

# Riverina Water County Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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**"to provide our community with safe reliable water at  
the lowest sustainable cost"**



# Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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**"to provide our community with safe reliable water at  
the lowest sustainable cost"**



# Riverina Water County Council

## General Purpose Financial Statements

for the year ended 30 June 2022

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Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Primary Financial Statements:</b>	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
<b>Notes to the Financial Statements</b>	<b>9</b>
<b>Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	54
On the Financial Statements (Sect 417 [3])	57

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### Overview

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

91 Hammond Avenue  
Wagga Wagga NSW 2650

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 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.rwcc.nsw.gov.au](http://www.rwcc.nsw.gov.au).

# Riverina Water County 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 01 September 2022.



Clr T Koschel  
Chairperson



Clr D Meyer OAM  
Deputy Chairperson



Mr A Crakanthorp  
Chief Executive Officer



Ms E Tonacia  
Responsible Accounting Officer

# Riverina Water County Council

## Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	<b>Income from continuing operations</b>			
5,172	Rates and annual charges	B2-1	<b>5,710</b>	5,655
24,030	User charges and fees	B2-2	<b>19,606</b>	19,796
466	Other revenues	B2-3	<b>576</b>	475
225	Grants and contributions provided for operating purposes	B2-4	<b>122</b>	190
3,558	Grants and contributions provided for capital purposes	B2-4	<b>4,327</b>	2,750
250	Interest and investment income	B2-5	<b>326</b>	467
—	Net gain from the disposal of assets	B4-1	<b>388</b>	116
<b>33,701</b>	<b>Total income from continuing operations</b>		<b>31,055</b>	29,449
	<b>Expenses from continuing operations</b>			
10,641	Employee benefits and on-costs	B3-1	<b>9,529</b>	9,066
8,537	Materials and services	B3-2	<b>5,815</b>	7,084
434	Borrowing costs	B3-3	<b>239</b>	367
7,550	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>8,390</b>	7,570
630	Other expenses	B3-5	<b>443</b>	95
<b>27,792</b>	<b>Total expenses from continuing operations</b>		<b>24,416</b>	24,182
<b>5,909</b>	<b>Operating result from continuing operations</b>		<b>6,639</b>	5,267
<b>5,909</b>	<b>Net operating result for the year attributable to Council</b>		<b>6,639</b>	5,267
<b>2,351</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>2,312</b>	2,517

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

# Riverina Water County Council

## Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
<b>Net operating result for the year – from Income Statement</b>		<b>6,639</b>	<b>5,267</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>16,714</b>	(55,542)
Gain (loss) on revaluation of intangible assets	C1-7	<b>(628)</b>	(1,587)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>16,086</b>	(57,129)
<b>Total other comprehensive income for the year</b>		<b>16,086</b>	(57,129)
<b>Total comprehensive income for the year attributable to Council</b>		<b>22,725</b>	(51,862)

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

# Riverina Water County Council

## Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	2,510	2,892
Investments	C1-2	11,500	16,000
Receivables	C1-4	4,106	3,589
Inventories	C1-5	2,435	2,310
<b>Total current assets</b>		<b>20,551</b>	<b>24,791</b>
<b>Non-current assets</b>			
Investments	C1-2	17,500	12,500
Infrastructure, property, plant and equipment (IPPE)	C1-6	338,607	320,131
Intangible assets	C1-7	10,890	9,776
<b>Total non-current assets</b>		<b>366,997</b>	<b>342,407</b>
<b>Total assets</b>		<b>387,548</b>	<b>367,198</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	2,694	2,843
Borrowings	C3-2	1,535	1,587
Employee benefit provisions	C3-3	4,555	4,852
<b>Total current liabilities</b>		<b>8,784</b>	<b>9,282</b>
<b>Non-current liabilities</b>			
Borrowings	C3-2	1,934	3,811
<b>Total non-current liabilities</b>		<b>1,934</b>	<b>3,811</b>
<b>Total liabilities</b>		<b>10,718</b>	<b>13,093</b>
<b>Net assets</b>		<b>376,830</b>	<b>354,105</b>
<b>EQUITY</b>			
Accumulated surplus		159,484	152,845
IPPE revaluation reserve	C4-1	217,346	201,260
<b>Council equity interest</b>		<b>376,830</b>	<b>354,105</b>
<b>Total equity</b>		<b>376,830</b>	<b>354,105</b>

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

# Riverina Water County Council

## Statement of Changes in Equity

for the year ended 30 June 2022

		2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve Restated	Total equity Restated
<b>\$ '000</b>	Notes						
<b>Opening balance at 1 July</b>		<b>152,845</b>	<b>201,260</b>	<b>354,105</b>	147,578	258,389	405,967
<b>Net operating result for the year</b>		<b>6,639</b>	<b>–</b>	<b>6,639</b>	5,267	–	5,267
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	<b>16,714</b>	<b>16,714</b>	–	(55,542)	(55,542)
Gain (loss) on revaluation of intangible assets		–	<b>(628)</b>	<b>(628)</b>	–	(1,587)	(1,587)
<b>Other comprehensive income</b>		<b>–</b>	<b>16,086</b>	<b>16,086</b>	–	(57,129)	(57,129)
<b>Total comprehensive income</b>		<b>6,639</b>	<b>16,086</b>	<b>22,725</b>	5,267	(57,129)	(51,862)
<b>Closing balance at 30 June</b>		<b>159,484</b>	<b>217,346</b>	<b>376,830</b>	152,845	201,260	354,105

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



# Riverina Water County Council

## Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
5,169	Rates and annual charges		5,751	6,103
24,010	User charges and fees		19,371	20,346
303	Interest received		372	476
3,791	Grants and contributions		4,452	2,955
–	Bonds, deposits and retentions received		30	4
368	Other		270	1,845
<b>Payments:</b>				
(10,612)	Payments to employees		(9,633)	(9,448)
(4,089)	Payments for materials and services		(6,360)	(7,749)
(434)	Borrowing costs		(239)	(367)
(5,030)	Other		(461)	1
13,476	<b>Net cash flows from operating activities</b>	F1-1	<b>13,553</b>	<b>14,166</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
6,824	Redemption of term deposits		–	1,000
–	Proceeds from sale of IPPE		673	317
<b>Payments:</b>				
–	Acquisition of term deposits		(500)	–
(24,211)	Payments for IPPE		(10,420)	(11,962)
–	Purchase of intangible assets		(1,759)	(479)
(17,387)	<b>Net cash flows from investing activities</b>		<b>(12,006)</b>	<b>(11,124)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
3,200	Proceeds from borrowings		–	–
<b>Payments:</b>				
(2,218)	Repayment of borrowings		(1,929)	(1,868)
982	<b>Net cash flows from financing activities</b>		<b>(1,929)</b>	<b>(1,868)</b>
(2,929)	<b>Net change in cash and cash equivalents</b>		<b>(382)</b>	<b>1,174</b>
4,929	Cash and cash equivalents at beginning of year		2,892	1,718
2,000	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>2,510</b>	<b>2,892</b>
11,176	plus: Investments on hand at end of year	C1-2	29,000	28,500
13,176	<b>Total cash, cash equivalents and investments</b>		<b>31,510</b>	<b>31,392</b>

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

# Riverina Water County Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2022

---

<b>A About Council and these financial statements</b>	<b>11</b>
A1-1 Basis of preparation	11
<b>B Financial Performance</b>	<b>13</b>
<b>B1 Functions or activities</b>	<b>13</b>
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
<b>B2 Sources of income</b>	<b>15</b>
B2-1 Rates and annual charges	15
B2-2 User charges and fees	15
B2-3 Other revenues	16
B2-4 Grants and contributions	17
B2-5 Interest and investment income	18
<b>B3 Costs of providing services</b>	<b>19</b>
B3-1 Employee benefits and on-costs	19
B3-2 Materials and services	20
B3-3 Borrowing costs	20
B3-4 Depreciation, amortisation and impairment of non-financial assets	21
B3-5 Other expenses	21
<b>B4 Gains or losses</b>	<b>22</b>
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	22
<b>B5 Performance against budget</b>	<b>23</b>
B5-1 Material budget variations	23
<b>C Financial position</b>	<b>25</b>
<b>C1 Assets we manage</b>	<b>25</b>
C1-1 Cash and cash equivalents	25
C1-2 Financial investments	25
C1-3 Restricted and allocated cash, cash equivalents and investments	26
C1-4 Receivables	27
C1-5 Inventories	28
C1-6 Infrastructure, property, plant and equipment	29
C1-7 Intangible assets	31
<b>C2 Leasing activities</b>	<b>32</b>
C2-1 Council as a lessee	32
<b>C3 Liabilities of Council</b>	<b>33</b>
C3-1 Payables	33
C3-2 Borrowings	33
C3-3 Employee benefit provisions	35

# Riverina Water County Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2022

---

<b>C4 Reserves</b>	<b>35</b>
C4-1 Nature and purpose of reserves	35
<b>D Risks and accounting uncertainties</b>	<b>36</b>
D1-1 Risks relating to financial instruments held	36
D2-1 Fair value measurement	39
D3-1 Contingencies	42
<b>E People and relationships</b>	<b>43</b>
<b>E1 Related party disclosures</b>	<b>43</b>
E1-1 Key management personnel (KMP)	43
E1-2 Councillor and Mayoral fees and associated expenses	44
<b>E2 Other relationships</b>	<b>44</b>
E2-1 Audit fees	44
<b>F Other matters</b>	<b>45</b>
F1-1 Statement of Cash Flows information	45
F2-1 Commitments	45
<b>F3 Changes from prior year statements</b>	<b>46</b>
F3-1 Correction of errors	46
F3-2 Changes in accounting estimates	47
<b>F4 Statement of developer contributions as at 30 June 2022</b>	<b>48</b>
F4-1 Summary of developer contributions	48
<b>F5 Statement of performance measures</b>	<b>49</b>
F5-1 Statement of performance measures – consolidated results	49
<b>G Additional Council disclosures (unaudited)</b>	<b>50</b>
G1-1 Statement of performance measures – consolidated results (graphs)	50
G1-2 Financial review	52
G1-3 Council information and contact details	53

## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on dd MMMM yyyy. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, all accounting policies are consistent with those applied in the prior year.

Where appropriate, comparative figures have been amended to accord with the current year presentation, and disclosure has been made of any material changes to comparatives. Those comparative figures amended are summarised below:

- Cash & Cash Equivalents (C1-1) and Investments (C1-2) have been amended to reflect accurate capture of short term cash holdings to only be those amounts deposited with a term of 3 month or less. In the prior year, investments were disclosed as Cash & Cash Equivalents if there was 3 months or less until they matured.
- Sources of income (B2) has been broken down further to report amounts otherwise ordinarily included as Sundry Income.
- Diesel Fuel Rebate has been amended to be included under 'Other revenues' (B2-3), previously reported under Grants and contributions (B2-4)
- Grants and contributions (B2-4) has been broken down to further with regard to water supply contributions.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for profit entity for the purpose of preparing these financial statements.

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

Full dollars have been used in Note E1 Disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

#### **Historical cost convention**

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

#### **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 C1-6
- (ii) estimated fair values of intangibles – refer Note C1-7
- (iii) employee benefit provisions – refer Note C3-3

## A1-1 Basis of preparation (continued)

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

#### **(i) Impairment of receivables**

Council has made a significant judgement about the impairment of a number of its receivables in Note C1-4.

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

There has not been any notable reductions in water rates, user charges or collections. Other receivables have not been impacted.

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

Council is of the view that physical non-current assets have not experienced substantial declines in value due to covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to covid. For assets where fair value is determined by market value, Council has no evidence of material changes to these values.

### **Goods and Services Tax (GST)**

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

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

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

### **New accounting standards and interpretations issued 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 1 July 2021.

None of these standards had an impact on the reported position of performance.

## 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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021 Restated
<b>\$ '000</b>										
<b>Functions or activities</b>										
Water supplies	31,055	29,449	24,416	24,182	6,639	5,267	4,449	2,940	387,548	367,198
<b>Total functions and activities</b>	<b>31,055</b>	<b>29,449</b>	<b>24,416</b>	<b>24,182</b>	<b>6,639</b>	<b>5,267</b>	<b>4,449</b>	<b>2,940</b>	<b>387,548</b>	<b>367,198</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:**

### **Water supplies**

Comprising the water supply functions servicing the Local Government Areas of Lockhart, Wagga Wagga and parts of the Greater Hume Shire and Federation Council.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	Timing	2022	2021
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Water supply services – commercial	2	502	496
Water supply services – residential	2	5,004	4,952
<b>Annual charges levied</b>		<b>5,506</b>	<b>5,448</b>
Pensioner subsidies received:			
– Water	2	204	207
<b>Total annual charges</b>		<b>5,710</b>	<b>5,655</b>
<b>Total rates and annual charges</b>		<b>5,710</b>	<b>5,655</b>

#### 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 – commercial	2	5,355	5,589
Water supply services – residential	2	12,932	13,234
<b>Total specific user charges</b>		<b>18,287</b>	<b>18,823</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Private works – section 67	2	–	2
Section 603 certificates	2	190	217
Plumbing permits/fees	2	59	61
<b>Total fees and charges – statutory/regulatory</b>		<b>249</b>	<b>280</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Leaseback fees – Council vehicles	2	35	44
Water connection fees	2	884	423
Standpipe fees	2	151	226
<b>Total fees and charges – other</b>		<b>1,070</b>	<b>693</b>
<b>Total other user charges and fees</b>		<b>1,319</b>	<b>973</b>
<b>Total user charges and fees</b>		<b>19,606</b>	<b>19,796</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised at a point in time (2)		19,606	19,796
<b>Total user charges and fees</b>		<b>19,606</b>	<b>19,796</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.



## B2-3 Other revenues

\$ '000	Timing	2022	2021
Diesel rebate	2	9	17
Sales – general	2	48	60
Lease rental	2	31	25
Sales – scrap material	2	8	8
Sundry Income	2	–	20
Temporary water allocation	2	338	333
Employment & Training Subsidies	2	142	12
<b>Total other revenue</b>		<b>576</b>	<b>475</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised at a point in time (2)		576	475
<b>Total other revenue</b>		<b>576</b>	<b>475</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.

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
LIRS subsidy	2	122	190	–	–
Water supplies (excl. section 64 contributions)	2	–	–	1,699	1,021
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>122</b>	<b>190</b>	<b>1,699</b>	<b>1,021</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>122</b>	<b>190</b>	<b>1,699</b>	<b>1,021</b>
<b>Total grants and non-developer contributions</b>		<b>122</b>	<b>190</b>	<b>1,699</b>	<b>1,021</b>
<b>Comprising:</b>					
– State funding		122	190	–	–
– Other funding		–	–	1,699	1,021
		<b>122</b>	<b>190</b>	<b>1,699</b>	<b>1,021</b>

## Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Developer contributions:</b>						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):		F4				
<b>Cash contributions</b>						
S 64 – water supply contributions		2	–	–	2,628	1,729
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>2,628</b>	<b>1,729</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>2,628</b>	<b>1,729</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>2,628</b>	<b>1,729</b>
<b>Total grants and contributions</b>			<b>122</b>	<b>190</b>	<b>4,327</b>	<b>2,750</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised at a point in time (2)						
			122	190	4,327	2,750
<b>Total grants and contributions</b>			<b>122</b>	<b>190</b>	<b>4,327</b>	<b>2,750</b>

## Accounting policy

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

## B2-5 Interest and investment income

\$ '000	2022	2021
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges	86	63
– Cash and investments	240	404
<b>Total interest and investment income</b>	<b>326</b>	<b>467</b>

### Interest and investment income is attributable to:

#### Unrestricted investments/financial assets:

Overdue rates and annual charges	86	63
General Council cash and investments	240	404
<b>Total interest and investment income</b>	<b>326</b>	<b>467</b>

### Accounting policy

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

## B3 Costs of providing services

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

\$ '000	2022	2021
Salaries and wages	8,357	8,205
Travel expenses	173	191
Employee leave entitlements (ELE)	1,789	1,423
Superannuation	1,577	1,465
Workers' compensation insurance	401	155
Fringe benefit tax (FBT)	54	66
Payroll tax	440	541
Training costs (other than salaries and wages)	193	212
Uniforms	47	58
Safety Bonus	9	9
Sick leave bonus	140	149
<b>Total employee costs</b>	<b>13,180</b>	<b>12,474</b>
Less: capitalised costs	(3,651)	(3,408)
<b>Total employee costs expensed</b>	<b>9,529</b>	<b>9,066</b>
Number of 'full-time equivalent' employees (FTE) at year end	113	108

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note C3-3 for more information.

## B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		260	321
Contractor and consultancy costs		1,783	2,054
Audit Fee	E2-1	58	49
Strategic Documents		61	44
Councillor and Mayoral fees and associated expenses	E1-2	124	120
Advertising		7	56
Bank charges		28	24
Computer software charges		388	352
Electricity and heating		1,898	2,255
Insurance		326	251
Office expenses (including computer expenses)		273	311
Postage		122	124
Printing and stationery		21	36
Subscriptions and publications		103	111
Telephone and communications		99	182
Demand management		5	44
Rates and user charges		114	144
Community Engagement		31	546
Risk Management		4	14
Memberships		54	–
<b>Legal expenses:</b>			
– Legal expenses: other		54	44
Expenses from leases of low value assets		2	2
<b>Total materials and services</b>		<b>5,815</b>	<b>7,084</b>
<b>Total materials and services</b>		<b>5,815</b>	<b>7,084</b>

### 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	239	367
<b>Total borrowing costs expensed</b>	<b>239</b>	<b>367</b>

### 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		589	555
Office equipment		103	130
<b>Infrastructure:</b>	C1-6		
– Buildings – non-specialised		6	54
– Buildings – specialised		205	143
– Water supply network		7,457	6,671
– Land Improvements		13	–
Intangible assets	C1-7	17	17
<b>Total gross depreciation and amortisation costs</b>		<b>8,390</b>	<b>7,570</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>8,390</b>	<b>7,570</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. Useful lives are included in Note C1-6 for IPPE assets and Note C1-7 for intangible assets.

#### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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
<b>Other</b>		
Donations, contributions and assistance to other organisations (Section 356)	443	95
<b>Total other expenses</b>	<b>443</b>	<b>95</b>

### Accounting policy

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

## 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>	C1-6		
Proceeds from disposal – plant and equipment		<b>673</b>	317
Less: carrying amount of plant and equipment assets sold/written off		<b>(285)</b>	(201)
<b>Gain (or loss) on disposal</b>		<b>388</b>	<b>116</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>388</b>	<b>116</b>

#### Accounting policy

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 30/06/2021 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 Budget	2022 Actual	2022 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	<b>5,172</b>	<b>5,710</b>	<b>538</b>	<b>10% F</b>
<b>User charges and fees</b>	<b>24,030</b>	<b>19,606</b>	<b>(4,424)</b>	<b>(18)% U</b>
Water sales lower than budgeted due to increased rainfall resulting in lower consumption.				
<b>Other revenues</b>	<b>466</b>	<b>576</b>	<b>110</b>	<b>24% F</b>
Other revenues higher than expected due to unbudgeted employment and training subsidies.				
<b>Operating grants and contributions</b>	<b>225</b>	<b>122</b>	<b>(103)</b>	<b>(46)% U</b>
Variance due to lower than anticipated LIRS subsidy.				
<b>Capital grants and contributions</b>	<b>3,558</b>	<b>4,327</b>	<b>769</b>	<b>22% F</b>
Variance due to higher than anticipated developer contributions as a result of increased development.				
<b>Interest and investment revenue</b>	<b>250</b>	<b>326</b>	<b>76</b>	<b>30% F</b>
Income higher than budgeted due to cash on hand being higher than anticipated as a result of reduced capital delivery.				
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>388</b>	<b>388</b>	<b>∞ F</b>
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	<b>10,641</b>	<b>9,529</b>	<b>1,112</b>	<b>10% F</b>
<b>Materials and services</b>	<b>8,537</b>	<b>5,815</b>	<b>2,722</b>	<b>32% F</b>
Variance mainly attributable to reduced electricity costs as a result of lower water sales.				
<b>Borrowing costs</b>	<b>434</b>	<b>239</b>	<b>195</b>	<b>45% F</b>
Borrowing costs lower than anticipated due to proposed borrowings not eventuating as a result of project delays.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>7,550</b>	<b>8,390</b>	<b>(840)</b>	<b>(11)% U</b>
Depreciation higher than originally anticipated due to water infrastructure valuation occurring post budgeting.				
<b>Other expenses</b>	<b>630</b>	<b>443</b>	<b>187</b>	<b>30% F</b>
Other expenses lower than anticipated due to not all community grants payments being acquitted in the 2022 financial year.				
<b>Statement of cash flows</b>				
<b>Cash flows from operating activities</b>	<b>13,476</b>	<b>13,553</b>	<b>77</b>	<b>1% F</b>



**B5-1 Material budget variations (continued)**

<b>\$ '000</b>	<b>2022 Budget</b>	<b>2022 Actual</b>	<b>2022 ----- Variance -----</b>	
<b>Cash flows from investing activities</b>	<b>(17,387)</b>	<b>(12,006)</b>	<b>5,381</b>	<b>(31)% F</b>
Decreased capital expenditure as a result of project delays.				
<b>Cash flows from financing activities</b>	<b>982</b>	<b>(1,929)</b>	<b>(2,911)</b>	<b>(296)% U</b>
Variance due to anticipated loans not eventuating due to project delays.				

## 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	1,008	340
Cash equivalent assets		
– Short-term deposits	1,502	2,552
<b>Total cash and cash equivalents</b>	<b>2,510</b>	<b>2,892</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	2,510	2,892
<b>Balance as per the Statement of Cash Flows</b>	<b>2,510</b>	<b>2,892</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.

#### C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	11,500	17,500	16,000	12,500
<b>Total</b>	<b>11,500</b>	<b>17,500</b>	<b>16,000</b>	<b>12,500</b>
<b>Total financial investments</b>	<b>11,500</b>	<b>17,500</b>	<b>16,000</b>	<b>12,500</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>14,010</b>	<b>17,500</b>	<b>18,892</b>	<b>12,500</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.

#### 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

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>31,510</b>	31,392
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>31,510</b>	31,392

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>31,510</b>	31,392
Less: Internally restricted cash, cash equivalents and investments	(8,285)	(7,844)
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>23,225</b>	23,548

**Internal allocations**

At 30 June, Council has internally allocated funds to the following:

Employees leave entitlement	2,278	2,426
Plant replacement	2,110	1,857
Sales fluctuation	3,000	3,000
Water Treatment Plant	228	228
Revenue from Water Licences	669	333
<b>Total internal allocations</b>	<b>8,285</b>	7,844

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
(c) Unrestricted and unallocated		
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>23,225</b>	23,548

## C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	790	—	765	—
User charges and fees	2,281	—	2,046	—
Accrued revenues				
Accrued interest on investments	272	—	318	—
Government grants and subsidies	204	—	207	—
Net GST receivable	199	—	212	—
Sundry debtors	360	—	41	—
<b>Total</b>	<b>4,106</b>	<b>—</b>	<b>3,589</b>	<b>—</b>
<b>Total net receivables</b>	<b>4,106</b>	<b>—</b>	<b>3,589</b>	<b>—</b>

### Accounting policy

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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

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

### Impairment/Measurement of ECL

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

#### Impairment

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, 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.

Council's provision for impairment of receivables at 30 June 2022 is \$nil (2021: \$nil).

## C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>(i) Inventories at cost</b>				
Stores and materials	2,435	–	2,310	–
<b>Total inventories at cost</b>	<b>2,435</b>	<b>–</b>	<b>2,310</b>	<b>–</b>
<b>Total inventories</b>	<b>2,435</b>	<b>–</b>	<b>2,310</b>	<b>–</b>

### 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.

## C1-6 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 <sup>1</sup> Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals <sup>2</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount <sup>1</sup>	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	10,838	–	10,838	3,265	1,545	–	–	(8,048)	–	7,600	–	7,600
Plant and equipment	7,225	(3,728)	3,497	936	–	(284)	(589)	–	–	7,215	(3,655)	3,560
Office equipment	1,355	(1,070)	285	–	69	(1)	(103)	–	–	1,422	(1,173)	249
<b>Land:</b>												
– Operational land	6,379	–	6,379	–	1,015	–	–	–	56	7,450	–	7,450
- Land Improvements	2,015	(27)	1,988	–	–	–	(13)	–	148	2,163	(40)	2,123
<b>Infrastructure:</b>												
– Buildings – non-specialised	623	(212)	411	–	–	–	(6)	–	21	644	(218)	426
– Buildings – specialised	20,207	(7,113)	13,094	–	35	–	(205)	–	683	20,925	(7,318)	13,607
– Water supply network	498,463	(214,824)	283,639	3,029	529	–	(7,457)	8,048	15,806	525,854	(222,262)	303,592
<b>Total infrastructure, property, plant and equipment</b>	<b>547,105</b>	<b>(226,974)</b>	<b>320,131</b>	<b>7,230</b>	<b>3,193</b>	<b>(285)</b>	<b>(8,373)</b>	<b>–</b>	<b>16,714</b>	<b>573,273</b>	<b>(234,666)</b>	<b>338,607</b>

(1) Council has restated opening balances for a prior period error explained in Note F3-1

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

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	Adjustments and transfers	Revaluation decrements to equity (ARR) Restated	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	8,572	–	8,572	2,192	841	–	–	(627)	(140)	–	–	10,838	–	10,838
Plant and equipment	6,959	(3,495)	3,464	781	–	(194)	(555)	–	–	–	–	7,225	(3,728)	3,497
Office equipment	1,302	(961)	341	–	83	(2)	(130)	–	–	–	–	1,355	(1,070)	285
<b>Land:</b>														
– Operational land	4,658	–	4,658	–	1,587	–	–	–	–	–	134	6,379	–	6,379
- Land Improvements	2,510	–	2,510	–	36	–	–	–	–	(558)	–	2,015	(27)	1,988
<b>Infrastructure:</b>														
– Buildings – non-specialised	4,094	(636)	3,458	–	–	–	(54)	–	–	(2,992)	–	623	(212)	411
– Buildings – specialised	12,431	(1,358)	11,073	–	400	–	(143)	–	140	–	1,625	20,207	(7,113)	13,094
– Water supply network	492,131	(154,725)	337,406	4,653	1,376	–	(6,671)	627	–	(53,751)	–	498,463	(214,824)	283,639
<b>Total infrastructure, property, plant and equipment</b>	<b>532,657</b>	<b>(161,175)</b>	<b>371,482</b>	<b>7,626</b>	<b>4,323</b>	<b>(196)</b>	<b>(7,553)</b>	<b>–</b>	<b>–</b>	<b>(57,301)</b>	<b>1,759</b>	<b>547,105</b>	<b>(226,974)</b>	<b>320,131</b>

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

## C1-6 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>	<b>Years</b>	<b>Water assets</b>	<b>Years</b>
Office equipment	5 to 10	Reservoirs	80 to 100
Office furniture	10 to 20	Bores	20 to 40
Computer equipment	5	Reticulation pipes: PVC	80
Vehicles	5 to 10	Reticulation pipes: other	25 to 75
Heavy plant/road making equipment	5 to 10	Pumps and telemetry	15 to 20
Other plant and equipment	5 to 15	<b>Buildings</b>	
		Buildings: masonry	50 to 100

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 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	258	52
<b>Net book value – opening balance</b>	<b>258</b>	<b>52</b>
<b>Movements for the year</b>		
Purchases	1,716	223
Amortisation charges	(17)	(17)
<b>Closing values at 30 June</b>		
Gross book value	1,957	258
<b>Total software – net book value</b>	<b>1,957</b>	<b>258</b>
<b>Other</b>		
<b>(b) High Security Water Licences</b>		
<b>Opening values at 1 July</b>		
Gross book value	9,518	10,832
<b>Net book value – opening balance</b>	<b>9,518</b>	<b>10,832</b>
<b>Movements for the year</b>		
Purchases	43	273
Fair Value (increment to Equity - Asset Revaluation Reserve)	(628)	(1,587)
<b>Closing values at 30 June</b>		
Gross book value	8,933	9,518
<b>Total High Security Water Licences – net book value</b>	<b>8,933</b>	<b>9,518</b>
<b>Total intangible assets – net book value</b>	<b>10,890</b>	<b>9,776</b>

### Accounting policy

#### IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

#### High Security Water Licences

Costs capitalised include external direct costs associated with the purchase of the licence. These rights are valued each year and any associated impairment or fair revaluation increment are included.



## C2 Leasing activities

### C2-1 Council as a lessee

Council has no material leases over any assets including land and buildings, vehicles, machinery and IT equipment. Council has applied the exceptions to lease accounting for 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.

#### Office and IT equipment

Council holds one lease for office and IT equipment for a low value asset. The expense has been accounted for on a straight-line basis in the financial statements.

#### 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	2	2
	<b>2</b>	<b>2</b>

#### 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.

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

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

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

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

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

#### Exceptions to lease accounting

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

#### Leases at significantly below market value / concessionary leases

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

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	320	–	740	–
Accrued expenses:				
– Salaries and wages	579	–	386	–
– Other expenditure accruals	794	–	812	–
Security bonds, deposits and retentions	93	–	63	–
Prepaid rates	908	–	842	–
<b>Total payables</b>	<b>2,694</b>	<b>–</b>	<b>2,843</b>	<b>–</b>

#### Payables relating to restricted assets

##### Restrictions

There are no restricted assets (external or internal) applicable to the above payables and borrowings.

#### Current payables not anticipated to be settled within the next twelve months

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	93	63
<b>Total payables</b>	<b>93</b>	<b>63</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 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured <sup>1</sup>	1,535	1,934	1,587	3,811
<b>Total borrowings</b>	<b>1,535</b>	<b>1,934</b>	<b>1,587</b>	<b>3,811</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note D1.

## C3-2 Borrowings (continued)

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

	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	5,398	(1,929)	–	–	–	–	3,469
<b>Total liabilities from financing activities</b>	<b>5,398</b>	<b>(1,929)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,469</b>

## (b) Financing arrangements

\$ '000	2022	2021
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	250	250
Credit cards/purchase cards	100	100
Market Rate Facility	500	500
<b>Total financing arrangements</b>	<b>850</b>	<b>850</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	38	15
<b>Total drawn financing arrangements</b>	<b>38</b>	<b>15</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	62	85
– Market Rate Facility	500	500
<b>Total undrawn financing arrangements</b>	<b>812</b>	<b>835</b>

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

**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.

## C3-3 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	1,224	–	1,205	–
Sick leave	7	–	8	–
Long service leave	3,324	–	3,639	–
<b>Total employee benefit provisions</b>	<b>4,555</b>	<b>–</b>	<b>4,852</b>	<b>–</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 – employees benefits	3,193	3,972
	<b>3,193</b>	<b>3,972</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 (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

The Water Licence revaluation reserve is used to record increments and decrements in the revaluation of high security water licences.

## D Risks and accounting uncertainties

### D1-1 Risks relating to financial instruments held

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

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

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

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

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

The risks associated with the instruments held are:

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

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

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

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date. This risk only relates to future reinvestment.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	315	314

## D1-1 Risks relating to financial instruments held (continued)

### (b) Credit risk

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

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market value rates which further encourages the payment of debt.

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

#### Credit risk profile

##### Receivables – annual charges

A profile of Council's receivables credit risk at balance date follows:

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
<b>2022</b>				
Gross carrying amount	515	275	–	790
<b>2021</b>				
Gross carrying amount	518	247	–	765

##### 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 overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2022</b>						
Gross carrying amount	2,789	527	–	–	–	3,316
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>2021</b>						
Gross carrying amount	2,303	521	–	–	–	2,824
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

## D1-1 Risks relating to financial instruments held (continued)

### (c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2022</b>							
Payables	0.00%	93	2,601	–	–	2,694	2,694
Borrowings	4.21%	–	1,685	853	2,074	4,612	3,469
<b>Total financial liabilities</b>		<b>93</b>	<b>4,286</b>	<b>853</b>	<b>2,074</b>	<b>7,306</b>	<b>6,163</b>
<b>2021</b>							
Payables	0.00%	63	1,796	–	–	1,859	2,843
Borrowings	5.70%	–	2,246	2,884	1,314	6,444	5,398
<b>Total financial liabilities</b>		<b>63</b>	<b>4,042</b>	<b>2,884</b>	<b>1,314</b>	<b>8,303</b>	<b>8,241</b>

## D2-1 Fair value measurement

---

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

### Fair value hierarchy

All assets and liabilities measured at fair value are 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:** Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:



## D2-1 Fair value measurement (continued)

		Fair value measurement hierarchy									
		Date of latest valuation		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 Restated	2022	2021 Restated
\$ '000	Notes										
Recurring fair value measurements											
Intangible assets											
High Security Water Licence				—	—	8,933	9,518	—	—	8,933	9,518
Total intangible assets				—	—	8,933	9,518	—	—	8,933	9,518
Infrastructure, property, plant and equipment											
	C1-6										
Water Treatment Plants	30/06/21	30/06/21		—	—	—	—	64,575	62,089	64,575	62,089
Ground Water Bores	30/06/21	30/06/21		—	—	—	—	3,475	3,386	3,475	3,386
Water Pumping Stations	30/06/21	30/06/21		—	—	—	—	6,663	6,620	6,663	6,620
Water Reservoirs	30/06/21	30/06/21		—	—	—	—	34,044	26,467	34,044	26,467
Other Water Assets	30/06/21	30/06/21		—	—	—	—	1,472	968	1,472	968
Pipes	30/06/21	30/06/21		—	—	—	—	193,363	184,109	193,363	184,109
Buildings	30/06/21	30/06/21		—	—	—	—	14,033	13,505	14,033	13,505
Land	30/06/21	30/06/21		—	—	9,573	8,791	—	—	9,573	8,791
Plant & Equipment				—	—	3,560	3,497	—	—	3,560	3,497
Office Equipment				—	—	249	286	—	—	249	286
Total infrastructure, property, plant and equipment				—	—	13,382	12,574	317,625	297,144	331,007	309,718
Non-recurring fair value measurements											

## D2-1 Fair value measurement (continued)

### 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:

#### Intangible assets

An external valuation is conducted for the High Security Water Licence on an annual basis based on observed market rates for similar licences.

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

Council engages external, independent and qualified valuers to determine fair value of infrastructure and property assets on a regular basis. This was undertaken during 2020/21. An assessment has also been undertaken to ensure that there is no material difference in carrying values. Water Infrastructure has been indexed in accordance with the rate advised by DPI Water NSW. Techniques used to derive fair values:

**Land:** where an active market exists, a market approach has been adopted. For other types of land the cost approach was adopted. Market valuations were determined by comparing recent sales of land with similar characteristics. Cost valuations were obtained by assuming the need to purchase land from an adjoining neighbour, the value could be determined based on known zoning and town planning restrictions, comparing recent sales of similar land.

**Buildings:** buildings are disaggregated into different components. Observable inputs to the valuation include design and construction, average cost of construction, condition and consumption, supported by inspection and market evidence. Unobservable inputs include pattern of consumption and remaining service potential, which required professional judgement.

**Infrastructure:** assets are componentised into significant parts. Unit rates are based on similar capacity, using market evidence or other inputs that require professional judgement.

**Plant and Equipment:** valued based on actual historical costs.

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

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

\$ '000	Total IPP&E	
	2022	2021
Opening balance	297,144	351,937
<b>Total gains or losses for the period</b>		
Recognised in other comprehensive income – revaluation surplus	16,508	(55,119)
<b>Other movements</b>		
Transfers from/(to) another asset class	8,048	765
Purchases (GBV)	3,593	6,429
Depreciation and impairment	(7,668)	(6,868)
<b>Closing balance</b>	<b>317,625</b>	<b>297,144</b>

### Highest and best use

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

## D3-1 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 makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability.

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) Sick Leave Payable on Retirement due to Medical Grounds

At balance date there is a contingent liability for staff who are entitled to a sick leave to be paid out if they were to retire due to medical grounds. This is an unlikely event. Amount totals \$49,069 (2020/21 \$47,208).

## E People and relationships

### E1 Related party disclosures

#### E1-1 Key management personnel (KMP)

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

The aggregate amount of KMP compensation included in the Income Statement (for 12 KMP in total) is:

\$ '000	2022	2021
<b>Compensation:</b>		
Short-term benefits	734	528
Post-employment benefits	63	39
Other long-term benefits	31	20
<b>Total</b>	<b>828</b>	<b>587</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. supply of water to the residence of KMP) will not be disclosed.

Councillors of Riverina Water County Council are also Councillors for constituent member Councils. Councillors are elected as independent members of Riverina Water County Council's board. Constituent Councils do not hold direct control over Riverina Water County Council and transactions between Councils have not been classified as Related Party transactions.

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
<b>\$ '000</b>					
<b>2022</b>					
Payment for goods/ services received	5	—	30 day creditor payment terms	—	—

## E1-2 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:		
Members expenses – chairperson’s fee	18	18
Members expenses – members fees	79	89
Members expenses (incl. chairperson) – other (excluding fees above)	27	13
<b>Total</b>	<b>124</b>	<b>120</b>

## E2 Other relationships

### E2-1 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>		
(i) Audit and other assurance services		
Audit and review of financial statements	32	31
<b>Remuneration for audit and other assurance services</b>	<b>32</b>	<b>31</b>
<b>Total Auditor-General remuneration</b>	<b>32</b>	<b>31</b>
<b>Non NSW Auditor-General audit firms</b>		
(i) Audit and other assurance services		
Other audit and assurance services: Council's Internal Auditor	26	18
<b>Remuneration for audit and other assurance services</b>	<b>26</b>	<b>18</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>26</b>	<b>18</b>
<b>Total audit fees</b>	<b>58</b>	<b>49</b>

## F Other matters

### F1-1 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>6,639</b>	5,267
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	8,390	7,570
(Gain) / loss on disposal of assets	(388)	(116)
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(517)	777
(Increase) / decrease of inventories	(125)	166
Increase / (decrease) in payables	(420)	503
Increase / (decrease) in other accrued expenses payable	175	169
Increase / (decrease) in other liabilities	96	285
Increase / (decrease) in employee benefit provision	(297)	(455)
<b>Net cash flows from operating activities</b>	<b>13,553</b>	14,166

### F2-1 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>		
Water Treatment Plant	–	238
Purchase Land Koorringal Road	–	121
Solar Pilot Plant	104	109
ERP Development & Implementation	1,551	176
Humula Reservoir Replacement	–	74
Walbundrie Reservoir Replacement	–	79
Refurbishment of Operations Office	516	–
<b>Total commitments</b>	<b>2,171</b>	797
<b>These expenditures are payable as follows:</b>		
Within the next year	2,171	797
<b>Total payable</b>	<b>2,171</b>	797
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	2,171	797
<b>Total sources of funding</b>	<b>2,171</b>	797

#### Details of capital commitments

##### 2022

Contract for refurbishment of Operations office, project to be finalised in 2022/23 financial year.

Solar Pilot Plant preliminary works to continue in 2022/23 financial year.

ERP Development and Implementation to continue in 2022/23 financial year.

## F3 Changes from prior year statements

### F3-1 Correction of errors

#### Nature of prior period error

During the 2021 financial year, Riverina Water undertook a full revaluation of all asset classes. After the completion and adoption of the 2021 financial statements, management identified Work In Progress (WIP) of \$7,817m was included as part of the revaluation report and was included in the revaluation movement during the year. The WIP balance was also recorded in the general ledger account resulting in double counting of the WIP balance. The revaluation movement during FY2021 was recorded directly to the financial statements, hence did not have any depreciation expense. The error resulted in the Written Down Value (WDV) of Infrastructure, Property, Plant & Equipment being overstated, and the Asset Revaluation Reserve (ARR) being overstated.

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

#### Adjustments to the comparative figures for the year ended 30 June 2021

##### Statement of Financial Position

\$ '000	Notes	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Cash and cash equivalents	A1-1	14,392	(11,500)	2,892
Investments	A1-1	17,000	(1,000)	16,000
Receivables		3,589	–	3,589
Inventories		2,310	–	2,310
<b>Total current assets</b>		<b>37,291</b>	<b>(12,500)</b>	<b>24,791</b>
Investments	A1-1	–	12,500	12,500
Infrastructure, property, plant and equipment (IPPE)		327,948	(7,817)	320,131
Intangible Assets		9,776	–	9,776
<b>Total non-current assets</b>		<b>337,724</b>	<b>4,683</b>	<b>342,407</b>
<b>Total assets</b>		<b>375,015</b>	<b>(7,817)</b>	<b>367,198</b>
Payables		2,843	–	2,843
Borrowings		1,587	–	1,587
Employee benefit provisions		4,852	–	4,852
<b>Total current liabilities</b>		<b>9,282</b>	<b>–</b>	<b>9,282</b>
Borrowings		3,811	–	3,811
<b>Total non-current liabilities</b>		<b>3,811</b>	<b>–</b>	<b>3,811</b>
<b>Total liabilities</b>		<b>13,093</b>	<b>–</b>	<b>13,093</b>
<b>Net assets</b>		<b>361,922</b>	<b>(7,817)</b>	<b>354,105</b>
Accumulated Surplus		152,845	–	152,845
IPPE revaluation reserve		209,077	(7,817)	201,260
<b>Total equity</b>		<b>361,922</b>	<b>(7,817)</b>	<b>354,105</b>

### F3-1 Correction of errors (continued)

#### Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
<b>Net operating result for the year</b>	<b>5,267</b>	<b>–</b>	<b>5,267</b>
<b>Amounts which will not be reclassified subsequently to the operating result:</b>			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	(47,725)	(7,817)	(55,542)
Gain (loss) on revaluation of intangible assets	(1,587)	–	(1,587)
<b>Other comprehensive income</b>	<b>(49,312)</b>	<b>(7,817)</b>	<b>(57,129)</b>
<b>Total comprehensive income for the year</b>	<b>(44,045)</b>	<b>(7,817)</b>	<b>(51,862)</b>

### F3-2 Changes in accounting estimates

#### Nature and effect of changes in accounting estimates on current year

There was no impact on the accounting estimates in the current year.

#### Nature and effect of changes in accounting estimates on future years

There are no foreseeable impacts on the accounting estimates for the future years.



## F4 Statement of developer contributions as at 30 June 2022

### F4-1 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					
S64 contributions	—	2,628	—	—	(2,628)	—	—	—
<b>Total contributions</b>	<b>—</b>	<b>2,628</b>	<b>—</b>	<b>—</b>	<b>(2,628)</b>	<b>—</b>	<b>—</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.

## F5 Statement of performance measures

### F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	1,924	7.30%	9.03%	28.54%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	26,340				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	26,218	85.49%	89.98%	92.59%	> 60.00%
Total continuing operating revenue <sup>1</sup>	30,667				
3. Unrestricted current ratio					
Current assets less all external restrictions	52,061	6.77x	8.45x	8.32x	> 1.50x
Current liabilities less specific purpose liabilities	7,693				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	10,553	4.87x	4.63x	7.69x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,168				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	790	12.04%	11.50%	14.26%	< 10.00%
Rates and annual charges collectable	6,561				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	31,510	20.31	19.39	18.27	> 3.00
Monthly payments from cash flow of operating and financing activities	1,552	mths	mths	mths	mths

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

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

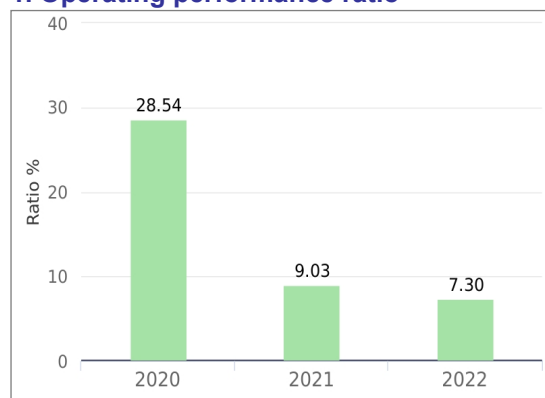
## END OF AUDITED FINANCIAL STATEMENTS

End of the audited financial statements

## G Additional Council disclosures (unaudited)

### G1-1 Statement of performance measures – consolidated results (graphs)

#### 1. Operating performance ratio



##### Purpose of operating performance ratio

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

##### Commentary on 2021/22 result

2021/22 ratio 7.30%

Decrease in result on prior years due to water being less as a result of increased rainfall and lower water consumption demand.

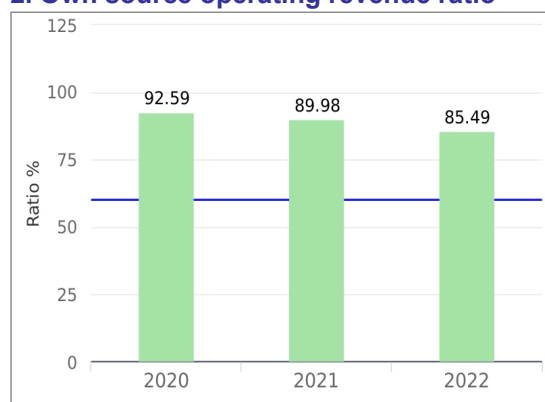
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



##### Purpose of own source operating revenue ratio

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

##### Commentary on 2021/22 result

2021/22 ratio 85.49%

Council primarily relies on water sales income to fund operations, which results in a consistently high ratio.

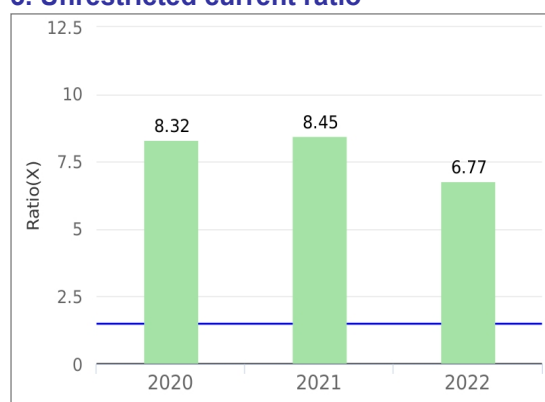
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



##### Purpose of unrestricted current ratio

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

##### Commentary on 2021/22 result

2021/22 ratio 6.77x

A decrease in this ratio for the current year is due to decreased short term cash holdings.

Benchmark: — > 1.50x

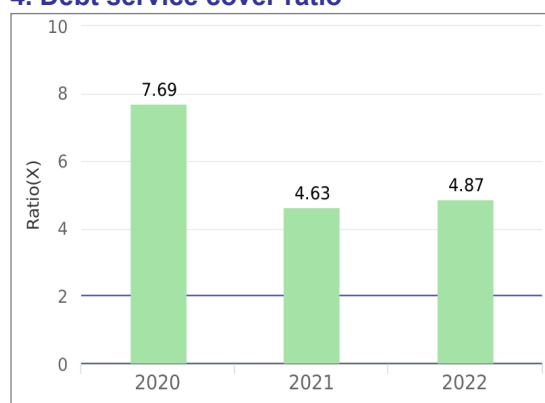
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## G1-1 Statement of performance measures – consolidated results (graphs) (continued)

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 4.87x

Higher operating result this year has resulted in a higher ratio.

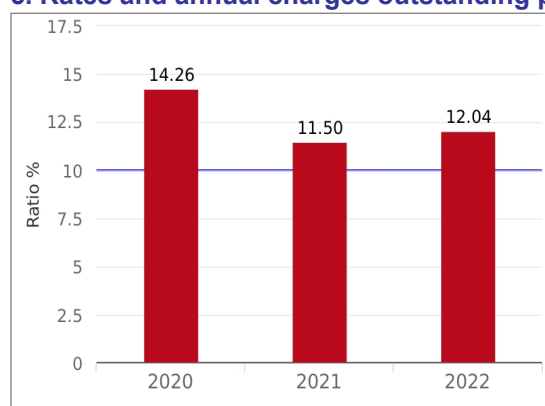
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



#### Purpose of rates and annual charges outstanding percentage

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

#### Commentary on 2021/22 result

2021/22 ratio 12.04%

This ratio is consistent over the years due to debt recovery measures in place. The ratio is high compared to benchmark due to rolling quarterly billing cycle where accounts are raised throughout the quarter. This measure takes into account all accounts regardless of whether they are overdue.

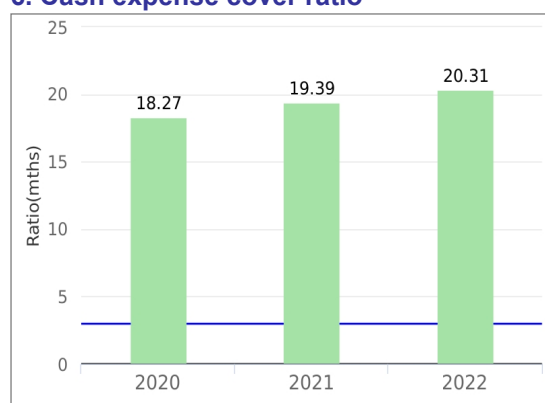
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 20.31 mths

This ratio has remained fairly consistent with a slight increase due to increased cash holdings at year end.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## G1-2 Financial review

### Key financial figures of Council over the past 5 years

\$ '000	2022	2021 Restated	2020	2019	2018
<b>Inflows:</b>					
Rates and annual charges revenue	5,710	5,655	5,592	5,551	5,471
User charges revenue	19,606	19,796	25,587	25,994	22,877
Interest and investment revenue (losses)	326	467	664	691	595
Grants income – operating and capital	1,821	1,211	270	338	402
Total income from continuing operations	31,055	29,449	36,613	36,322	32,970
Sale proceeds from IPPE	673	317	216	279	214
New loan borrowings and advances	–	–	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	9,529	9,066	9,627	8,972	7,942
Borrowing costs	239	367	466	570	653
Materials and contracts expenses	5,815	7,084	7,365	2,580	2,202
Total expenses from continuing operations	24,416	24,182	24,413	22,853	21,260
Total cash purchases of IPPE	10,420	11,962	15,701	15,928	11,025
Total loan repayments (incl. finance leases)	1,929	1,868	1,753	1,668	1,575
Operating surplus/(deficit) (excl. capital income)	2,312	2,517	9,757	10,456	8,391
<b>Financial position figures</b>					
Current assets	20,551	24,791	38,060	35,545	32,045
Current liabilities	8,784	9,282	9,059	8,159	6,868
Net current assets	11,767	15,509	29,001	27,386	25,177
Available working capital (Unrestricted net current assets)	21,728	17,550	28,793	27,669	23,338
Cash and investments – unrestricted	23,225	23,548	24,037	19,545	17,421
Cash and investments – internal restrictions	8,285	7,844	7,181	8,639	8,714
Cash and investments – total	31,510	31,392	31,218	28,184	26,135
Total borrowings outstanding (loans, advances and finance leases)	3,469	5,398	7,266	9,019	10,687
Total value of IPPE (excl. land and earthworks)	573,273	547,105	527,999	510,376	490,822
Total accumulated depreciation	234,666	226,974	161,175	154,760	149,064
Indicative remaining useful life (as a % of GBV)	59%	59%	69%	70%	70%

**Source:** published audited financial statements of Council (current year and prior year)

## G1-3 Council information and contact details

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**Principal place of business:**

91 Hammond Avenue  
Wagga Wagga NSW 2650

**Contact details****Mailing Address:**

PO Box 456  
Wagga Wagga NSW 2650

**Opening hours:**

8:30am - 4:00pm  
Monday to Friday

**Telephone:** 02 6922 0608

**Facsimile:** 02 6921 2241

**Internet:** [www.rwcc.nsw.gov.au](http://www.rwcc.nsw.gov.au)

**Email:** [admin@rwcc.nsw.gov.au](mailto:admin@rwcc.nsw.gov.au)

**Officers****CHIEF EXECUTIVE OFFICER**

Mr A Crakanthorp

**RESPONSIBLE ACCOUNTING OFFICER**

Ms E Tonacia

**PUBLIC OFFICER**

Ms E Tonacia

**AUDITORS**

Audit Office of New South Wales  
Level 15, 1 Margaret Street  
Sydney NSW 2000

**Elected members****CHAIRPERSON**

Clr T Koschel (City of Wagga Wagga)

**COUNCILLORS**

Clr T Quinn (Greater Hume Shire)

Clr D Meyer, OAM (Greater Hume Shire)

Clr G Driscoll (Lockhart Shire)

Clr G Davies (City of Wagga Wagga)

Clr D Hayes (City of Wagga Wagga)

Clr M Henderson (City of Wagga Wagga)

Clr J McKinnon (City of Wagga Wagga)

Clr P Bourke (Federation Council)

**Other information**

**ABN:** 52 084 883 210



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Riverina Water County Council

To the Councillors of Riverina Water County Council

### Opinion

I have audited the accompanying financial statements of Riverina Water County 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:

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 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.

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.

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
- 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.

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

4 October 2022  
SYDNEY



Cr Tim Koschel  
Chairperson  
Riverina Water County Council  
PO Box 456  
WAGGA WAGGA NSW 2650

Contact: Hong Wee Soh  
Phone no: 02 9275 7188  
Our ref: D2219537/1822

4 October 2022

Dear Cr Koschel

**Report on the Conduct of the Audit  
for the year ended 30 June 2022  
Riverina Water County Council**






I have audited the general purpose financial statements (GPFS) of the Riverina Water County 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 an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 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.

## INCOME STATEMENT

### Operating result

	2022 \$'000	2021 \$'000	Variance %
Rates and annual charges revenue	5,710	5,655	 1.0
User charges and fees	19,606	19,796	 1.0
Grants and contributions revenue	4,449	2,940	 51.3
Operating result from continuing operations	6,639	5,267	 26.0
Net operating result before capital grants and contributions	2,312	2,517	 8.1

Rates and annual charges revenue increased by \$55 thousand (1 per cent) in 2021-22 to \$5.7 million. Council's customers increased by 1.2 per cent which is consistent with the movement in rates and annual charges revenue.

User charges and fees decreased by \$190 thousand (1 per cent) in 2021-22 to \$19.6 million. The decrease can be attributed to the wet weather which resulted in lower water sales (specific actual use charges) and bulk water sales to Councils compared to the previous year.

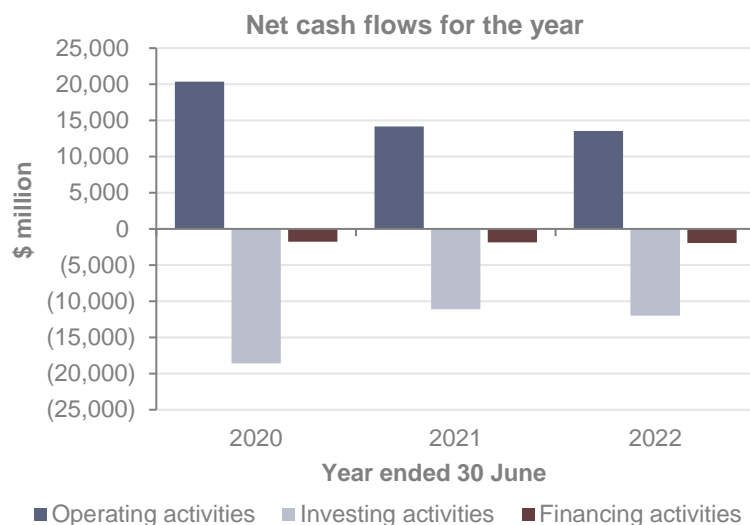
Grants and contributions revenue increased by \$1.5 million (51.3 per cent) in 2021-22 to \$4.4 million due to additional developer contributions as a result of increased development.

The Council's operating result from continuing operations has increased by \$1.3 million to \$6.6 million in 2021-22. The increase of 26 per cent is mainly due to the increase in user grants and contributions.

The net operating result before capital grants and contributions (\$2.3 million) was \$205 thousand lower than the 2020-21 result. The decrease of 8.1 per cent is mainly due to the decrease in user charges and fees income and an increase in employee benefits, depreciation and amortisation expenses.

## STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$382 thousand at 30 June 2022 (net increase of \$1.17 million at 30 June 2021)
- Net cash provided by operating activities amounted to \$13.5 million. Council recorded cash receipts from user fees and charges of \$19.3 million and grants and contributions of \$4.4 million. Council recorded cash payments for employee benefits and on-costs of \$9.6 million and materials and services of \$6.3 million.
- Net cash used in investing activities amounted to \$12 million. This is largely due to the net cash outflow of \$10.4 million for the purchase of infrastructure, property, plant and equipment during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>31,510</b>	<b>31,392</b>	<ul style="list-style-type: none"> <li>• Internally restricted cash and cash investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council.</li> <li>• Internally restricted cash has increased due to an increase in restrictions for plant replacement. This increased due to the large base of plant now held. Additionally, water licence revenue was restricted for future purchase of water licences to safeguard communities water supply for future generations.</li> </ul>
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	-	-	
• Internal allocations	8,285	7,844	
• Unrestricted	23,225	23,548	

### Debt

The Council has financing arrangements of \$850,000 with total drawn financing arrangements of \$38,000 and total undrawn financing arrangements of \$812,000.

## 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.

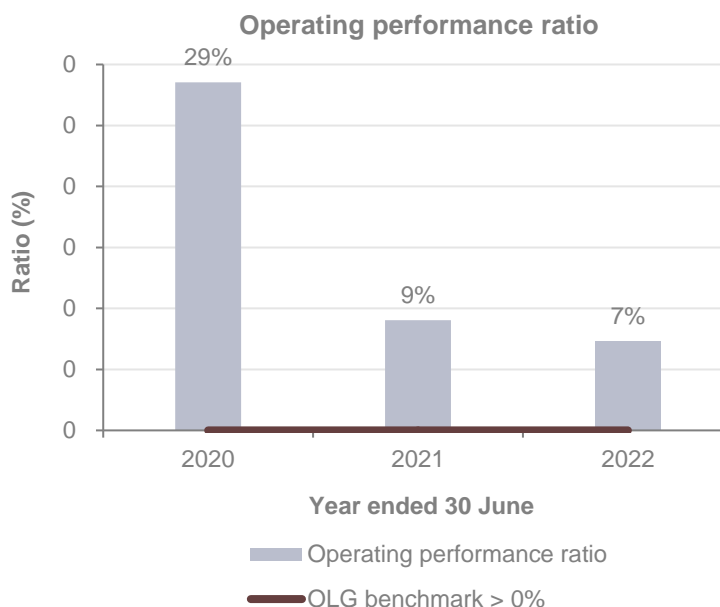
#### Operating performance ratio

The Council exceeded the OLG benchmark for the current reporting period.

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

The Council exceeded the OLG benchmark for the current reporting period with a ratio of 7%.

The decrease from prior years can be explained by a decrease in water sales due to higher rainfall in the county during the period.

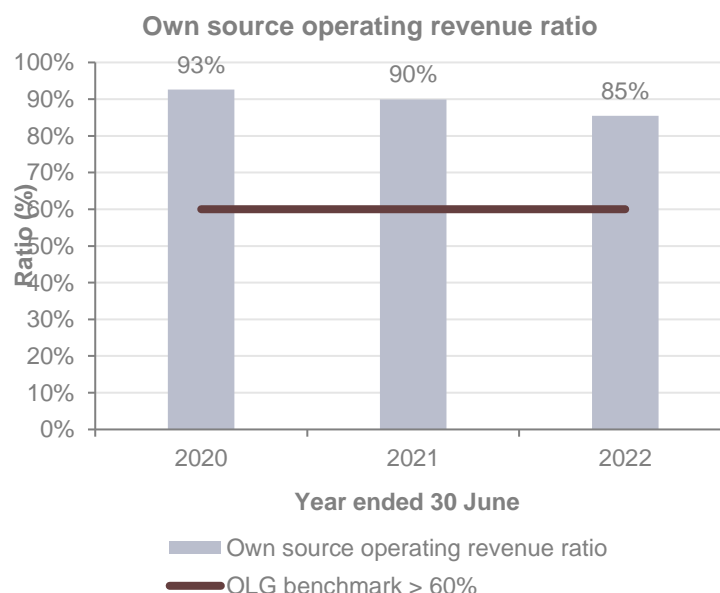


#### Own source operating revenue ratio

The Council exceeded the OLG benchmark for the current reporting period.

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

The Council's own source operating revenue ratio of 85% is above the industry benchmark of 60%. Council has met this benchmark as its main source of income is from water sales, rather than reliance on operating grants and contributions.

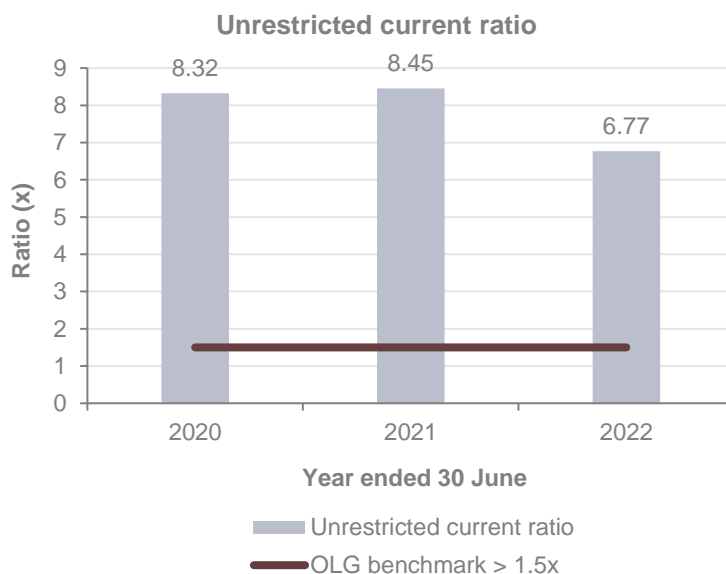


## Unrestricted current ratio

The Council exceeded the OLG benchmark for the current reporting period.

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

The Council's unrestricted current ratio of 6.77 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.



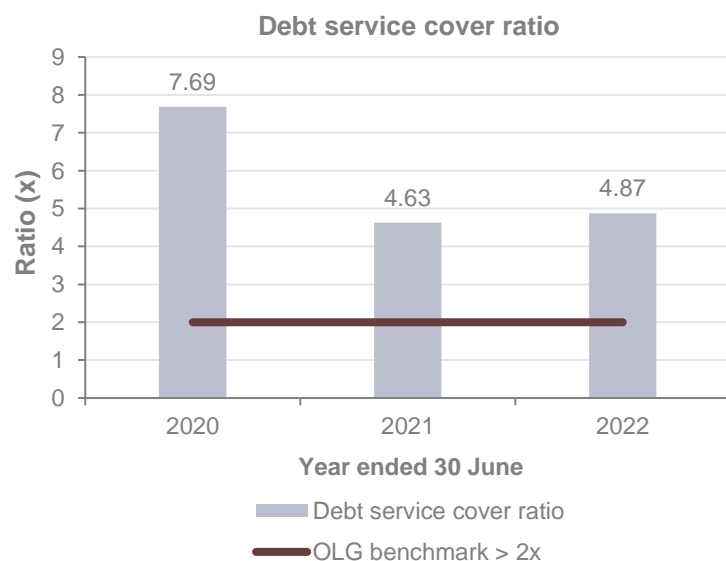
## Debt service cover ratio

The Council exceeded the OLG benchmark for the current reporting period.

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 exceeded the OLG benchmark for the current reporting period with a debt service coverage ratio of 4.87 times.

The Council's own source operating revenue ratio has remained steady compared to the prior year.



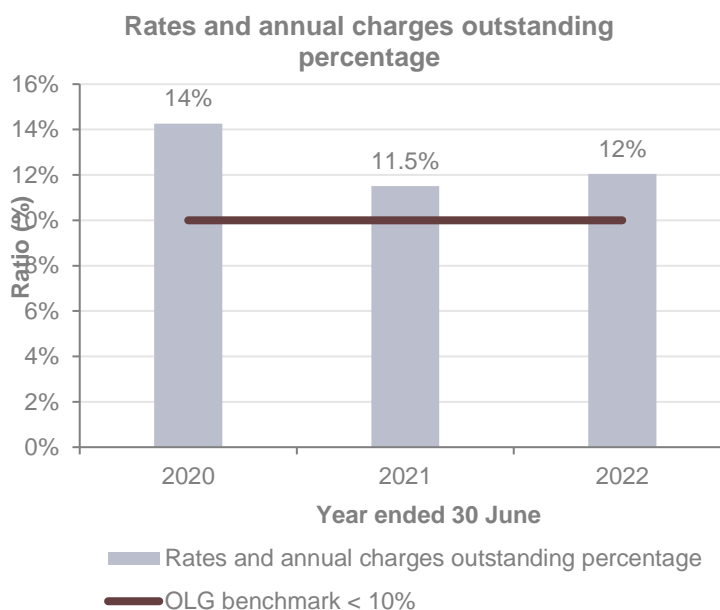
### Rates and annual charges outstanding percentage

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

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

The Council's rates and annual charges outstanding percentage of 12 per cent is outside the industry benchmark of less than 10 per cent for rural councils.

Council continues to exceed this benchmark due to the rolling quarterly billing arrangements. The billing cycle of water county councils need to be considered when assessing this performance against other general councils.

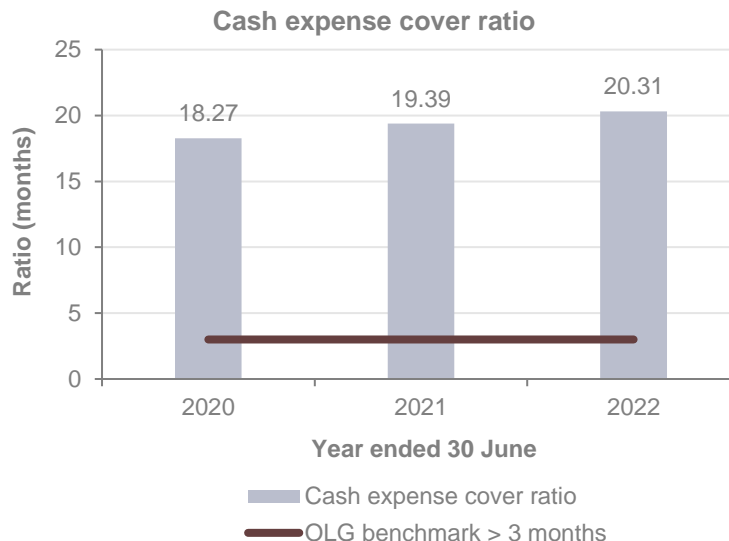


### Cash expense cover ratio

The Council exceeded the OLG benchmark for the current reporting period.

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 20.31 months, which is above the industry benchmark of greater than 3 months. This indicates that Council has the capacity to cover 20.31 months of cash expenditure without additional cash inflows at 30 June 2022.



### Infrastructure, property, plant and equipment renewals

The Council has renewed \$7.23 million of assets in the 2021-22 financial year, compared to \$7.63 million of assets in the 2020-21 financial year. Council have a large capital works program which is contributing to the high amount of renewals.

## OTHER MATTERS

### Legislative compliance

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

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



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

cc: Mr Andrew Crakanthorp, General Manager  
Mr David Maxwell, Chair of Audit and Risk Committee  
Michael Cassel, Secretary of the Department of Planning, Industry and Environment



# Riverina Water County Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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"to provide our community with safe reliable water at  
the lowest sustainable cost"



# Riverina Water County Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

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Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Special Purpose Financial Statements:</b>	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	n/a
Statement of Financial Position of water supply business activity	5
Statement of Financial Position of sewerage business activity	n/a
<b>Note – Significant Accounting Policies</b>	<b>6</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>9</b>

## Riverina Water County 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.

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 01 September 2022.



Clr T Koschel  
Chairperson



Clr D Meyer OAM  
Deputy Chairperson



Mr A Crakanthorp  
Chief Executive Officer



Ms E Tonacia  
Responsible Accounting Officer

# Riverina Water County 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	5,710	5,655
User charges	19,606	19,735
Interest and investment income	326	467
Grants and contributions provided for operating purposes	122	207
Net gain from the disposal of assets	388	116
Other income	576	519
<b>Total income from continuing operations</b>	<b>26,728</b>	<b>26,699</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	9,529	9,066
Borrowing costs	239	367
Materials and services	5,557	6,763
Depreciation, amortisation and impairment	8,390	7,570
Water purchase charges	258	321
Calculated taxation equivalents	116	95
Other expenses	443	95
<b>Total expenses from continuing operations</b>	<b>24,532</b>	<b>24,277</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,196</b>	<b>2,422</b>
Grants and contributions provided for capital purposes	4,327	2,750
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>6,523</b>	<b>5,172</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>6,523</b>	<b>5,172</b>
Less: corporate taxation equivalent (25%) (2021:26%) [based on result before capital]	(549)	(600)
<b>Surplus (deficit) after tax</b>	<b>5,974</b>	<b>4,572</b>
<b>Plus accumulated surplus</b>	<b>152,845</b>	<b>147,578</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	116	95
– Corporate taxation equivalent	549	600
<b>Closing accumulated surplus</b>	<b>159,484</b>	<b>152,845</b>
<b>Return on capital %</b>	<b>0.7%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>(56)</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	5,974	4,572
Less: capital grants and contributions (excluding developer contributions)	(4,327)	(2,750)
<b>Surplus for dividend calculation purposes</b>	<b>1,647</b>	<b>1,822</b>
<b>Potential dividend calculated from surplus</b>	<b>824</b>	<b>911</b>

# Riverina Water County Council

## Statement of Financial Position of water supply business activity

as at 30 June 2022

<b>\$ '000</b>	<b>2022</b>	<b>2021 Restated</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,510	2,892
Investments	11,500	16,000
Receivables	4,106	3,589
Inventories	2,435	2,310
<b>Total current assets</b>	<b>20,551</b>	<b>24,791</b>
<b>Non-current assets</b>		
Investments	17,500	12,500
Infrastructure, property, plant and equipment	338,607	320,131
Intangible assets	10,890	9,776
<b>Total non-current assets</b>	<b>366,997</b>	<b>342,407</b>
<b>Total assets</b>	<b>387,548</b>	<b>367,198</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,786	2,001
Income received in advance	908	842
Borrowings	1,535	1,587
Employee benefit provisions	4,555	4,852
<b>Total current liabilities</b>	<b>8,784</b>	<b>9,282</b>
<b>Non-current liabilities</b>		
Borrowings	1,934	3,811
<b>Total non-current liabilities</b>	<b>1,934</b>	<b>3,811</b>
<b>Total liabilities</b>	<b>10,718</b>	<b>13,093</b>
<b>Net assets</b>	<b>376,830</b>	<b>354,105</b>
<b>EQUITY</b>		
Accumulated surplus	159,484	152,845
Revaluation reserves	217,346	201,260
<b>Total equity</b>	<b>376,830</b>	<b>354,105</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 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

### Comparatives

Where appropriate, comparative figures have been amended to accord with the current year presentation, and disclosure has been made of any material changes to comparatives. Those comparative figures amended are summarised below:

#### Statement of Financial Position

- Cash & Cash Equivalents and Investments have been amended to reflect accurate capture of short term cash holdings to only be those amounts deposited with a term of 3 month or less. In the prior year, investments were disclosed as Cash & Cash Equivalents if there was 3 months or less until they matured.
- Infrastructure, property, plant & equipment has been amended to reflect the overstatement in 20/21 due to double counting of Work in Progress.

#### Income Statement

- Diesel Fuel Rebate has been amended to be included under 'Other income', previously reported under Grants and contributions.
- Gain on disposal in 20/21 was excluded from the Income Statement and now included.

### 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)

##### Riverina Water County Council

Water supply operations servicing the local government areas of Wagga Wagga City, Federation, Lockhart, & Greater Hume Shire.

#### Category 2

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

Nil

## Note – Significant Accounting Policies (continued)

### 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%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **1.6% + \$100**. 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 Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (20/21 26%).

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date.

#### (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:

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

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

## Note – Significant Accounting Policies (continued)

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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.

### (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**

#### **Riverina Water County Council**

To the Councillors of Riverina Water County Council

### **Opinion**

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

The Declared Business Activity of the Council is water supply.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activity 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.

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.

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.

A handwritten signature in black ink, appearing to read 'Soh' with a stylized flourish underneath.

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

4 October 2022  
SYDNEY

# Riverina Water County Council

SPECIAL SCHEDULES  
for the year ended 30 June 2022

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"to provide our community with safe reliable water at  
the lowest sustainable cost"



# Riverina Water County Council

## Special Schedules

for the year ended 30 June 2022

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Contents	Page
<b>Special Schedules:</b>	
Report on infrastructure assets as at 30 June 2022	3

# Riverina Water County Council

## Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance <sup>a</sup>	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
<b>Buildings</b>	Buildings	–	–	505	367	14,033	21,570	41.9%	25.5%	23.5%	9.1%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>505</b>	<b>367</b>	<b>14,033</b>	<b>21,570</b>	<b>41.9%</b>	<b>25.5%</b>	<b>23.5%</b>	<b>9.1%</b>	<b>0.0%</b>
<b>Water supply network</b>	Treatment Plants	1,234	1,234	790	929	64,575	104,728	48.2%	8.7%	20.0%	23.1%	0.0%
	Bores	–	–	175	206	3,474	6,561	6.9%	30.9%	57.6%	4.6%	0.0%
	Reservoirs	477	477	240	248	34,044	57,027	24.4%	9.2%	50.8%	14.5%	1.2%
	Pumping Stations	87	87	195	215	8,135	18,678	14.4%	9.7%	66.8%	6.1%	3.1%
	Pipeline	19,291	19,291	1,250	1,368	193,364	338,859	21.3%	43.5%	27.0%	8.3%	0.0%
	<b>Sub-total</b>	<b>21,089</b>	<b>21,089</b>	<b>2,650</b>	<b>2,966</b>	<b>303,592</b>	<b>525,853</b>	<b>26.5%</b>	<b>31.5%</b>	<b>30.0%</b>	<b>11.8%</b>	<b>0.2%</b>
<b>Total – all assets</b>		<b>21,089</b>	<b>21,089</b>	<b>3,155</b>	<b>3,333</b>	<b>317,625</b>	<b>547,423</b>	<b>27.2%</b>	<b>31.2%</b>	<b>29.7%</b>	<b>11.7%</b>	<b>0.2%</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

# Riverina Water County Council

## Report on infrastructure assets as at 30 June 2022

### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals <sup>1</sup>	7,230	94.29%	67.75%	89.78%	>= 100.00%
Depreciation, amortisation and impairment	7,668				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	21,089	6.48%	6.49%	7.47%	< 2.00%
Net carrying amount of infrastructure assets	325,225				
Asset maintenance ratio					
Actual asset maintenance	3,333	105.64%	96.35%	96.04%	> 100.00%
Required asset maintenance	3,155				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,089	3.85%	3.75%	5.27%	
Gross replacement cost	547,423				

(\*) 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.