JRA (a division of Technology One) as at 1 July 2017.

## E2-1 Fair value measurement (continued)

Valuation techniques remained the same for the reporting period.

To reflect increases to fair value as a result of higher input costs, indexation was applied to these assets to 30 June 2022. The index factor used was the ABS series 3020 PPI (non-residential building construction NSW).

### Other structures

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

Valuation techniques remained the same for the reporting period.

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

To reflect increases to fair value as a result of higher input costs, indexation was applied to these assets to 30 June 2022. The index factor used was the ABS series 3109 PPI (other heavy and civil engineering construction Australia).

### Roads, bridges, and footpaths

Council's roads, footpaths and other road assets were inspected and valued by Tonkin Consulting Pty Ltd as at 1 July 2021. The consultants also carried out a desktop valuation for earthworks and bridges.

As there is no market for Council to use to determine the fair value of its road assets, all assets were valued as level 3 inputs using a cost approach. A componentisation methodology was developed as part of this valuation. The following information was considered by the consultant for each component:

- The economic useful life, based on construction year, asset replacement cost and condition
- The remaining service potential, based on physical condition data sampled.
- The replacement costs, developed from unit rates, quantities, sub-component factors and intangible factors.
- Condition assessment, based on factors such as age of the asset, overall condition, economic and functional obsolescence.

To reflect increases to fair value as a result of higher input costs subsequent to the valuation date, indexation was applied to these assets to 30 June 2022. The index factors used were the ABS series 3101 (road and bridge construction NSW) and ABS series 3109 PPI (other heavy and civil engineering construction Australia).

### Drainage infrastructure

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

### 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 JRA (a division of Technology One) as at 30 June 2017.

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

### Sewerage network

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

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

## E2-1 Fair value measurement (continued)

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These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

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

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

### **Swimming Pools**

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

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

To reflect increases to fair value as a result of higher input costs, indexation was applied to these assets to 30 June 2022. The index factor used was the ABS series 3109 PPI (other heavy and civil engineering construction Australia).

### **Open space and recreational assets**

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

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

To reflect increases to fair value as a result of higher input costs, indexation was applied to these assets to 30 June 2022. The index factor used was the ABS series 3109 PPI (other heavy and civil engineering construction Australia).

### **Intangible Assets**

#### **Water Access Licences**

Council values water access licences based upon prices recognised in a water trading market. These were revalued at 30 June 2022.

## E2-1 Fair value measurement (continued)

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

#### **c. The valuation process for level 3 fair value measurements**

The valuation processes used have been described above.

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

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

Operational and community land was valued using NSW Valuer General's Valuations; transport infrastructure was valued by Tonkin Consulting Pty Ltd; all other valuations were completed by Technology One (formerly JRA).



## E2-1 Fair value measurement (continued)

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

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

|  | Valuation technique/s | Unobservable inputs  |
|--|-----------------------|--|
| <b>Infrastructure, property, plant and equipment</b> |                       |  |
| Operational land                                     | Market                | NSW Valuer General's Valuations                            |
| Community Land                                       | Market                | NSW Valuer General's Valuations                            |
| Land Improvements                                    | Cost                  | Pattern of consumption, asset condition                    |
| Buildings Specialised                                | Cost                  | Asset condition, consumption rate, useful life             |
| Other Structures                                     | Cost                  | Asset condition, consumption rate, useful life             |
| Roads  | Cost                  | Asset condition, consumption rate, useful life             |
| Bridges  | Cost                  | Asset condition, consumption rate, useful life             |
| Footpaths  | Cost                  | Asset condition, consumption rate, useful life             |
| Other road assets                                    | Cost                  | Asset condition, consumption rate, useful life             |
| Bulk Earthworks                                      | Cost                  | Asset condition, consumption rate, useful life             |
| Stormwater Drainage                                  | Cost                  | Asset condition, consumption rate, useful life             |
| Water Supply Network                                 | Cost                  | Asset condition, components, consumption rate, useful life |
| Sewerage Network                                     | Cost                  | Asset condition, components, consumption rate, useful life |
| Swimming Pools                                       | Cost                  | Asset condition, consumption rate, useful life             |
| Other open space/recreational assets                 | Cost                  | Asset condition, consumption rate, useful life             |

## E2-1 Fair value measurement (continued)

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

| \$ '000  | I,PP&E         |         |
|--|----------------|---------|
|  | 2022           | 2021    |
| <b>Opening balance</b>   | <b>251,117</b> | 247,872 |
| <b>Total gains or losses for the period</b>                    |                |         |
| Recognised in other comprehensive income – revaluation surplus | <b>25,559</b>  | 162     |
| <b>Other movements</b>   |                |         |
| Transfers from/(to) real estate held for resale                | –              | 20      |
| Purchases  | <b>3,490</b>   | 8,205   |
| Disposals  | <b>(27)</b>    | (197)   |
| Depreciation and impairment                                    | <b>(5,370)</b> | (4,945) |
| Transfers from/(to) WIP  | <b>152</b>     | –       |
| <b>Closing balance</b>   | <b>274,921</b> | 251,117 |

## E2-1 Fair value measurement (continued)

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### Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

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

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

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

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

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

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

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

|            |   |
|------------|---|
| Division B | 1.9 times member contributions for non-180 Point Members;<br>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 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

## E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$126,898. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$48,441. Council's expected contribution to the plan for the next annual reporting period is \$70,429.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets                   | 2,376.6    |                |
| Past Service Liabilities | 2,380.7    | 99.8%          |
| Vested Benefits          | 2,391.7    | 99.4%          |

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

The share of any funding surplus or deficit that can be attributed to Council is .24%

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

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

|                    |                |
|--------------------|----------------|
| Investment return  | 5.5% per annum |
| Salary inflation * | 3.5% per annum |
| Increase in CPI    | 2.5% per annum |

\* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022.

### (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.

## E3-1 Contingencies (continued)

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### (iv) Other guarantees

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

## 2. Other

### (i) Third party claims

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

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

### (ii) Tips and quarries restoration

Council operates a number of tips and quarries which will require rehabilitation and restoration at some future date. As at 30 June 2022 Council is unable to reliably estimate the financial cost of such work.

## ASSETS NOT RECOGNISED

### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

### (ii) Infringement notices/fines

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

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

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

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

### (iii) Western Riverina Libraries

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

### (iv) Rural Fire Service assets

Consistent with prior reporting periods, Council has recognised only the land and buildings used by the Rural Fire Service, situated within the Local Government area, however, it does not account for Rural Fire Service plant or other equipment.

Refer to note C1-7.

## F People and relationships

### F1 Related party disclosures

#### F1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those sixteen (16) 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                  | 2022         | 2021         |
|--------------------------|--------------|--------------|
| <b>Compensation:</b>     |              |              |
| Short-term benefits      | 1,369        | 1,276        |
| Post-employment benefits | 127          | 103          |
| Other long-term benefits | 438          | 363          |
| Termination benefits     | 48           | –            |
| <b>Total</b>             | <b>1,982</b> | <b>1,742</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.

Council also incurs a number of employee expenses in respect of close family members of KMP. These employees are recruited in the same manner, and their employment is subject to the same terms and conditions, as other employees performing similar roles.

| Nature of the transaction   | Transactions during the year | Outstanding balances including commitments | Terms and conditions | Impairment provision on outstanding balances | Impairment expense |
|---|------------------------------|--|----------------------|--|--------------------|
| \$ '000   |                              |  |                      |  |                    |
| <b>2022</b>   |                              |  |                      |  |                    |
| Related Parties, which are Suppliers of Council, supplying goods and services, such as plumbing works and veterinary services, procured utilising Council's procedures & plans for procurement. | 156                          | –  | 30 days payment      | –  | –                  |
| <b>2021</b>   |                              |  |                      |  |                    |
| Related Parties, which are Suppliers of Council, supplying goods and services, such as plumbing works and veterinary services, procured utilising Council's procedures & plans for procurement. | –                            | –  | 30 days payment      | –  | –                  |

## F1-2 Councillor and Mayoral fees and associated expenses

| \$ '000  | 2022       | 2021       |
|--|------------|------------|
| The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are: |            |            |
| Mayoral fee  | 26         | 27         |
| Councillors' fees  | 105        | 110        |
| Other Councillors' expenses (including Mayor)  | 46         | –          |
| Associated expenses  | 34         | 44         |
| <b>Total</b>   | <b>211</b> | <b>181</b> |

## F2 Other relationships

### F2-1 Audit fees

| \$ '000  | 2022      | 2021      |
|--|-----------|-----------|
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms |           |           |
| <b>Auditors of the Council - NSW Auditor-General:</b>  |           |           |
| <b>(i) Audit and other assurance services</b>  |           |           |
| Audit and review of financial statements   | 77        | 72        |
| <b>Total audit fees</b>  | <b>77</b> | <b>72</b> |

## G Other matters

### G1-1 Statement of Cash Flows information

#### Reconciliation of net operating result to cash provided from operating activities

| \$ '000  | 2022          | 2021         |
|--|---------------|--------------|
| <b>Net operating result from Income Statement</b>                          | <b>6,831</b>  | 2,622        |
| <b>Add / (less) non-cash items:</b>  |               |              |
| Depreciation and amortisation  | 6,314         | 5,973        |
| (Gain) / loss on disposal of assets  | (418)         | 113          |
| <b>Movements in operating assets and liabilities and other cash items:</b> |               |              |
| (Increase) / decrease of receivables                                       | (434)         | 654          |
| (Increase) / decrease of inventories                                       | 16            | (387)        |
| (Increase) / decrease of other current assets                              | (2)           | (3)          |
| (Increase) / decrease of contract asset                                    | (1,038)       | 657          |
| Increase / (decrease) in payables  | (200)         | 232          |
| Increase / (decrease) in other accrued expenses payable                    | 120           | (61)         |
| Increase / (decrease) in other liabilities                                 | 313           | (8)          |
| Increase / (decrease) in contract liabilities                              | 748           | (880)        |
| Increase / (decrease) in employee benefit provision                        | (311)         | 265          |
| <b>Net cash flows from operating activities</b>                            | <b>11,939</b> | <b>9,177</b> |



## G2-1 Commitments

### Capital commitments (exclusive of GST)

| \$ '000  | 2022       | 2021         |
|--|------------|--------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |            |              |
| <b>Property, plant and equipment</b>   |            |              |
| Buildings  | 40         | 405          |
| Plant and equipment  | 671        | –            |
| Buildings - day care centre  | 16         | 1,187        |
| Buildings - gymnasium and amenities  | 10         | 504          |
| Other  | 130        | –            |
| <b>Total commitments</b>   | <b>867</b> | <b>2,096</b> |
| <b>These expenditures are payable as follows:</b>  |            |              |
| Within the next year   | 867        | 2,096        |
| <b>Total payable</b>   | <b>867</b> | <b>2,096</b> |
| <b>Sources for funding of capital commitments:</b>   |            |              |
| Unrestricted general funds   | 348        | –            |
| Future grants and contributions  | 197        | 2,096        |
| Internally restricted reserves   | 322        | –            |
| <b>Total sources of funding</b>  | <b>867</b> | <b>2,096</b> |

## G3 Statement of developer contributions as at 30 June 2022

### G3-1 Summary of developer contributions

| \$ '000  | Opening balance at 1 July 2021 | Contributions received during the year |          | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2022 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
|  |                                | Cash                                   | Non-cash |                                       |                  |                     |  |   |
| <b>S7.12 levies – under a plan</b>               | 96                             | 79                                     | –        | –                                     | –                | –                   | 175                                      | –   |
| <b>Total S7.11 and S7.12 revenue under plans</b> | 96                             | 79                                     | –        | –                                     | –                | –                   | 175                                      | –   |
| S7.4 planning agreements                         | 311                            | –                                      | –        | –                                     | –                | –                   | 311                                      | –   |
| <b>Total contributions</b>                       | <b>407</b>                     | <b>79</b>                              | <b>–</b> | <b>–</b>                              | <b>–</b>         | <b>–</b>            | <b>486</b>                               | <b>–</b>  |

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.

### S7.12 Levies – under a plan

| \$ '000   | Opening balance at 1 July 2021 | Contributions received during the year |          | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2022 | Cumulative balance of internal borrowings (to)/from |
|---|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
|   |                                | Cash                                   | Non-cash |                                       |                  |                     |  |   |
| <b>MURRUMBIDGEE COUNCIL DEVELOPER CONTRIBUTION PLAN</b> |                                |  |          |                                       |                  |                     |  |   |
| Community facilities                                    | 96                             | 79                                     | –        | –                                     | –                | –                   | 175                                      | –   |
| <b>Total</b>  | <b>96</b>                      | <b>79</b>                              | <b>–</b> | <b>–</b>                              | <b>–</b>         | <b>–</b>            | <b>175</b>                               | <b>–</b>  |

## G4 Statement of performance measures

### G4-1 Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2022 | Indicator<br>2022 | Indicators<br>2021      2020 |         | Benchmark |
|--|-----------------|-------------------|------------------------------|---------|-----------|
| <b>1. Operating performance ratio</b>  |                 |                   |                              |         |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>307</b>      | <b>1.63%</b>      | (10.86)%                     | (9.13)% | > 0.00%   |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>18,847</b>   |                   |                              |         |           |
| <b>2. Own source operating revenue ratio *</b>   |                 |                   |                              |         |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>9,034</b>    | <b>36.20%</b>     | 39.10%                       | 37.47%  | > 60.00%  |
| Total continuing operating revenue <sup>1</sup>  | <b>24,953</b>   |                   |                              |         |           |
| <b>3. Unrestricted current ratio</b>   |                 |                   |                              |         |           |
| Current assets less all external restrictions  | <b>15,474</b>   | <b>6.70x</b>      | 6.04x                        | 6.59x   | > 1.50x   |
| Current liabilities less specific purpose liabilities  | <b>2,308</b>    |                   |                              |         |           |
| <b>4. Debt service cover ratio</b>   |                 |                   |                              |         |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>6,621</b>    | $\infty$          | 92.93x                       | 66.82x  | > 2.00x   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>–</b>        |                   |                              |         |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage *</b>                                 |                 |                   |                              |         |           |
| Rates and annual charges outstanding   | <b>581</b>      | <b>8.87%</b>      | 7.31%                        | 7.75%   | < 10.00%  |
| Rates and annual charges collectable   | <b>6,547</b>    |                   |                              |         |           |
| <b>6. Cash expense cover ratio</b>   |                 |                   |                              |         |           |
| Current year's cash and cash equivalents plus all term deposits  | <b>30,285</b>   | <b>26.64</b>      | 20.94                        | 21.89   | > 3.00    |
| Monthly payments from cash flow of operating and financing activities  | <b>1,137</b>    | <b>months</b>     | months                       | months  | months    |

(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

## G4-2 Statement of performance measures by fund

| \$ '000  | General Indicators <sup>3</sup> |              | Water Indicators |              | Sewer Indicators |               | Benchmark     |
|--|---------------------------------|--------------|------------------|--------------|------------------|---------------|---------------|
|  | 2022                            | 2021         | 2022             | 2021         | 2022             | 2021          |               |
| <b>1. Operating performance ratio</b>  |                                 |              |                  |              |                  |               |               |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>1.64%</b>                    | (12.20)%     | <b>7.17%</b>     | 9.71%        | <b>(9.08)%</b>   | (17.57)%      | > 0.00%       |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |                                 |              |                  |              |                  |               |               |
| <b>2. Own source operating revenue ratio *</b>   |                                 |              |                  |              |                  |               |               |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>31.12%</b>                   | 33.87%       | <b>94.64%</b>    | 94.28%       | <b>100.00%</b>   | 100.00%       | > 60.00%      |
| Total continuing operating revenue <sup>1</sup>  |                                 |              |                  |              |                  |               |               |
| <b>3. Unrestricted current ratio</b>   |                                 |              |                  |              |                  |               |               |
| Current assets less all external restrictions  | <b>6.70x</b>                    | 6.04x        | ∞                | ∞            | ∞                | ∞             | > 1.50x       |
| Current liabilities less specific purpose liabilities  |                                 |              |                  |              |                  |               |               |
| <b>4. Debt service cover ratio</b>   |                                 |              |                  |              |                  |               |               |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | ∞                               | 78.63x       | ∞                | ∞            | ∞                | ∞             | > 2.00x       |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               |                                 |              |                  |              |                  |               |               |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage *</b>                                 |                                 |              |                  |              |                  |               |               |
| Rates and annual charges outstanding   | <b>10.65%</b>                   | 4.63%        | <b>0.00%</b>     | 21.51%       | <b>0.00%</b>     | 15.55%        | < 10.00%      |
| Rates and annual charges collectable   |                                 |              |                  |              |                  |               |               |
| <b>6. Cash expense cover ratio</b>   |                                 |              |                  |              |                  |               |               |
| Current year's cash and cash equivalents plus all term deposits  | <b>21.71 months</b>             | 17.19 months | ∞                | 36.95 months | ∞                | 107.62 months | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities  |                                 |              |                  |              |                  |               |               |

(1) - (2) Refer to Notes at Note G4-1 above.

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

**End of the audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Murrumbidgee Council

To the Councillors of Murrumbidgee Council

### Qualified Opinion

I have audited the accompanying financial statements of Murrumbidgee Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, 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, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

- 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 2022, 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 qualified opinion should be read in conjunction with the rest of this report.

### Basis for Qualified Opinion

#### Non recognition of rural fire-fighting equipment

As disclosed in Notes C1-7 and E3-1 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that commenced on 1 April 2012
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken all necessary procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G4-1 'Statement of performance measures – consolidated results' and Note G4-2 'Statement of performance measures by fund'.

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 qualified audit opinion.

## Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations'
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented



- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'Soh W. H.', with a horizontal line underneath the signature.

Hong Wee Soh  
Delegate of the Auditor-General for New South Wales

31 October 2022  
SYDNEY



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

Contact: Hong Wee Soh  
Phone no: 02 9275 7397  
Our ref: D2223067/1764

31 October 2022

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2022 Murrumbidgee Council

I have audited the general purpose financial statements (GPFS) of the Murrumbidgee Council (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a modified 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 2022 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 and observations were addressed as part of my audit.

#### Modification to the opinion in the Independent Auditor's Report

##### Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by

either not entering into a service agreement, or cancelling the existing service agreement that that commenced on 1 April 2012

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken all necessary procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 GPFS to be modified.

Refer to the Independent Auditor's report on the GPFS.

## INCOME STATEMENT

### Operating result

|  | 2022 | 2021  | Variance |
|--|------|-------|----------|
|  | \$m  | \$m   | %        |
| Rates and annual charges revenue                             | 6.0  | 5.9   | ↑ 1.7    |
| Grants and contributions revenue                             | 16.0 | 14.0  | ↑ 14.3   |
| Operating result from continuing operations                  | 6.8  | 2.6   | ↑ >100   |
| Net operating result before capital grants and contributions | 0.7  | (2.1) | ↑ >100   |

Rates and annual charges revenue (\$6.0million) increased by \$0.1million (1.7 per cent) in 2021–22 due to the 2% rate peg in 2021-22.

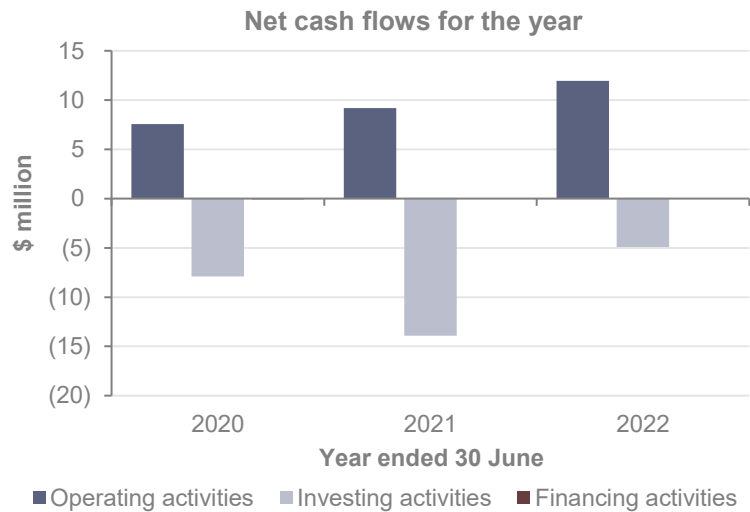
Grants and contributions revenue (\$16.0 million) increased by \$2.0 million (14.3 per cent) in 2021–22 mainly due to an increase of \$1.5 million in the prepaid Financial Assistance Grant.

The Council's operating result from continuing operations (\$6.8 million including depreciation and amortisation expense of \$6.3million) was \$4.2million higher than the 2020–21 result. This was mainly due to the increase of \$1.5 million in the prepaid Financial Assistance Grant, decrease in employee benefits and on-costs expenses by \$0.9 million and also a decrease in materials and services expenses by \$1 million.

The net operating result before capital grants and contributions (\$0.7 million) was \$2.8 million higher than the 2020–21 result due to decrease in employee benefits and on-costs expenses by \$0.9 million and materials and services expenses by \$1 million.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$13.6 million (\$6.6 million for the year ended 30 June 2021). There was a net increase of cash and cash equivalents of \$7.0 million during the 2021- 22 financial year.
- Net cash used in investing activities has decreased by \$9 million. The decrease is due to an increase in the sale of investments during the year.
- There were no significant movements in the net cash flows from financing activities.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments   | 2022        | 2021        | Commentary  |
|--|-------------|-------------|---|
|  | \$m         | \$m         |   |
| <b>Total cash, cash equivalents and investments</b>              | <b>30.3</b> | <b>27.4</b> | <ul style="list-style-type: none"> <li>• Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$1.8 million is mainly due to an increase of specific purpose unexpended grants (general fund) by \$0.9 million and an increase of Transport for NSW contributions by \$0.6 million.</li> </ul>  |
| Restricted and allocated cash, cash equivalents and investments: |             |             |   |
| • External restrictions  | 19.1        | 17.3        | <ul style="list-style-type: none"> <li>• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of work and any forward plans identified by Council. The increase of \$1.6 million is mainly due to a \$1.5 million increase in the Financial Assistance Grant advance payment.</li> <li>• Unrestricted cash and investments of \$1.4 million, is available to provide liquidity for day-to-day operations of the Council.</li> </ul> |
| • Internal allocations   | 9.8         | 8.2         |   |
| • Unrestricted   | 1.4         | 1.9         |   |

### Debt

Council has no external borrowings as at 30 June 2022.

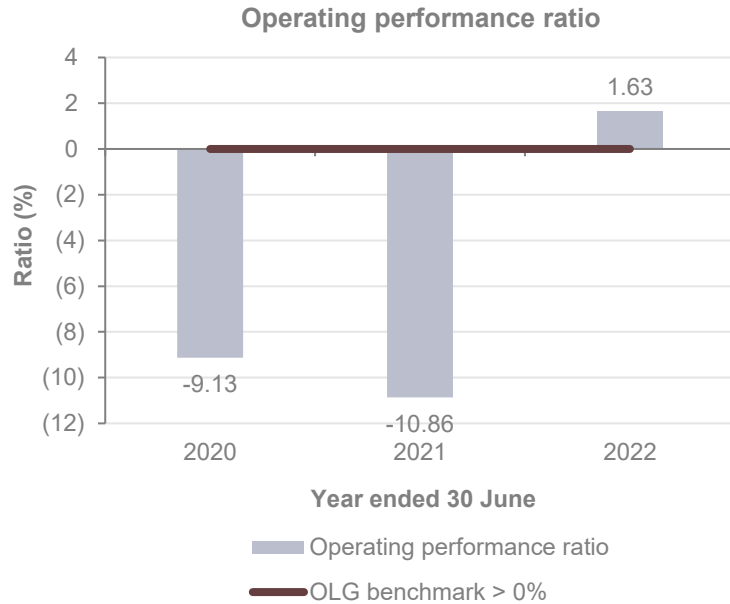
## PERFORMANCE

### 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 and Environment.

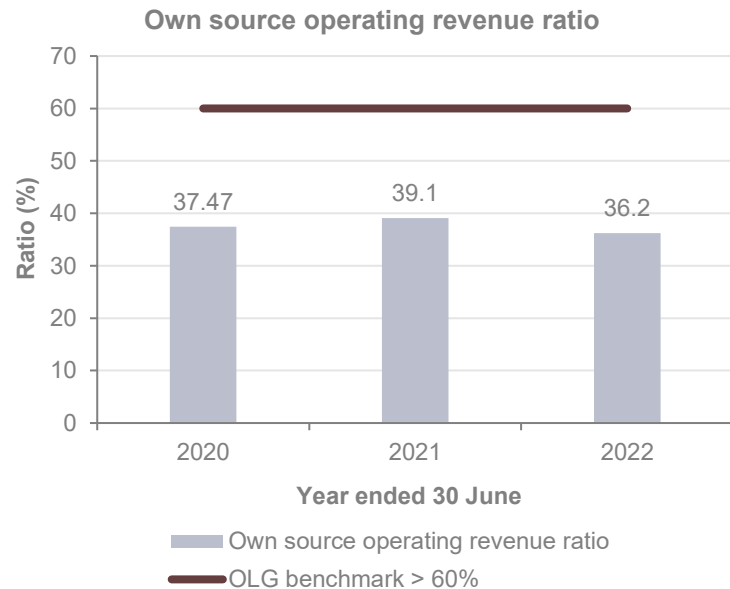
#### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions). The benchmark set by OLG is greater than zero per cent.
- The Council met the OLG benchmark for the current reporting period.
- The operating performance ratio increased to 1.63 per cent (2021: (negative 10.86 per cent)) due to the increase in rates and annual charges and decrease in materials and services expenses and employee based expenses.



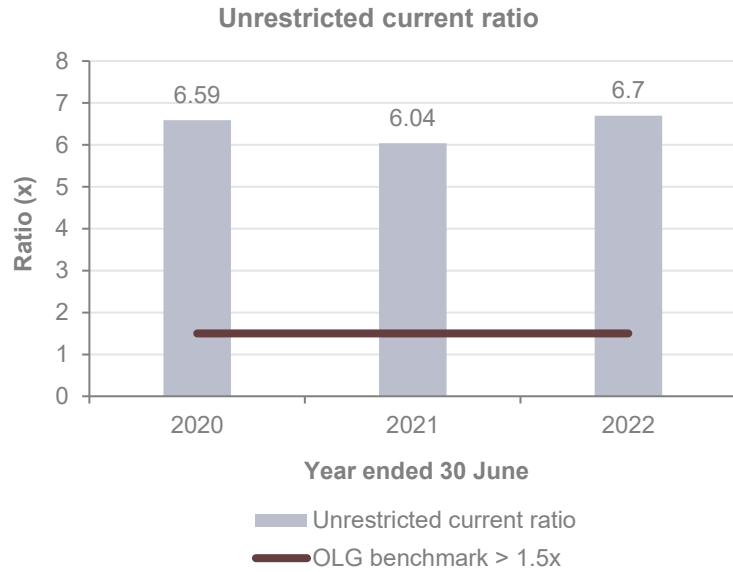
#### Own source operating revenue ratio

- The 'own source operating revenue ratio' measures the 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 more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio decreased to 36.2 per cent (2021: 39.1 per cent) due to the increase in grants and contributions.



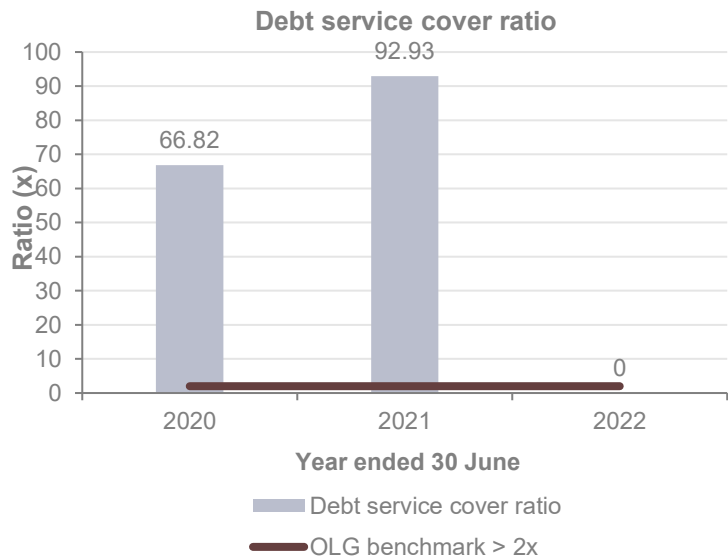
### Unrestricted current ratio

- 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 exceeded the OLG benchmark for the current reporting period.
- The unrestricted current ratio increased to 6.70 times (2021: 6.04 times) due to increase in cash and cash equivalents and investments.



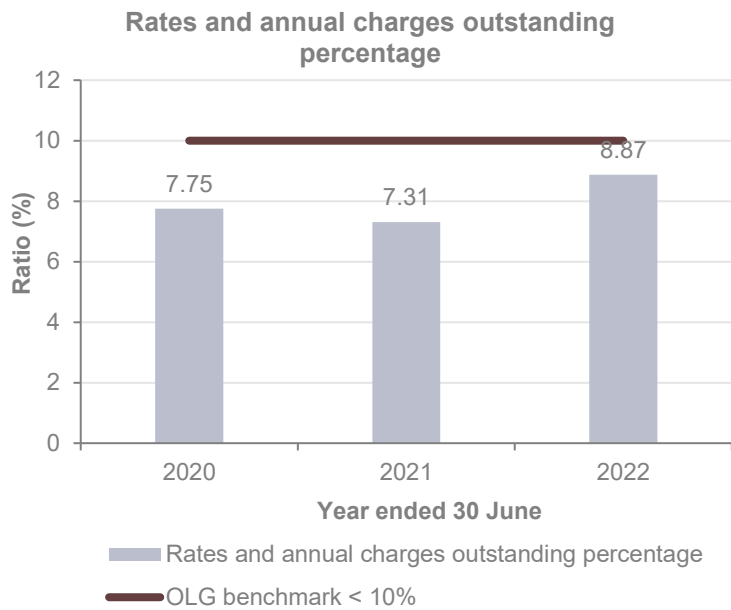
### Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council has fully repaid extended borrowings prior to 30 June 2021 and does not have external borrowings in 2021-22 therefore the debt service cover ratio is not relevant to Council for the 2022 year.



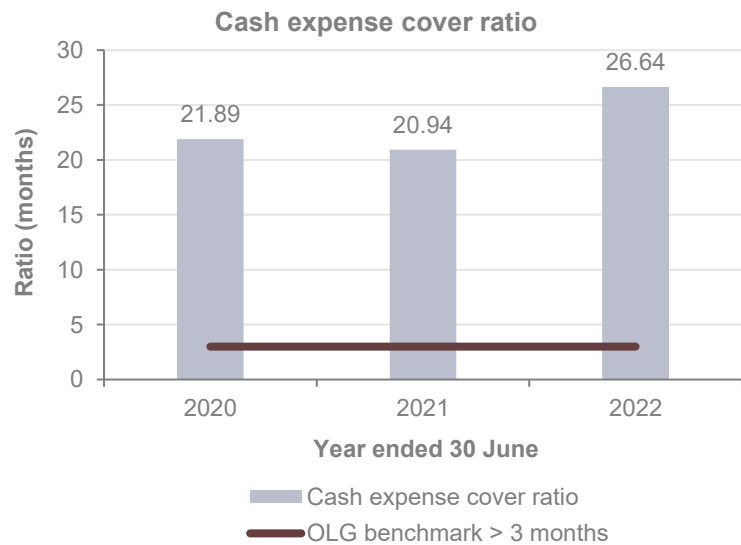
### Rates and annual charges outstanding percentage

- The 'rates, annual charges, interest and extra charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 8.87 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.



### 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 26.64 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 26.64 months of operating cash expenditure without additional cash inflows at 30 June 2022.
- The cash expense cover ratio has increased due to an increase in cash and cash equivalents and investments by \$2.6 million.



### Infrastructure, property, plant and equipment renewals

The Council renewed \$7.1 million of assets in the 2021-22 financial year, compared to \$4.3 million of assets in the 2020-21 financial year. The increase is primarily due to large renewals on capital work in progress and plant and equipment in 2021-22.



## OTHER MATTERS

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment was not recognised in the financial statements.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.



Hong Wee Soh

Delegate of the Auditor-General for New South Wales

cc: Mr John Scarce, General Manager  
Ms Linda McRae, Chair of Audit, Risk and Improvement Committee  
Ms Kaitlin Salzke, Chief Financial Officer  
Mr Michael Cassel, Secretary of the Department of Planning, Industry and Environment



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# Special Purpose Financial Statements

For the year ended 30 June 2022



# Murrumbidgee Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

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### Background

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

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

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

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

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

## Murrumbidgee Council

### Special Purpose Financial Statements for the year ended 30 June 2022

#### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2022.



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Cr. Ruth McRae  
**Mayor**  
18 October 2022



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Cr. Robert Black  
**Councillor**  
18 October 2022



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John Scarce  
**General Manager**  
18 October 2022



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Kaitlin Salzke  
**Responsible Accounting Officer**  
18 October 2022

## Murrumbidgee Council

### Income Statement of water supply business activity

for the year ended 30 June 2022

| \$ '000  | 2022          | 2021          |
|--|---------------|---------------|
| <b>Income from continuing operations</b>                                   |               |               |
| Access charges   | 447           | 418           |
| User charges   | 442           | 493           |
| Fees   | 290           | 270           |
| Interest and investment income   | 22            | 22            |
| Grants and contributions provided for operating purposes                   | 68            | 73            |
| Other income   | –             | 1             |
| <b>Total income from continuing operations</b>                             | <b>1,269</b>  | <b>1,277</b>  |
| <b>Expenses from continuing operations</b>                                 |               |               |
| Employee benefits and on-costs   | 279           | 314           |
| Materials and services   | 601           | 529           |
| Depreciation, amortisation and impairment                                  | 298           | 310           |
| Net loss from the disposal of assets                                       | –             | 4             |
| <b>Total expenses from continuing operations</b>                           | <b>1,178</b>  | <b>1,157</b>  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>91</b>     | <b>120</b>    |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>91</b>     | <b>120</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>91</b>     | <b>120</b>    |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (23)          | (31)          |
| <b>Surplus (deficit) after tax</b>   | <b>68</b>     | <b>89</b>     |
| <b>Opening accumulated surplus</b>   | <b>11,480</b> | <b>11,360</b> |
| <b>Plus adjustments for amounts unpaid:</b>                                |               |               |
| – Corporate taxation equivalent  | 23            | 31            |
| <b>Less:</b>   |               |               |
| <b>Closing accumulated surplus</b>   | <b>11,571</b> | <b>11,480</b> |
| <b>Return on capital %</b>   | <b>1.0%</b>   | <b>1.4%</b>   |
| <b>Subsidy from Council</b>  | <b>237</b>    | <b>10</b>     |
| <b>Calculation of dividend payable:</b>                                    |               |               |
| Surplus (deficit) after tax  | 68            | 89            |
| <b>Surplus for dividend calculation purposes</b>                           | <b>68</b>     | <b>89</b>     |
| <b>Potential dividend calculated from surplus</b>                          | <b>34</b>     | <b>44</b>     |

## Murrumbidgee Council

### Income Statement of sewerage business activity

for the year ended 30 June 2022

| \$ '000  | 2022          | 2021          |
|--|---------------|---------------|
| <b>Income from continuing operations</b>                                   |               |               |
| Access charges   | 643           | 610           |
| User charges   | 4             | 5             |
| Liquid trade waste charges   | 4             | 8             |
| Interest and investment income   | 21            | 26            |
| <b>Total income from continuing operations</b>                             | <b>672</b>    | <b>649</b>    |
| <b>Expenses from continuing operations</b>                                 |               |               |
| Employee benefits and on-costs   | 246           | 255           |
| Materials and services   | 202           | 213           |
| Depreciation, amortisation and impairment                                  | 285           | 295           |
| Net loss from the disposal of assets                                       | -             | 23            |
| <b>Total expenses from continuing operations</b>                           | <b>733</b>    | <b>786</b>    |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(61)</b>   | <b>(137)</b>  |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(61)</b>   | <b>(137)</b>  |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(61)</b>   | <b>(137)</b>  |
| <b>Surplus (deficit) after tax</b>   | <b>(61)</b>   | <b>(137)</b>  |
| Opening accumulated surplus  | 13,836        | 13,973        |
| Plus adjustments for amounts unpaid:                                       |               |               |
| Less:  |               |               |
| <b>Closing accumulated surplus</b>   | <b>13,775</b> | <b>13,836</b> |
| Return on capital %  | (0.6)%        | (1.4)%        |
| Subsidy from Council   | 440           | 286           |
| <b>Calculation of dividend payable:</b>                                    |               |               |
| Surplus (deficit) after tax  | (61)          | (137)         |
| <b>Surplus for dividend calculation purposes</b>                           | <b>-</b>      | <b>-</b>      |
| <b>Potential dividend calculated from surplus</b>                          | <b>-</b>      | <b>-</b>      |

## Murrumbidgee Council

### Statement of Financial Position of water supply business activity

as at 30 June 2022

| \$ '000                                       | 2022          | 2021          |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 2,383         | 2,099         |
| Investments                                   | 497           | 497           |
| Receivables                                   | 269           | 294           |
| Contract assets and contract cost assets      | 141           | 73            |
| Inventories                                   | 27            | 26            |
| <b>Total current assets</b>                   | <b>3,317</b>  | <b>2,989</b>  |
| <b>Non-current assets</b>                     |               |               |
| Infrastructure, property, plant and equipment | 8,963         | 8,749         |
| Intangible assets                             | 1,024         | 789           |
| <b>Total non-current assets</b>               | <b>9,987</b>  | <b>9,538</b>  |
| <b>Total assets</b>                           | <b>13,304</b> | <b>12,527</b> |
| <b>Net assets</b>                             | <b>13,304</b> | <b>12,527</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 11,571        | 11,480        |
| Revaluation reserves                          | 1,733         | 1,047         |
| <b>Total equity</b>                           | <b>13,304</b> | <b>12,527</b> |

## Murrumbidgee Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2022

| \$ '000                                       | 2022          | 2021          |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 3,215         | 3,061         |
| Investments                                   | 1,136         | 1,136         |
| Receivables                                   | 136           | 124           |
| Other   | 25            | 25            |
| <b>Total current assets</b>                   | <b>4,512</b>  | <b>4,346</b>  |
| <b>Non-current assets</b>                     |               |               |
| Infrastructure, property, plant and equipment | 10,347        | 10,002        |
| Other   | 19            | 44            |
| <b>Total non-current assets</b>               | <b>10,366</b> | <b>10,046</b> |
| <b>Total assets</b>                           | <b>14,878</b> | <b>14,392</b> |
| <b>Net assets</b>                             | <b>14,878</b> | <b>14,392</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 13,775        | 13,836        |
| Revaluation reserves                          | 1,103         | 556           |
| <b>Total equity</b>                           | <b>14,878</b> | <b>14,392</b> |



## Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* 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, fair value 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, and returns on investments (rate of return and dividends paid).

### Declared business activities

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

#### Category 1

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

Nil

#### Category 2

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

##### a. Murrumbidgee Council Water Funds

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

##### b. Murrumbidgee Council Sewerage Funds

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

### 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 – **25%** (20/21 26%)

## Note – Significant Accounting Policies (continued)

**Land tax** – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

**Payroll tax** – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

Achievement of substantial compliance to the DPIE – 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 relevant corporate income tax rate, currently 25% (20/21 26%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the '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 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all 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.

#### (i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

#### (ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the 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 3.66% at 30/6/22.

## Note – Significant Accounting Policies (continued)

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### (iii) 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 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Murrumbidgee Council**

To the Councillors of Murrumbidgee Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Murrumbidgee Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (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 the Significant accounting policies note 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 2022 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 the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

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

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

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

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

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



Hong Wee Soh  
Delegate of the Auditor-General for New South Wales

31 October 2022  
SYDNEY



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# Special Schedules

For the year ended 30 June 2022



# Murrumbidgee Council

## Special Schedules

for the year ended 30 June 2022

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## Murrumbidgee Council

## Permissible income for general rates

| \$ '000   | Notes                   | Calculation<br>2021/22 | Calculation<br>2022/23 |
|---|-------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b> |                         |                        |                        |
| Last year notional general income yield                 | a                       | 4,438                  | 4,521                  |
| Plus or minus adjustments <sup>2</sup>                  | b                       | 30                     | (14)                   |
| <b>Notional general income</b>                          | c = a + b               | <b>4,468</b>           | <b>4,507</b>           |
| <b>Permissible income calculation</b>                   |                         |                        |                        |
| Or rate peg percentage                                  | e                       | 2.00%                  | 2.50%                  |
| Or plus rate peg amount                                 | i = e x (c + g)         | 89                     | 113                    |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>4,557</b>           | <b>4,620</b>           |
| Plus (or minus) last year's carry forward total         | l                       | 1                      | 37                     |
| <b>Sub-total</b>  | n = (l + m)             | <b>1</b>               | <b>37</b>              |
| <b>Total permissible income</b>                         | o = k + n               | <b>4,558</b>           | <b>4,657</b>           |
| Less notional general income yield                      | p                       | 4,521                  | 4,655                  |
| <b>Catch-up or (excess) result</b>                      | q = o - p               | <b>37</b>              | <b>2</b>               |
| <b>Carry forward to next year <sup>3</sup></b>          | t = q + r + s           | <b>37</b>              | <b>2</b>               |

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) 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 Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Murrumbidgee Council

To the Councillors of Murrumbidgee Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Murrumbidgee Council (the Council) for the year ending 30 June 2023.

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 2021–22 (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 2022 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 2022'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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



Hong Wee Soh  
Delegate of the Auditor-General for New South Wales

31 October 2022  
SYDNEY

## Murrumbidgee Council

## Report on infrastructure assets as at 30 June 2022

| Asset Class                 | Asset Category              | Estimated cost   |   |  |                                       | Net carrying amount<br>\$ '000 | Gross replacement cost (GRC)<br>\$ '000 | Assets in condition as a percentage of gross replacement cost |              |              |             |             |
|-----------------------------|-----------------------------|--|---|--|---------------------------------------|--------------------------------|---|---|--------------|--------------|-------------|-------------|
|                             |                             | Estimated cost to bring assets to satisfactory standard<br>\$ '000 | to bring to the agreed level of service set by Council<br>\$ '000 | 2021/22 Required maintenance <sup>a</sup><br>\$ '000 | 2021/22 Actual maintenance<br>\$ '000 |                                |   | 1   | 2            | 3            | 4           | 5           |
| <b>Buildings</b>            | Buildings – non-specialised | –  | –   | –  | –                                     | 6,143                          | 9,773                                   | 21.5%   | 43.4%        | 33.9%        | 1.1%        | 0.0%        |
|                             | Buildings – specialised     | –  | –   | 236  | 307                                   | 22,618                         | 37,917                                  | 21.0%   | 53.3%        | 21.8%        | 3.9%        | 0.0%        |
|                             | <b>Sub-total</b>            | <b>–</b>   | <b>–</b>  | <b>236</b>   | <b>307</b>                            | <b>28,761</b>                  | <b>47,690</b>                           | <b>21.1%</b>  | <b>51.3%</b> | <b>24.3%</b> | <b>3.3%</b> | <b>0.0%</b> |
| <b>Other structures</b>     | Other structures            | –  | –   | –  | –                                     | 2,450                          | 2,649                                   | 69.0%   | 28.8%        | 2.2%         | 0.0%        | 0.0%        |
|                             | <b>Sub-total</b>            | <b>–</b>   | <b>–</b>  | <b>–</b>   | <b>–</b>                              | <b>2,450</b>                   | <b>2,649</b>                            | <b>69.0%</b>  | <b>28.8%</b> | <b>2.2%</b>  | <b>0.0%</b> | <b>0.0%</b> |
| <b>Roads</b>                | Roads                       | –  | –   | 1,448  | 1,202                                 | 121,189                        | 199,284                                 | 8.5%  | 37.8%        | 51.4%        | 2.2%        | 0.1%        |
|                             | Bulk earthworks             | –  | –   | –  | –                                     | 67,734                         | 67,734                                  | 0.0%  | 0.0%         | 100.0%       | 0.0%        | 0.0%        |
|                             | Bridges                     | –  | –   | –  | –                                     | 2,829                          | 8,041                                   | 0.0%  | 17.0%        | 36.2%        | 46.8%       | 0.0%        |
|                             | Footpaths                   | –  | –   | –  | –                                     | 3,011                          | 4,608                                   | 25.9%   | 33.6%        | 37.7%        | 2.8%        | 0.0%        |
|                             | Other road assets           | –  | –   | –  | –                                     | 8,717                          | 14,835                                  | 12.5%   | 30.4%        | 52.2%        | 4.6%        | 0.3%        |
|                             | <b>Sub-total</b>            | <b>–</b>   | <b>–</b>  | <b>1,448</b>   | <b>1,202</b>                          | <b>203,480</b>                 | <b>294,502</b>                          | <b>6.8%</b>   | <b>28.1%</b> | <b>62.0%</b> | <b>3.0%</b> | <b>0.1%</b> |
| <b>Water supply network</b> | Water supply network        | –  | –   | 282  | 390                                   | 8,258                          | 19,139                                  | 6.0%  | 30.9%        | 48.4%        | 9.2%        | 5.5%        |
|                             | <b>Sub-total</b>            | <b>–</b>   | <b>–</b>  | <b>282</b>   | <b>390</b>                            | <b>8,258</b>                   | <b>19,139</b>                           | <b>6.0%</b>   | <b>30.9%</b> | <b>48.4%</b> | <b>9.2%</b> | <b>5.5%</b> |
| <b>Sewerage network</b>     | Sewerage network            | –  | –   | 193  | 268                                   | 10,130                         | 21,911                                  | 6.3%  | 34.1%        | 56.8%        | 2.7%        | 0.0%        |
|                             | <b>Sub-total</b>            | <b>–</b>   | <b>–</b>  | <b>193</b>   | <b>268</b>                            | <b>10,130</b>                  | <b>21,911</b>                           | <b>6.3%</b>   | <b>34.1%</b> | <b>56.8%</b> | <b>2.7%</b> | <b>0.0%</b> |
| <b>Stormwater drainage</b>  | Stormwater drainage         | –  | –   | 117  | 27                                    | 5,786                          | 9,559                                   | 13.0%   | 26.5%        | 52.1%        | 6.1%        | 2.3%        |
|                             | <b>Sub-total</b>            | <b>–</b>   | <b>–</b>  | <b>117</b>   | <b>27</b>                             | <b>5,786</b>                   | <b>9,559</b>                            | <b>13.0%</b>  | <b>26.5%</b> | <b>52.1%</b> | <b>6.1%</b> | <b>2.3%</b> |

## Murrumbidgee Council

## Report on infrastructure assets as at 30 June 2022 (continued)

| Asset Class                            | Asset Category                | Estimated cost   |   | 2021/22<br>Required<br>maintenance <sup>a</sup> | 2021/22<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |             |             |
|--|-------------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|-------------|-------------|
|  |                               | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4           | 5           |
|  |                               | \$ '000  | \$ '000   | \$ '000   | \$ '000                          | \$ '000                | \$ '000                            |  |              |              |             |             |
| Open space /<br>recreational<br>assets | Swimming pools                | –  | –   | 108   | 115                              | 2,165                  | 2,326                              | 71.8%  | 0.0%         | 12.4%        | 15.8%       | 0.0%        |
|  | Open space/recreational areas | –  | –   | 420   | 622                              | 1,367                  | 1,835                              | 57.3%  | 17.6%        | 25.1%        | 0.0%        | 0.0%        |
|  | <b>Sub-total</b>              | <b>–</b>   | <b>–</b>  | <b>528</b>                                      | <b>737</b>                       | <b>3,532</b>           | <b>4,161</b>                       | <b>65.4%</b>   | <b>7.7%</b>  | <b>18.0%</b> | <b>8.8%</b> | <b>0.0%</b> |
| <b>Total – all assets</b>              |                               | <b>–</b>   | <b>–</b>  | <b>2,804</b>                                    | <b>2,931</b>                     | <b>262,397</b>         | <b>399,611</b>                     | <b>9.6%</b>  | <b>31.1%</b> | <b>55.5%</b> | <b>3.5%</b> | <b>0.4%</b> |

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

## Infrastructure asset condition assessment 'key'

| # | Condition           | Integrated planning and reporting (IP&R) description |
|---|---------------------|--|
| 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                    |

## Murrumbidgee Council

## Report on infrastructure assets as at 30 June 2022

## Infrastructure asset performance indicators (consolidated) \*

| \$ '000  | Amounts<br>2022 | Indicator<br>2022 | Indicators |         | Benchmark  |
|--|-----------------|-------------------|------------|---------|------------|
|  |                 |                   | 2021       | 2020    |            |
| <b>Buildings and infrastructure renewals ratio</b>                       |                 |                   |            |         |            |
| Asset renewals <sup>1</sup>  | <b>5,190</b>    | <b>100.95%</b>    | 89.40%     | 109.80% | >= 100.00% |
| Depreciation, amortisation and impairment                                | <b>5,141</b>    |                   |            |         |            |
| <b>Infrastructure backlog ratio</b>                                      |                 |                   |            |         |            |
| Estimated cost to bring assets to a satisfactory standard                | <b>-</b>        | <b>0.00%</b>      | 0.00%      | 0.00%   | < 2.00%    |
| Net carrying amount of infrastructure assets                             | <b>268,505</b>  |                   |            |         |            |
| <b>Asset maintenance ratio</b>   |                 |                   |            |         |            |
| Actual asset maintenance   | <b>2,931</b>    | <b>104.53%</b>    | 113.70%    | 100.86% | > 100.00%  |
| Required asset maintenance   | <b>2,804</b>    |                   |            |         |            |
| <b>Cost to bring assets to agreed service level</b>                      |                 |                   |            |         |            |
| Estimated cost to bring assets to an agreed service level set by Council | <b>-</b>        | <b>0.00%</b>      | 0.00%      | 0.00%   |            |
| Gross replacement cost   | <b>399,611</b>  |                   |            |         |            |

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

(1) 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.

## Murrumbidgee Council

### Report on infrastructure assets as at 30 June 2022

#### Infrastructure asset performance indicators (by fund)

| \$ '000  | General fund   |         | Water fund     |        | Sewer fund     |         | Benchmark  |
|--|----------------|---------|----------------|--------|----------------|---------|------------|
|  | 2022           | 2021    | 2022           | 2021   | 2022           | 2021    |            |
| <b>Buildings and infrastructure renewals ratio</b>                       |                |         |                |        |                |         |            |
| Asset renewals <sup>1</sup>  |                |         |                |        |                |         |            |
| Depreciation, amortisation and impairment                                | <b>113.54%</b> | 100.12% | <b>0.00%</b>   | 5.90%  | <b>0.00%</b>   | 22.41%  | >= 100.00% |
| <b>Infrastructure backlog ratio</b>                                      |                |         |                |        |                |         |            |
| Estimated cost to bring assets to a satisfactory standard                |                |         |                |        |                |         |            |
| Net carrying amount of infrastructure assets                             | <b>0.00%</b>   | 0.00%   | <b>0.00%</b>   | 0.00%  | <b>0.00%</b>   | 0.00%   | < 2.00%    |
| <b>Asset maintenance ratio</b>   |                |         |                |        |                |         |            |
| Actual asset maintenance   |                |         |                |        |                |         |            |
| Required asset maintenance   | <b>97.60%</b>  | 115.81% | <b>138.30%</b> | 93.97% | <b>138.86%</b> | 126.42% | > 100.00%  |
| <b>Cost to bring assets to agreed service level</b>                      |                |         |                |        |                |         |            |
| Estimated cost to bring assets to an agreed service level set by Council |                |         |                |        |                |         |            |
| Gross replacement cost   | <b>0.00%</b>   | 0.00%   | <b>0.00%</b>   | 0.00%  | <b>0.00%</b>   | 0.00%   |            |

(1) 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.