

Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9

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 2(b).

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

Riverina Water County Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

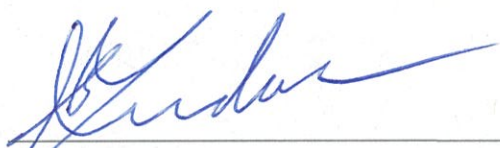
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

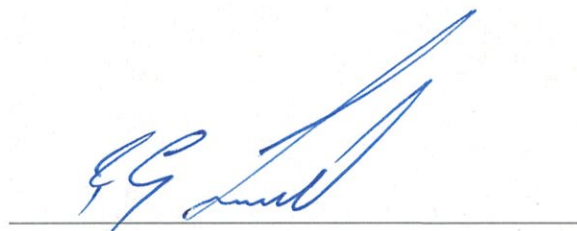
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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


Signed in accordance with a resolution of Council made on 26 August 2020.



Cllr G Verdon
Chairperson



Cllr P Funnell
Councillor



Mr A Crakanthorp
General Manager



Ms E Tonacia
Responsible Accounting Officer

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
5,256	Rates and annual charges	3a	5,592	5,551
23,196	User charges and fees	3b	25,587	25,994
286	Other revenues	3c	2,052	662
225	Grants and contributions provided for operating purposes	3d,3e	270	338
3,741	Grants and contributions provided for capital purposes	3d,3e	2,443	3,013
300	Interest and investment income	4	664	691
–	Net gains from the disposal of assets	6	5	73
33,004	Total income from continuing operations		36,613	36,322
Expenses from continuing operations				
9,002	Employee benefits and on-costs	5a	9,627	8,972
488	Borrowing costs	5b	466	570
4,155	Materials and contracts	5c	2,581	2,580
6,100	Depreciation and amortisation	5d	6,845	6,216
5,026	Other expenses	5e	4,894	4,515
24,771	Total expenses from continuing operations		24,413	22,853
8,233	Operating result from continuing operations		12,200	13,469
8,233	Net operating result for the year		12,200	13,469
8,023	Net operating result attributable to council		12,200	13,469
4,282	Net operating result for the year before grants and contributions provided for capital purposes		9,757	10,456

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		12,200	13,469
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	2,703	4,454
Gain (loss) on revaluation of intangible assets		3,200	3,302
Total items which will not be reclassified subsequently to the operating result		5,903	7,756
Total other comprehensive income for the year		5,903	7,756
Total comprehensive income for the year		18,103	21,225
 Total comprehensive income attributable to Council		 18,103	 21,225

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	13,218	13,184
Investments	7(b)	18,000	15,000
Receivables	8	4,366	4,789
Inventories	9	2,476	2,572
Total current assets		38,060	35,545
Non-current assets			
Infrastructure, property, plant and equipment	10	371,482	360,134
Intangible Assets	11	10,884	7,602
Right of use assets		—	—
Total non-current assets		382,366	367,736
Total assets		420,426	403,281
LIABILITIES			
Current liabilities			
Payables	13	1,886	1,685
Income received in advance	13	—	445
Borrowings	13	1,866	1,761
Provisions	14	5,307	4,268
Total current liabilities		9,059	8,159
Non-current liabilities			
Borrowings	13	5,400	7,258
Total non-current liabilities		5,400	7,258
Total liabilities		14,459	15,417
Net assets		405,967	387,864
EQUITY			
Accumulated surplus	15	147,578	135,378
Revaluation reserves	15	258,389	252,486
Council equity interest		405,967	387,864
Total equity		405,967	387,864

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		135,378	252,486	387,864	121,909	244,730	366,639
Net operating result for the year		12,200	–	12,200	13,469	–	13,469
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	2,703	2,703	–	4,454	4,454
– Gain (loss) on revaluation of intangible assets		–	3,200	3,200	–	3,302	3,302
Other comprehensive income		–	5,903	5,903	–	7,756	7,756
Total comprehensive income		12,200	5,903	18,103	13,469	7,756	21,225
Equity – balance at end of the reporting period		147,578	258,389	405,967	135,378	252,486	387,864

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
5,052	Rates and annual charges		6,061	5,450
23,339	User charges and fees		25,071	25,708
319	Investment and interest revenue received		566	535
3,968	Grants and contributions		2,714	3,345
–	Bonds, deposits and retention amounts received		–	61
188	Other		4,696	1,883
Payments:				
(8,846)	Employee benefits and on-costs		(8,486)	(8,386)
(4,260)	Materials and contracts		(2,486)	(2,731)
(488)	Borrowing costs		(466)	(570)
–	Bonds, deposits and retention amounts refunded		(77)	–
(5,026)	Other		(7,239)	(5,929)
14,246	Net cash provided (or used in) operating activities	16b	20,354	19,366
Cash flows from investing activities				
Receipts:				
–	Sale of infrastructure, property, plant and equipment		216	279
Payments:				
–	Purchase of investment securities		(3,000)	(8,000)
(17,600)	Purchase of infrastructure, property, plant and equipment		(15,701)	(15,928)
–	Purchase of intangible assets		(82)	–
(17,600)	Net cash provided (or used in) investing activities		(18,567)	(23,649)
Cash flows from financing activities				
Payments:				
(1,761)	Repayment of borrowings and advances		(1,753)	(1,668)
(1,761)	Net cash flow provided (used in) financing activities		(1,753)	(1,668)
(5,115)	Net increase/(decrease) in cash and cash equivalents		34	(5,951)
13,352	Plus: cash and cash equivalents – beginning of year	16a	13,184	19,135
8,237	Cash and cash equivalents – end of the year	16a	13,218	13,184
7,000	plus: Investments on hand – end of year	7(b)	18,000	15,000
15,237	Total cash, cash equivalents and investments		31,218	28,184

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the Consolidated Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	18
5	Expenses from continuing operations	19
6	Gain or loss from disposal of assets	23
7(a)	Cash and cash equivalents	24
7(b)	Investments	24
7(c)	Restricted cash, cash equivalents and investments	25
8	Receivables	26
9	Inventories and other assets	27
10	Infrastructure, property, plant and equipment	28
11	Intangible assets	30
12	Leases	31
13	Payables and borrowings	33
14	Provisions	35
15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	38
16	Statement of cash flow information	40
17	Commitments	41
18	Contingencies	42
19	Financial risk management	43
20	Material budget variations	46
21	Fair Value Measurement	48
22	Related party disclosures	51
23	Statement of developer contributions	52
24(a)	Statement of performance measures – consolidated results	53
	Additional Council disclosures (unaudited)	
24(b)	Statement of performance measures – consolidated results (graphs)	55
25	Financial review	57
26	Council information and contact details	58

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30 September 2020.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 22 Related Party 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 20 – Material budget variations

and are clearly marked.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated fair values of intangibles – refer Note 11
- (iii) employee benefit provisions – refer Note 14

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 8.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Covid 19 has 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 will not experience 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 not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Water supplies	36,613	36,322	24,413	22,853	12,200	13,469	270	338	420,426	403,281
Other	–	–	–	–	–	–	–	206	–	(1,449)
Total functions and activities	36,613	36,322	24,413	22,853	12,200	13,469	270	544	420,426	401,832

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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.

Other

Comprising the Pensioner Rebate that is received by Council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Water supply services – commercial	1058	493	491
Water supply services – residential	1058	4,894	4,854
Annual charges levied		5,387	5,345
Pensioner subsidies received:			
– Water	1058	205	206
Total annual charges		5,592	5,551
TOTAL RATES AND ANNUAL CHARGES		5,592	5,551

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance a rates payment.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services – commercial	15	7,455	7,576
Water supply services – residential	15	17,128	17,218
Total specific user charges		24,583	24,794
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	15	12	14
Section 603 certificates	15	146	154
Total fees and charges – statutory/regulatory		158	168
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Leaseback fees – Council vehicles	15	40	34
Water connection fees	15	477	739
Standpipe fees	15	329	259
Total fees and charges – other		846	1,032
TOTAL USER CHARGES AND FEES		25,587	25,994

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for user charges and fees

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Sales – general	15	36	190
Lease rental	15	30	35
Sales – scrap material	15	24	3
Sundry Income	1058	1,817	281
Temporary water allocation	15	145	153
<u>TOTAL OTHER REVENUE</u>		<u>2,052</u>	<u>662</u>

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
Specific purpose					
LIRS subsidy	1058	256	318	–	–
Diesel and alternative fuels	1058	14	20	–	–
Total specific purpose		270	338	–	–
Total grants		270	338	–	–
Grant revenue is attributable to:					
– Commonwealth funding		220	226	–	–
– State funding		50	112	–	–
		270	338	–	–

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 64 – water supply contributions		1058	–	–	2,443	3,013
Total developer contributions – cash			–	–	2,443	3,013
Total developer contributions	23		–	–	2,443	3,013
Total contributions			–	–	2,443	3,013
TOTAL GRANTS AND CONTRIBUTIONS			270	338	2,443	3,013

Accounting policy for grants and contributions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	102	67
– Cash and investments	562	624
Finance income on the net investment in the lease	–	–
<u>Total Interest and investment income</u>	<u>664</u>	<u>691</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	102	67
General Council cash and investments	562	624
<u>Total interest and investment revenue</u>	<u>664</u>	<u>691</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	8,095	7,200
Travel expenses	280	153
Employee leave entitlements (ELE)	2,443	1,806
Superannuation	1,400	1,318
Workers' compensation insurance	268	248
Fringe benefit tax (FBT)	36	36
Payroll tax	531	484
Training costs (other than salaries and wages)	237	256
Uniforms	70	55
Safety Bonus	19	22
Sick leave bonus	143	151
Total employee costs	13,522	11,729
Less: capitalised costs	(3,895)	(2,757)
TOTAL EMPLOYEE COSTS EXPENSED	9,627	8,972
Number of 'full-time equivalent' employees (FTE) at year end	102	96

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	466	570
Total interest bearing liability costs	466	570
Total interest bearing liability costs expensed	466	570
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
TOTAL BORROWING COSTS EXPENSED	466	570

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	290	246
Contractor and consultancy costs	2,032	2,206
Auditors remuneration ¹	70	78
Strategic Documents	9	50
Legal expenses:		
– Legal expenses: other	178	–
Expenses from leases of low value assets (2020 only)	2	–
Total materials and contracts	2,581	2,580
TOTAL MATERIALS AND CONTRACTS	2,581	2,580
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	31	30
Remuneration for audit and other assurance services	31	30
Total Auditor-General remuneration	31	30
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services: Council's Internal Auditor	39	48
Remuneration for audit and other assurance services	39	48
Total remuneration of non NSW Auditor-General audit firms	39	48
Total Auditor remuneration	70	78

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		514	515
Office equipment		175	155
Infrastructure:	10		
– Buildings – non-specialised		51	50
– Buildings – specialised		143	143
– Water supply network		5,962	5,353
Right of use assets	12	–	–
Total gross depreciation and amortisation costs		6,845	6,216
Total depreciation and amortisation costs		6,845	6,216
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>6,845</u>	<u>6,216</u>

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

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

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	491	146
Bank charges	96	89
Computer software charges	270	203
Contributions/levies to other levels of government		
Members expenses – chairperson's fee	17	16
Members expenses – members fees	100	86
Members expenses (incl. chairperson) – other (excluding fees above)	17	24
Donations, contributions and assistance to other organisations (Section 356)	110	94
Demand management	125	63
Electricity and heating	2,832	2,938
Insurance	207	157
Office expenses (including computer expenses)	227	204
Postage	117	114
Printing and stationery	32	25
Rates and user charges	90	122
Subscriptions and publications	72	65
Telephone and communications	91	169
<u>TOTAL OTHER EXPENSES</u>	<u>4,894</u>	<u>4,515</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10		
Proceeds from disposal – plant and equipment		216	279
Less: carrying amount of plant and equipment assets sold/written off		(211)	(206)
Net gain/(loss) on disposal		5	73
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>5</u>	<u>73</u>

Accounting policy for disposal of assets

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	119	397
Cash-equivalent assets		
– Short-term deposits	13,099	12,787
Total cash and cash equivalents	13,218	13,184

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Amortised Cost'	18,000	–	15,000	–
Total Investments	18,000	–	15,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	31,218	–	28,184	–
Financial assets at amortised cost				
Long term deposits	18,000	–	15,000	–
Total	18,000	–	15,000	–

Accounting policy for investments

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

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	31,218	—	28,184	—
attributable to:				
External restrictions	—	—	—	—
Internal restrictions	7,181	—	8,639	—
Unrestricted	24,037	—	19,545	—
	31,218	—	28,184	—

\$ '000	2020	2019
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Details of restrictions

Internal restrictions

Employees leave entitlement	2,653	2,134
Plant replacement	1,300	1,505
Sales fluctuation	3,000	5,000
Water Treatment Plant	228	—
Total internal restrictions	7,181	8,639
TOTAL RESTRICTIONS	7,181	8,639

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	932	—	840	—
User charges and fees	2,657	—	2,586	—
Accrued revenues				
Accrued interest on investments	327	—	229	—
Other Accrued Income	—	—	37	—
Government grants and subsidies	205	—	206	—
Sundry debtors	245	—	891	—
Total	4,366	—	4,789	—
<u>TOTAL NET RECEIVABLES</u>	<u>4,366</u>	<u>—</u>	<u>4,789</u>	<u>—</u>

Accounting policy for receivables

Recognition and measurement

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

Nil

Covid 19 Impact

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

Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until September 30 and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	2,476	–	2,572	–
Total inventories at cost	2,476	–	2,572	–
<u>TOTAL INVENTORIES</u>	<u>2,476</u>	<u>–</u>	<u>2,572</u>	<u>–</u>

Accounting policy for inventories and other assets**Inventory held for distribution**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	48,491	–	48,491	6,153	858	–	–	(46,931)	–	8,572	–	8,572
Plant and equipment	6,840	(3,332)	3,508	678	–	(208)	(514)	–	–	6,959	(3,495)	3,464
Office equipment	1,129	(865)	264	–	254	–	(175)	–	–	1,302	(961)	341
Land:												
– Operational land	4,518	–	4,518	–	140	–	–	–	–	4,658	–	4,658
- Land Improvements	1,968	–	1,968	–	542	–	–	–	–	2,510	–	2,510
Infrastructure:												
– Buildings – non-specialised	3,807	(585)	3,222	287	–	–	(51)	–	–	4,094	(636)	3,458
– Buildings – specialised	12,431	(1,215)	11,216	–	–	–	(143)	–	–	12,431	(1,358)	11,073
– Water supply network	435,710	(148,763)	286,947	5,100	1,687	–	(5,962)	46,931	2,703	492,131	(154,725)	337,406
Total Infrastructure, property, plant and equipment	514,894	(154,760)	360,134	12,218	3,481	(208)	(6,845)	–	2,703	532,657	(161,175)	371,482

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

	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	40,345	–	40,345	6,518	1,628	–	–	–	–	48,491	–	48,491
Plant and equipment	6,140	(3,326)	2,814	1,414	–	(205)	(515)	–	–	6,840	(3,332)	3,508
Office equipment	1,080	(721)	359	–	60	–	(155)	–	–	1,129	(865)	264
Land:												
– Operational land	4,416	–	4,416	–	803	–	–	(701)	–	4,518	–	4,518
- Land Improvements	–	–	–	–	1,267	–	–	701	–	1,968	–	1,968
Infrastructure:												
– Buildings – non-specialised	3,784	(535)	3,249	23	–	–	(50)	–	–	3,807	(585)	3,222
– Buildings – specialised	12,324	(1,072)	11,252	107	–	–	(143)	–	–	12,431	(1,215)	11,216
– Water supply network	427,149	(143,410)	283,739	3,232	875	–	(5,353)	–	4,454	435,710	(148,763)	286,947
Total Infrastructure, property, plant and equipment	495,238	(149,064)	346,174	11,294	4,633	(205)	(6,216)	–	4,454	514,894	(154,760)	360,134

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

Water network assets are indexed annually between full revaluations in accordance with the latest indices provided in the Rates Reference Manual issued by Department of Industry (DoI) - Water.

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

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

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

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

Plant and equipment	Years	Water assets	Years
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	Buildings	
		Buildings: masonry	50 to 100

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Movements for the year		
– Purchases	52	–
Closing values at 30 June		
Gross book value	52	–
Total software – net book value	52	–
(b) High Security Water Licences		
Opening values at 1 July		
Gross book value	7,602	4,300
Net book value – opening balance	7,602	4,300
Movements for the year		
– Purchases	30	–
– Fair valuation (increment to Equity – Asset Revaluation Reserve)	3,200	3,302
Closing values at 30 June		
Gross book value	10,832	7,602
Total High Security Water Licences – net book value	10,832	7,602
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	10,884	7,602

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

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

(i) Council as a lessee

Council has 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.

\$ '000

2020

Income Statement

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

Interest on lease liabilities	—
Variable lease payments based on usage not included in the measurement of lease liabilities	—
Income from sub-leasing right of use assets	—
Depreciation of right of use assets	—
Impairment of right of use assets	—
Expenses relating to short-term leases	—
Expenses relating to low-value leases	2
Expenses relating to Peppercorn leases	—
Other	—
	<u>2</u>

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	237	–	238	–
Accrued expenses:				
– Salaries and wages	313	–	211	–
– Other expenditure accruals	716	–	1,100	–
Security bonds, deposits and retentions	59	–	136	–
Prepaid rates	561	–	–	–
Total payables	1,886	–	1,685	–
Income received in advance (2019 only)				
Payments received in advance	–	–	445	–
Total income received in advance	–	–	445	–
Borrowings				
Loans – secured ¹	1,866	5,400	1,761	7,258
Total borrowings	1,866	5,400	1,761	7,258
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,752</u>	<u>5,400</u>	<u>3,891</u>	<u>7,258</u>

(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 19.

(a) Payables and borrowings relating to restricted assets

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

\$ '000	2020	2019
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
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	59	136
Total payables and borrowings	59	136

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	9,019	(1,753)	–	–	–	–	7,266
TOTAL	9,019	(1,753)	–	–	–	–	7,266

\$ '000	2020	2019
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(d) Financing arrangements

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

Bank overdraft facilities ¹	250	250
Credit cards/purchase cards	100	100
Market Rate Facility	500	500
Total financing arrangements	850	850

Drawn facilities as at balance date:

– Credit cards/purchase cards	17	15
Total drawn financing arrangements	17	15

Undrawn facilities as at balance date:

– Bank overdraft facilities	250	250
– Credit cards/purchase cards	83	85
– Market Rate Facility	500	500
Total undrawn financing arrangements	833	835

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,338	–	942	–
Sick leave	8	–	6	–
Long service leave	3,961	–	3,320	–
Sub-total – aggregate employee benefits	5,307	–	4,268	–
TOTAL PROVISIONS	5,307	–	4,268	–

\$ '000	2020	2019
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Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,423	3,342
	4,423	3,342

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

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

Defined Benefit Superannuation Disclosure

Council participates in an employer sponsored Defined Benefit Superannuation Scheme that is a multi-employer plan.

(a) a description of the funding arrangements, including method used to determine rate of contributions and any minimum funding requirements.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

Division B	1.9 times employee contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% of salary
Division D	1.64 times employee contributions

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for accrued liabilities.

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

(b) a description of the extent to which Council can be liable to plan the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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

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

(c) description of any agreed allocation of a deficit or surplus on:

(i) wind-up of the plan

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

(ii) entity's withdrawal from the plan

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

(d) Given the entity accounts for that plan as if it were a defined contribution plan in accordance with paragraph 34, the following information:

(i) the fact the plan is a defined benefit plan

Council confirms that the plan is a defined benefit plan.

(ii) why sufficient information is not available to enable Council to account for the plan as a defined benefit plan

1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
2. The contribution rates have been the same for all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

(iii) the expected contribution to the plan for the next annual reporting period

The expected contributions by Council to the Fund for the next annual reporting period are \$230,984.04.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

<i>Employer reserves only*</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%
* excluding member accounts and reserves in both assets and liabilities		

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

Investment Return	5.75% per annum
Salary Inflation (plus promotional increases)	3.5% per annum
Increase in CPI	2.5% per annum

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

(v) an indication of the level of Council's participation in the plan compared with other participating entities

Council's participation in the Scheme compared with other entities is about 0.28% based on the Council's current level of annual additional contributions against total contributions. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA, as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

There was no transition impact and ongoing assessment has been made and no impact on current year financial position or result was required.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. Council has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Prepaid rates

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

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer. The operational grants received by Council are all general revenue assistance arrangements that allow the funds to be used for the broad objectives of the public sector recipient. Such funding is unlikely to meet the 'sufficiently specific' criteria in AASB 15. Accordingly, Council has recognised these as income under AASB 1058 when the entity obtains control of the cash.

Grants – capital

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

Changes in presentation

In accordance with the above changes in accounting policies, Council has not amended the presentation of any items to align them with the requirements of AASB 15 and AASB 1058 as it has assessed that there will be no impact with the implementation of the new accounting standards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(iii) AASB 16 Leases

Council as a lessee

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

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

Financial statement impact of adoption of AASB 16

Council have applied the practical expedient of low value assets to all leases which resulted in no recognition of a ROU asset or lease liability on transition. Refer to Note 12 for disclosure of low value leases.

(c) Changes in accounting policies due to adoption of new accounting standards (retrospective)

Changes in accounting policies due to adoption of new accounting accounting standard (retrospective)

Council adopted no changes in accounting policies due to the new accounting standard retrospectively.

(d) 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	13,218	13,184
Balance as per the Statement of Cash Flows		13,218	13,184
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		12,200	13,469
Adjust for non-cash items:			
Depreciation and amortisation		6,845	6,216
Net losses/(gains) on disposal of assets		(5)	(73)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		423	(1,213)
Decrease/(increase) in inventories		96	(238)
Increase/(decrease) in payables		(1)	87
Increase/(decrease) in other accrued expenses payable		(282)	519
Increase/(decrease) in other liabilities		39	44
Increase/(decrease) in provision for employee benefits		1,039	555
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		20,354	19,366

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

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

Capital commitments (exclusive of GST)

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

Property, plant and equipment

Water Treatment Plant	74	38
Low Level Reservoir	57	239
Purchase of Vacant Land	119	123
Glenoak Reservoir	–	1,177
Ground Water Purchase	270	–
Total commitments	520	1,577

These expenditures are payable as follows:

Within the next year	520	1,577
Total payable	520	1,577

Sources for funding of capital commitments:

Unrestricted general funds	520	1,577
Total sources of funding	520	1,577

Details of capital commitments

Works to rectify defects of the Wagga Wagga Water Treatment Plant, project to be finalised during 2020/21 financial year.
 Contract for the construction of the Low Level Reservoir, project to be finalised during 2020/21 financial year.
 Purchase of vacant land for the solar pilot plant, settlement to take place in 2020/21 financial year.
 Purchase of ground water, settlement to take place in 2020/21 financial year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. 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 \$46,355 (2018/19 \$46,050).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management

Risk management

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

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 – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	312	312	(312)	(312)
2019				
Possible impact of a 1% movement in interest rates	282	282	(282)	(282)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (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	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross Carrying Amount	703	229	–	–	–	932
2019						
Gross Carrying Amount	607	233	–	–	–	840

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	2,878	556	–	–	–	3,434
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2019						
Gross carrying amount	3,403	546	–	–	–	3,949
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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
2020							
Trade/other payables	0.00%	59	1,266	–	–	1,325	1,325
Loans and advances	5.70%	–	2,247	4,843	1,600	8,690	7,266
Total financial liabilities		59	3,513	4,843	1,600	10,015	8,591
2019							
Trade/other payables	0.00%	136	1,549	–	–	1,685	1,685
Loans and advances	5.70%	–	2,249	6,811	1,880	10,940	9,019
Total financial liabilities		136	3,798	6,811	1,880	12,625	10,704

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 26/06/2019 and is not required to be audited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	5,256	5,592	336	6% F
User charges and fees	23,196	25,587	2,391	10% F
Water sales higher than budgeted due to dry hot weather over the summer period.				
Other revenues	286	2,052	1,766	617% F
Higher than budgeted due to a temporary water licence allocation and receipt of liquidated damages from Water Treatment Plant.				
Operating grants and contributions	225	270	45	20% F
Variance due to LIRS subsidy being budgeted as a capital grant rather than operational.				
Capital grants and contributions	3,741	2,443	(1,298)	(35)% U
Variance due to lower than anticipated developer contributions.				
Interest and investment revenue	300	664	364	121% F
Cash levels are higher than anticipated due to income received for liquidated damages for the Water Treatment Plant project, as well as higher than anticipated water sales. This resulted in increased investment revenue.				
Net gains from disposal of assets	–	5	5	∞ F
EXPENSES				
Employee benefits and on-costs	9,002	9,627	(625)	(7)% U
Borrowing costs	488	466	22	5% F
Materials and contracts	4,155	2,581	1,574	38% F
Increased focus on capital works projects have diverted expenditure away from operational.				
Depreciation and amortisation	6,100	6,845	(745)	(12)% U
Water Treatment Plant was capitalised during the year which resulted in a higher depreciation expense than budgeted.				
Other expenses	5,026	4,894	132	3% F
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	14,246	20,354	6,108	43% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020	
			----- Variance -----	
Cash flows from investing activities	(17,600)	(18,567)	(967)	5% U
Cash flows from financing activities	(1,761)	(1,753)	8	0% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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

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

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

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

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

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

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

	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2020					
Recurring fair value measurements					
Intangible assets					
High Security Water Licence		10,832	–	–	10,832
Total intangible assets		10,832	–	–	10,832
Infrastructure, property, plant and equipment					
Water Treatment Plants		–	–	72,243	72,243
Ground Water Bores		–	–	6,665	6,665
Water Pumping Stations		–	–	7,520	7,520
Water Reservoirs		–	–	47,451	47,451
Other Water Assets		–	–	1,352	1,352
Pipes		–	–	202,175	202,175
Buildings		–	–	14,531	14,531
Land		–	–	7,168	7,168
Plant & Equipment		–	3,465	–	3,465
Office Equipment		–	341	–	341
Total infrastructure, property, plant and equipment		–	3,806	359,105	362,911

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2019					
Recurring fair value measurements					
Intangible assets					
High Security Water Licence	30/06/19	–	7,602	–	7,602
Total intangible assets		–	7,602	–	7,602
Infrastructure, property, plant and equipment					
Water Treatment Plants	30/06/16	–	–	28,127	28,127
Ground Water Bores	30/06/16	–	–	6,830	6,830
Water Pumping Stations	30/06/16	–	–	7,904	7,904
Water Reservoirs	30/06/16	–	–	45,652	45,652
Other Water Assets	30/06/16	–	–	1,171	1,171
Pipes	30/06/16	–	–	197,293	197,293
Buildings	30/06/16	–	–	14,437	14,437
Land	30/06/16	–	–	6,486	6,486
Plant & Equipment	30/06/16	–	3,507	–	3,507
Office Equipment	30/06/16	–	264	–	264
Total infrastructure, property, plant and equipment		–	3,771	307,900	311,671

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

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

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

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

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

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 (IPP&E)

Council engages external, independent and qualified valuers to determine fair value of infrastructure and property assets on a regular basis. This was undertaken during 2015/16. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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.

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

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

\$ '000	Water Treatment Plants	Ground Water Bores	Water Pumping Stations	Water Reservoirs	Other Water Assets
2019					
Opening balance	28,145	6,972	8,193	44,898	937
Purchases (GBV)	36	96	65	738	228
Depreciation and impairment	(497)	(344)	(489)	(691)	(28)
FV gains – other comprehensive income	442	106	123	707	15
Closing balance	28,126	6,830	7,892	45,652	1,152

2020					
Opening balance	28,126	6,830	7,892	45,652	1,152
Transfers from/(to) another asset class	44,163	21	11	621	–
Purchases (GBV)	689	100	41	1,458	231
Depreciation and impairment	(998)	(349)	(494)	(712)	(42)
FV gains – other comprehensive income	263	63	70	432	11
Closing balance	72,243	6,665	7,520	47,451	1,352

\$ '000	Pipes	Buildings	Land	Total
2019				
Opening balance	194,594	14,501	4,416	302,656
Purchases (GBV)	2,943	129	2,070	6,305
Depreciation and impairment	(3,305)	(194)	–	(5,548)
FV gains – other comprehensive income	3,061	–	–	4,454
Closing balance	197,293	14,436	6,486	307,867
2020				
Opening balance	197,293	14,436	6,486	307,867
Transfers from/(to) another asset class	2,115	–	–	46,931
Purchases (GBV)	4,270	224	682	7,695
Depreciation and impairment	(3,365)	(129)	–	(6,089)
FV gains – other comprehensive income	1,862	–	–	2,701
Closing balance	202,175	14,531	7,168	359,105

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Council had transactions with 12 KMP during the reporting period.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	521	497
Post-employment benefits	39	37
Other long-term benefits	19	19
Total	579	553

(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.

Council had no other transactions with KMP and their related parties during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S64 contributions	—	2,443	—	—	(2,443)	—	—	—
Total contributions	—	2,443	—	—	(2,443)	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	9,752	28.54%	31.24%	28.27%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	34,165				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	33,895	92.59%	90.76%	88.10%	>60.00%
Total continuing operating revenue ¹	36,608				
3. Unrestricted current ratio					
Current assets less all external restrictions	38,060	8.32x	9.47x	9.43x	>1.50x
Current liabilities less specific purpose liabilities	4,577				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	17,063	7.69x	7.67x	6.77x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,219				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	932	14.26%	13.21%	12.10%	<10.00%
Rates, annual and extra charges collectible	6,534				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	31,218	18.27 mths	17.54 mths	16.68 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,709				

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

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

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

End of Audited Financial Statements

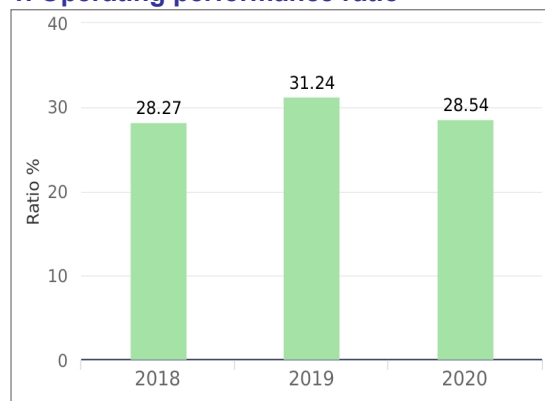
End of Audited Financial Statements

Notes to the Financial Statements

for the year ended 30 June 2020

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 28.54%

Strong result due to water sales over summer.

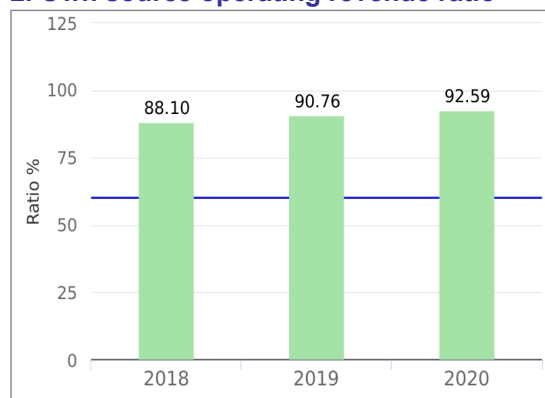
Benchmark: — > 0.00%

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

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 2019/20 result

2019/20 ratio 92.59%

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

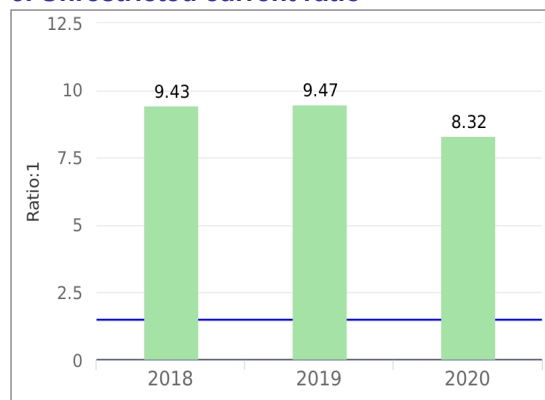
Benchmark: — > 60.00%

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

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 2019/20 result

2019/20 ratio 8.32x

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 #28

Ratio achieves benchmark

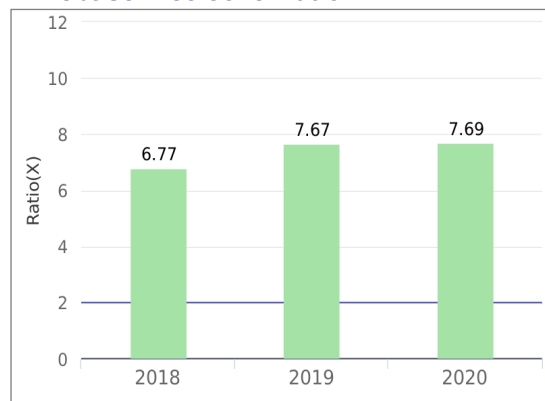
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.69x

An operating result similar to last year has kept this ratio consistent.

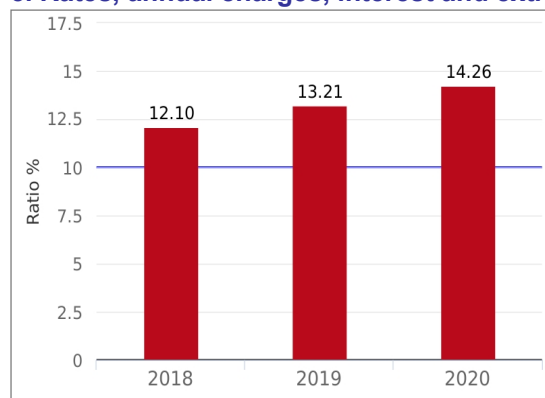
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 14.26%

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

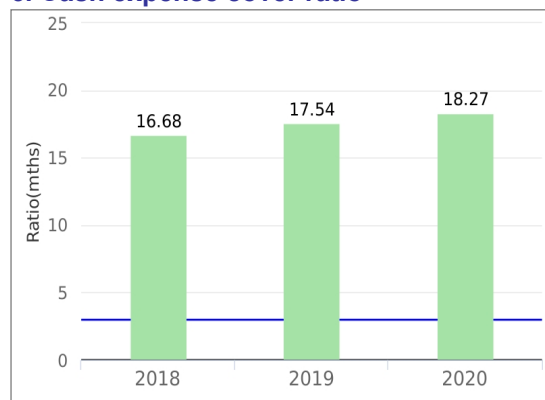
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 18.27 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 #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Financial review

\$ '000	2020	2019	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	5,592	5,551	5,471	5,100	5,100
User charges revenue	25,587	25,994	22,877	21,727	21,727
Interest and investment revenue (losses)	664	691	595	922	922
Grants income – operating and capital	270	338	402	723	723
Total income from continuing operations	36,613	36,322	32,970	33,658	33,658
Sale proceeds from I,PP&E	216	279	214	333	333
Outflows:					
Employee benefits and on-cost expenses	9,627	8,972	7,942	8,032	8,032
Borrowing costs	466	570	653	162	162
Materials and contracts expenses	2,581	2,580	2,202	1,492	1,492
Total expenses from continuing operations	24,413	22,853	21,260	19,607	19,607
Total cash purchases of I,PP&E	15,701	15,928	11,025	35,016	35,016
Total loan repayments (incl. finance leases)	1,753	1,668	1,575	1,411	1,411
Operating surplus/(deficit) (excl. capital income)	9,757	10,456	8,391	10,202	10,202
Financial position figures					
Current assets	38,060	35,545	32,045	27,739	27,739
Current liabilities	9,059	8,159	6,868	6,128	6,128
Net current assets	29,001	27,386	25,177	21,611	21,611
Available working capital (Unrestricted net current assets)	28,734	27,669	23,338	19,068	19,068
Cash and investments – unrestricted	24,037	19,545	17,421	12,045	12,045
Cash and investments – internal restrictions	7,181	8,639	8,714	7,845	7,845
Cash and investments – total	31,218	28,184	26,135	19,890	19,890
Total borrowings outstanding (Loans, advances and finance leases)	7,266	9,019	10,687	13,761	13,761
Total value of I,PP&E (excl. land and earthworks)	527,999	510,376	490,822	454,537	454,537
Total accumulated depreciation	161,175	154,760	149,064	137,663	137,663
Indicative remaining useful life (as a % of GBV)	69%	70%	70%	70%	70%

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Council information and contact details

Principal place of business:

91 Hammond Avenue
Wagga Wagga NSW 2650

Contact details

Mailing Address:

PO Box 456
Wagga Wagga NSW 2650

Telephone: 02 6922 0608

Facsimile: 02 6921 2241

Opening hours:

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

Internet: www.rwcc.nsw.gov.au

Email: admin@rwcc.nsw.gov.au

Officers

GENERAL MANAGER

Mr A Crakanthorp

RESPONSIBLE ACCOUNTING OFFICER

Ms E Tonacia

PUBLIC OFFICER

Mr S Thomson

AUDITORS

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

Elected members

CHAIRPERSON

Clr G Verdon (Lockhart Shire)

COUNCILLORS

Clr P Funnell (City of Wagga Wagga)
Clr T Quinn (Greater Hume Shire)
Clr D Meyer, OAM (Greater Hume Shire)
Clr G Conkey, OAM (City of Wagga Wagga)
Clr T Koschel (City of Wagga Wagga)
Clr Y Braid, OAM (City of Wagga Wagga)
Clr V Keenan (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 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

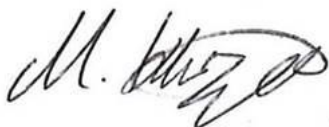
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

30 September
SYDNEY



Andrew Crakanthorp
General Manager
Riverina Water County Council
PO Box 456
WAGGA WAGGA NSW 2650

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: D2019623/1822

30 September 2020

Dear Mr Crakanthorp

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

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

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

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	5.6	5.6	 -
User Charges and fees	25.6	26.0	 1.5
Grants and contributions revenue	2.7	3.4	 20.6
Operating result from continuing operations	12.2	13.5	 9.6
Net operating result before capital grants and contributions	9.8	10.5	 6.7

Rates and annual charges revenue was \$5.6 million (\$5.6 million for the year ended 30 June 2019). Council did not apply a price increase to access or usage charges in the 2019-20 year which is consistent with the movement in rates and annual charges revenue.

User charges and fees revenue was \$25.6 million (\$26 million for the year ended 30 June 2019). The decrease of \$0.4 million (1.5%) can be attributed to early rainfall in final months of the 2019-20 financial year seeing a reduction in water consumption.

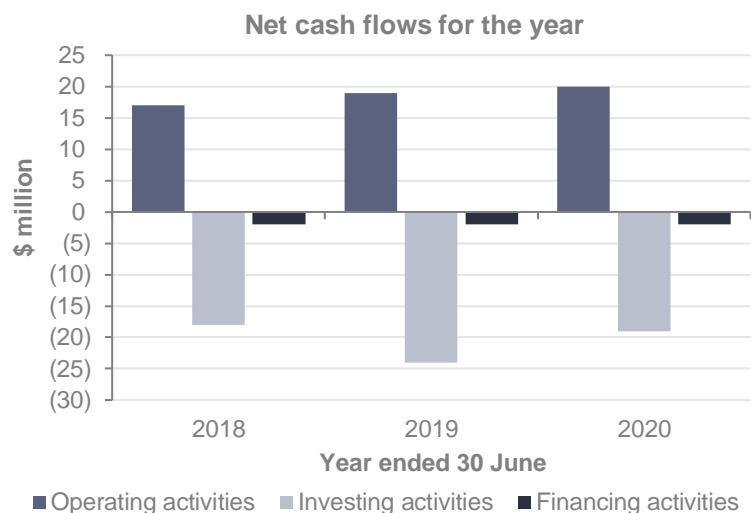
Grants and contributions revenue (\$2.7 million) decreased by \$0.7 million (20.6 per cent) in 2019-20 due to lower than anticipated Section 64 water supply contributions.

The Council's operating result from continuing operations (\$12.2 million) was \$1.3 million lower than the 2018-19 result. The decrease of 9.6% is consistent with an increase in total expenses from continuing operations. The increase in expenses being mainly attributed to depreciation on the new water treatment plant and increase in employee benefits and on-costs.

The net operating result before capital grants and contributions (\$9.8 million) was \$0.7 million lower than the 2018-19 result. The decrease was due to the decrease of \$0.4 million in user charges and fees and the increase in depreciation on the new water treatment plant and increase in employee benefits and on-costs.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$13.2 million (\$13.2 million for the year ended 30 June 2019).
- Net cash provided by operating activities has increased by \$1.0 million. This is mainly due to the increase in cash receipts from other income sources of \$2.8 million resulting from liquidated damages from the Water Treatment Plant legal matter. This is offset by increase of \$1.3 million in other cash payments.
- Net cash used in investing activities has decreased by \$5.1 million. This is due to decrease in purchase of investment securities of \$5 million.
- Net cash used in financing activities has remained steady from the previous year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	-	-	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease of \$1.4 million in the internal restrictions is primarily due to a \$2.0 million decrease in restrictions relating to sales fluctuation and this was offset by the \$0.5 million increase in restrictions relating to employees leave entitlement. Unrestricted cash and investments were \$24 million, which is available to provide liquidity for day-to-day operations of the Council. The increase in the unrestricted cash balance was due to liquidated damages received in respect of the new water treatment plant.
Internal restrictions	7.2	8.6	
Unrestricted	24.0	19.5	
Cash and investments	31.2	28.1	

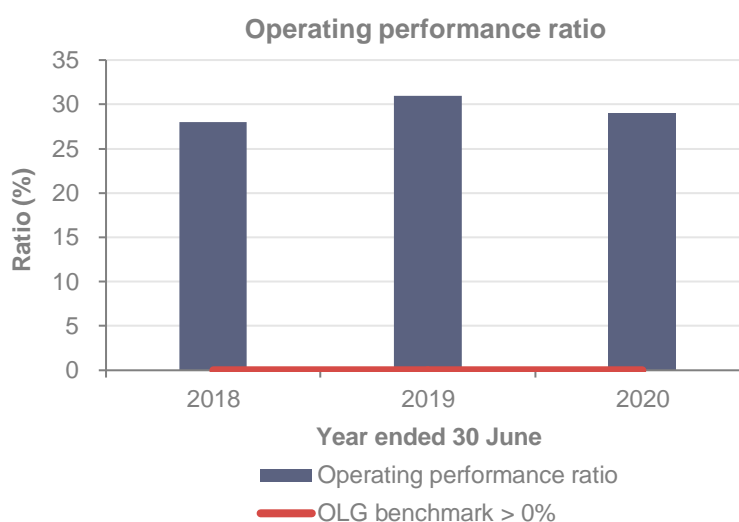
PERFORMANCE

Performance measures

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

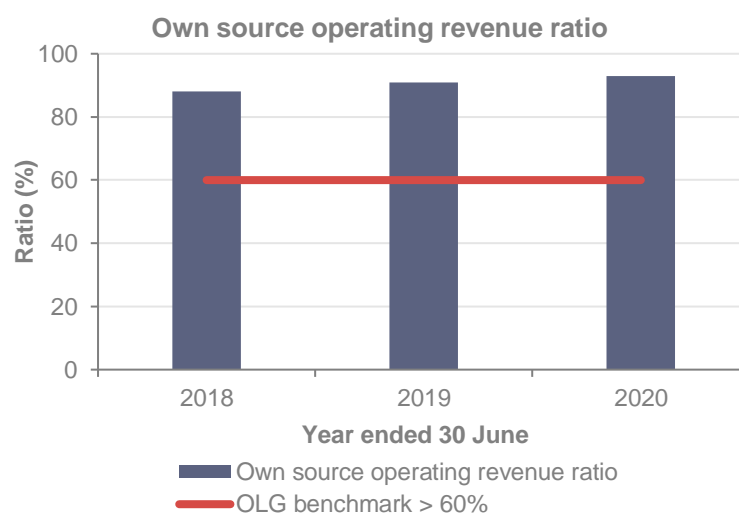
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The operating performance ratio of 28.5% is above the industry benchmark of greater than 0%.
- The operating performance ratio decreased to 28.5% (2019: 31.2%) due to early rainfall in final months of the 2019-20 financial year seeing a reduction in water consumption.



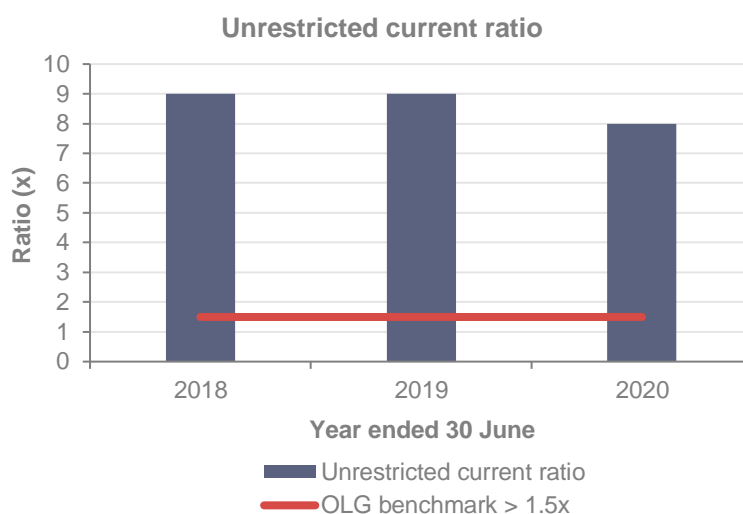
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The council's own source operating revenue ratio of 92.6% is above the industry benchmark of 60%.
- The council's own source operating revenue ratio has remained relatively steady (2019: 90.8%).



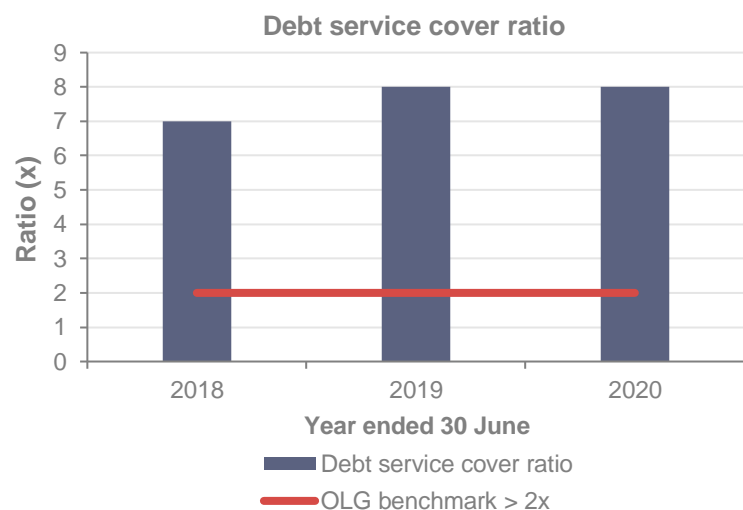
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The council's unrestricted current ratio of 8.3 times is greater than the industry benchmark minimum of greater than 1.5 times.
- The council's unrestricted current ratio has decreased slightly to 8.3 times (2019: 9.5 times) due to an increase in specific purpose liabilities of \$0.8 million.



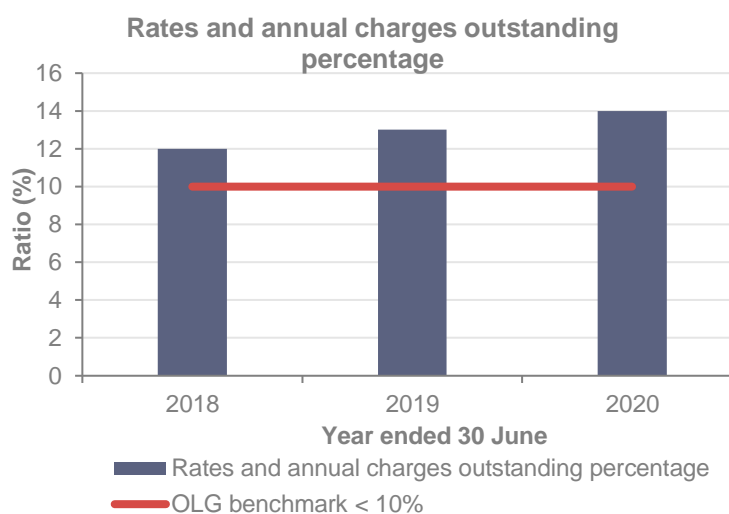
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The council's debt service cover ratio of 7.7 is greater than the industry benchmark minimum of greater than 2 times.
- The council's debt service cover ratio has remained steady (2019: 7.7 times).



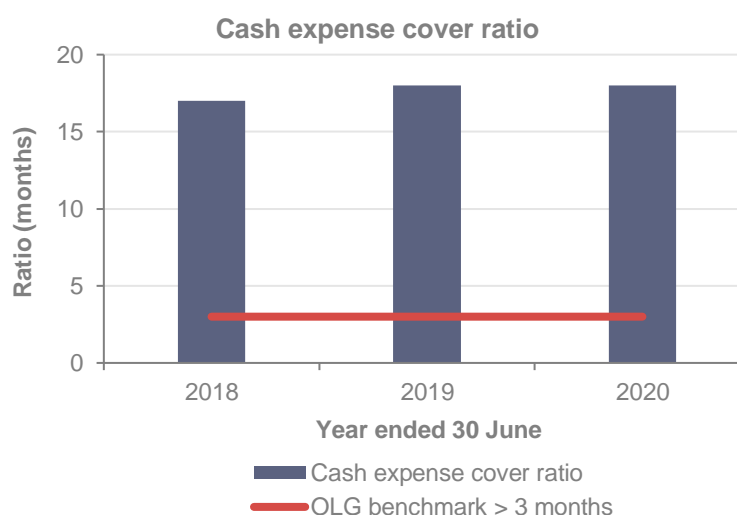
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The council's 'rates and annual charges outstanding percentage' of 14.3 per cent is outside the industry benchmark of less than 10 per cent for rural councils.
- The rates and annual charges outstanding percentage has increased from previous years (13.7% in 2019 and 12.1% in 2018).



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The council's 'cash expense cover ratio' was 18.3 months, which is above the industry benchmark of greater than 3 months.
- The cash expense ratio has remained relatively steady (2019: 17.5 months)



Infrastructure, property, plant and equipment renewals

The council has renewed \$12.2 million of assets in the 2019-20 financial year, compared to \$11.3 million of assets in the 2018-19 financial year. The increase is primarily due to the increase of \$1.8 million renewals of water supply network and this was offset by the decrease of \$0.7 million renewals of plant and equipment.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council did not recognise an adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

AASB 16 'Leases'

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

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

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

The Council did not have any right-of-use assets or lease liabilities at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

Legislative compliance

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

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

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

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

cc: Mr Greg Verdon, Chairperson
Mr David Maxwell, Chair of Audit and Risk Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Riverina Water County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	n/a
Note 1 – Significant Accounting Policies	6

Background

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

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

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

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

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

Riverina Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

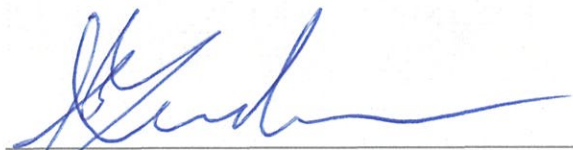
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial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

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

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

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

Signed in accordance with a resolution of Council made on 26 August 2020.



Clr G Verdon
Chairperson



Clr P Funnell
Councillor



Mr A Crakanthorp
General Manager



Ms E Tonacia
Responsible Accounting Officer

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	5,592	5,551
User charges	25,587	25,994
Interest	664	691
Grants and contributions provided for non-capital purposes	270	338
Other income	2,057	735
Total income from continuing operations	34,170	33,309
Expenses from continuing operations		
Employee benefits and on-costs	9,627	8,972
Borrowing costs	466	570
Materials and contracts	2,581	2,580
Depreciation, amortisation and impairment	6,845	6,216
Water purchase charges	292	246
Calculated taxation equivalents	66	40
Other expenses	4,602	4,269
Total expenses from continuing operations	24,479	22,893
Surplus (deficit) from continuing operations before capital amounts	9,691	10,416
Grants and contributions provided for capital purposes	2,443	3,013
Surplus (deficit) from continuing operations after capital amounts	12,134	13,429
Surplus (deficit) from all operations before tax	12,134	13,429
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,665)	(2,864)
SURPLUS (DEFICIT) AFTER TAX	9,469	10,565
Plus accumulated surplus	135,378	121,909
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	66	40
– Corporate taxation equivalent	2,665	2,864
Closing accumulated surplus	147,578	135,378
Return on capital %	2.7%	3.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	9,469	10,565
Less: capital grants and contributions (excluding developer contributions)	(2,443)	(3,013)
Surplus for dividend calculation purposes	7,026	7,552
Potential dividend calculated from surplus	3,513	3,776

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	13,218	13,184
Investments	18,000	15,000
Receivables	4,366	4,789
Inventories	2,476	2,572
Total current assets	38,060	35,545
Non-current assets		
Infrastructure, property, plant and equipment	371,482	359,595
Intangible assets	10,884	7,602
Total non-current assets	382,366	367,197
TOTAL ASSETS	420,426	402,742
LIABILITIES		
Current liabilities		
Payables	1,325	1,146
Income received in advance	561	445
Borrowings	1,866	1,761
Provisions	5,307	4,268
Total current liabilities	9,059	7,620
Non-current liabilities		
Borrowings	5,400	7,258
Total non-current liabilities	5,400	7,258
TOTAL LIABILITIES	14,459	14,878
NET ASSETS	405,967	387,864
EQUITY		
Accumulated surplus	147,578	135,378
Revaluation reserves	258,389	252,486
TOTAL EQUITY	405,967	387,864

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

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 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.

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

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

Monetary amounts

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

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

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

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,321,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,321,000 a premium marginal rate of **2.0%** applies.

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

Note 1. Significant Accounting Policies (continued)

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Riverina Water County Council

To the Councillors of the 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, Water Supply, which comprise the Statement by Councillors and Management, the Income Statement of the declared business activity for the year ended 30 June 2020, the Statement of Financial Position of the declared business activity as at 30 June 2020 and Note 1 Significant accounting policies for the business activity declared by Council.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Michael Khazoo
Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY

Riverina Water County Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

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



Special Schedules
for the year ended 30 June 2020

Contents	Page
Special Schedules	
Report on Infrastructure Assets - Values	3

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000									
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	310	251	3,458	4,094	38.4%	56.1%	5.5%	0.0%	0.0%
	Buildings – specialised	–	–	153	119	11,073	12,571	55.1%	11.7%	31.2%	1.9%	0.0%
	Sub-total	–	–	463	370	14,531	16,665	51.0%	22.6%	24.9%	1.4%	0.0%
Water supply network	Treatment Plants	1,109	1,109	725	704	72,243	90,610	67.3%	5.9%	12.3%	14.4%	0.0%
	Bores	100	100	185	142	6,665	12,249	4.8%	29.9%	62.1%	3.3%	0.0%
	Reservoirs	7,041	7,041	225	235	47,451	65,531	12.8%	10.7%	52.8%	22.4%	1.3%
	Pumping Stations	41	41	180	195	8,872	17,047	10.4%	10.1%	66.5%	7.4%	5.6%
	Pipeline	18,636	18,636	1,050	1,070	202,175	308,814	21.4%	44.2%	27.1%	7.4%	0.0%
	Sub-total	26,927	26,927	2,365	2,346	337,406	494,251	27.9%	31.2%	30.0%	10.6%	0.4%
TOTAL - ALL ASSETS		26,927	26,927	2,828	2,716	351,937	510,916	28.6%	30.9%	29.8%	10.3%	0.4%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	5,527	89.78%	60.62%	76.98%	>=100.00%
Depreciation, amortisation and impairment	6,156				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	26,927	7.65%	7.94%	7.32%	<2.00%
Net carrying amount of infrastructure assets	351,937				
Asset maintenance ratio					
Actual asset maintenance	2,716	96.04%	106.96%	102.44%	>100.00%
Required asset maintenance	2,828				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,927	5.27%	5.30%	4.92%	
Gross replacement cost	510,916				

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

(1) Excludes Work In Progress (WIP)

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