



**Edward
River**
COUNCIL

I hereby give notice that an Extraordinary Meeting of Council will be held on:

Date: Thursday, 31 October 2019
Time: 9.00am
**Location: Council Chamber 180 Cressy Street
Deniliquin**

BUSINESS PAPER

Extraordinary Council Meeting

31 October 2019

**Adam McSwain
General Manager**

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- 1 STATEMENT OF PURPOSE**
- 2 ACKNOWLEDGEMENT OF COUNTRY**
- 3 APOLOGIES AND REQUESTS FOR LEAVE OF ABSENCE**
- 4 DISCLOSURE OF INTEREST**
- 5 BUSINESS ARISING FROM MINUTES**
- 6 PUBLIC FORUM**

7 REPORTS TO COUNCIL

7.1 DRAFT FINANCIAL STATEMENTS 2018-2019

Author: Amanda Barber, Manager Finance

Authoriser: Trish Kirkland, Director Corporate Services

RECOMMENDATION

That Council

1. Adopt the Draft Financial Statements 2018-19 incorporating the General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules
2. Approve the signing of the "Statement by Councillors and Management" in accordance with Section 413(2)(c) of the Local Government Act 1993 and Clause 215 of the Local Government (General) Regulation 2005 in relation to the Financial Statements 2018-19.
3. Delegate to the General Manager the authority to submit the Financial Statements to the Office of Local Government and the Australian Bureau of Statistics.
4. Exhibit the Financial Statements and Auditor's Reports and call for public submissions on those documents with submissions closing on 29 November 2019 in accordance with Section 420 of the Local Government Act 1993.
5. Note that the Audited Financial Statements and Auditor's Reports will be presented to the public at the Ordinary Meeting of Council scheduled for 19 December 2019 in accordance with Section 418(1) of the Local Government Act 1993.

BACKGROUND

The Draft Financial Statements 2018-2019 have been prepared and been subjected to external audit. This report recommends to Council the adoption of the Draft Financial Statements 2018-2019 and the completion of the statutory steps outlined in Section 418 to 420 of the Local Government Act 1993.

Prior to finalising the audit, draft Financial Statements 2018-19 were also considered by the Audit, Risk and Improvement Committee Meeting held on 24 October 2019.

The auditor, being the NSW Auditor General (represented by Michael Kharzoo from the NSW Audit Office) and Dannielle MacKenzie from their representative firm Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd, were present at the Audit, Risk and Improvement Committee to provide an overview of the audit status and draft Financial Statements, and to answer questions from the Committee.

The Financial Statements and Auditor's Reports are a statutory requirement and provide information on the financial performance of Council over the previous financial year period.

Council should place emphasis on the Auditor's Client Engagement Closing Report contained at **Confidential** Attachment 4 relating to the Draft Financial Statements 2018-2019, as it provides some analysis of Council's financial operations overall and highlights the trends of major items within the Financial Statements.

The Draft Financial Statements 2018-2019 provided in the attachments are broken down into three sections being:

- General Purpose Financial Statements – Attachment 1
- Special Purpose Financial Statements – Attachment 2
- Special Schedules – Attachment 3

Brief explanations for each of these items are as follows.

General Purpose Financial Statements

These Statements provide an overview of the operating result, financial position, changes in equity and cash flow movement of Council as at 30 June 2019 on a consolidated basis with internal transactions between Council's General, Water and Sewerage Funds eliminated. The notes included within these reports provide details of major items of income and expenditure with comparisons to the previous financial year. The notes also highlight the cash position of Council and indicate which funds are externally restricted (i.e. may be used for a specific purpose only), and those that may be used at Council's discretion.

Special Purpose Financial Statements

These Statements are a result of the implementation of the National Competition Policy and relate to those aspects of Council's operations that are business orientated and compete with other businesses with similar operations outside the Council.

Mandatory disclosures in the Special Purpose Financial Reports are Water and Sewerage.

Additional disclosure relates to Council business units that Council deems 'commercial'. In this regard, commercial business units must also be classified into the following categories:

- Category 1 – operating turnover is greater than \$2million
- Category 2 – operating turnover is less than \$2million

During the reporting period, Council had no commercial business units operating.

Another feature of the Special Purpose Financial Reports is to build in taxes and charges where not physically incurred into the financial results to measure the results in the sense of a level playing field with other organisations operating similar businesses, who are required to pay these additional taxes and charges. These taxes and charges include:

- Land tax – Council is normally exempt from this tax so notional land tax is applied.
- Income tax – Council is exempt from income tax and in regard to these reports, company tax. Any surplus generated has a notional company tax applied to it.
- Debt guarantee fees – Generally due to the low credit risk associated with Councils, Councils can often borrow loan funds at lower interest rates than the private sector. A debt guarantee fee inflates the borrowing costs by incorporating a notional cost between interest payable on loans at the interest rate borrowed by Council and one that would apply commercially.

In regard to the Special Purpose Financial Reports, these are prepared on a non-consolidated basis or in other words grossed up to include any internal transactions with the General Fund.

Special Schedules

These schedules are prepared essentially for use by the Australian Bureau of Statistics, the NSW Grants Commission, the Office of Local Government, and are primarily used to gather information for comparative purposes.

Special Schedules 3 to 6 are also used by the NSW Office of Water in analysing the performance of the Water and Sewer Funds and are also non-consolidated and grossed up including internal transactions.

Special Schedule 7 provides an approximate value of what funds are needed for the maintenance and renewal of Council assets in comparison to what is currently allocated in the budget.

Special Schedule 8 is also included, which is a disclosure regarding Council's compliance with General Rate revenue raising and rate pegging. Special Schedule 8 is also subject to separate external audit aside from the financial statements

ISSUE/DISCUSSION

Council's auditors, The Auditor General of NSW (NSW Audit Office) and their representative firm Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd, have completed their audit of the Draft 2018-19 Financial Statements.

All matters identified during the audit have been adjusted and included (if required) in the Financial Statements 2018-2019 contained at Attachments 1, 2 and 3.

The Auditor's Engagement Closing Report is contained at **Confidential** Attachment 4, and the draft Conduct of Audit report is contained at Attachment 5.

- An Engagement Closing Report (Attachment 4)

This report outlines audit issues and outcomes as a result of the audit process, and also lists outstanding matters still requiring attention. Given the nature of this report, it has been included as a **Confidential** Attachment.

- A report on the Conduct of the Audit (Attachment 5)

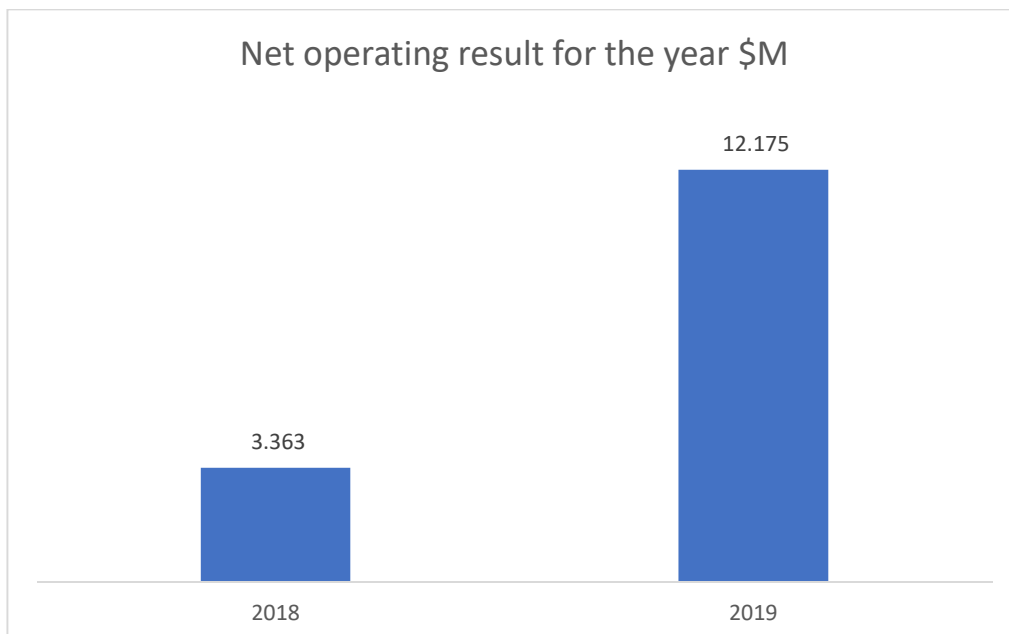
Please note that this is a draft and will not be finalised and issued until the Audit Office receive Council's adopted and signed financial statements on 31 October.

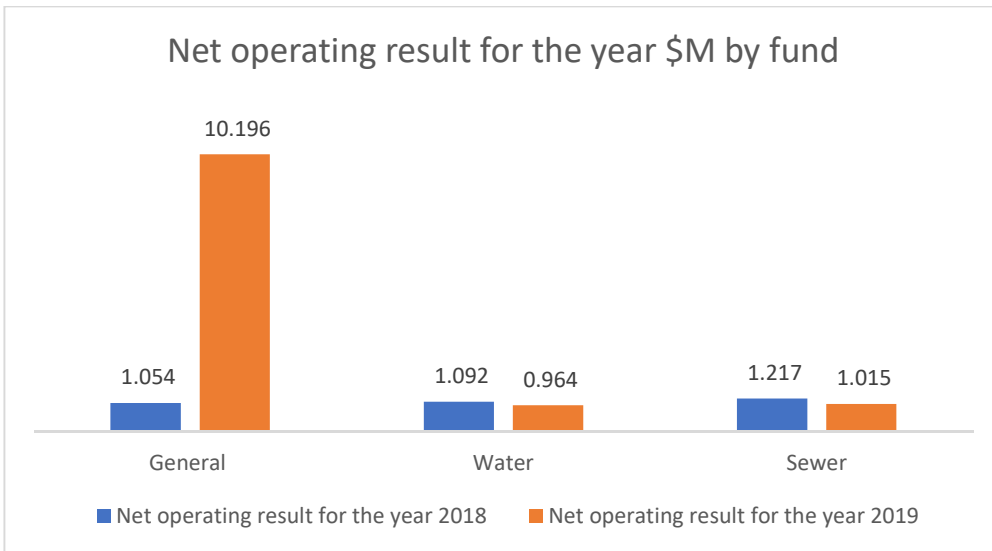
This draft report states the financial statements have been audited with an opinion. For the year ended 30 June 2019 the opinion is unmodified. In addition, this report outlines audit issues and observations, and an analysis of the major aspects of the financial statements.

Operating Result with Capital Grants

The 2018-19 financial year saw an improvement in the operating financial result of Council. Overall Council recorded a \$12.2m surplus compared to a \$3.4m surplus in the previous financial year. This represents a positive change of \$8.8m between financial years. This result incorporates the recognition of capital revenues such as capital grants and contributions for specific purposes and asset dedications including:

NSW Rural Fire Service	\$4.1m
New Council Implementation Funding	\$1.6m
Merger Funding - Stronger Communities	\$6.2m
RMS Contributions	\$2.0m

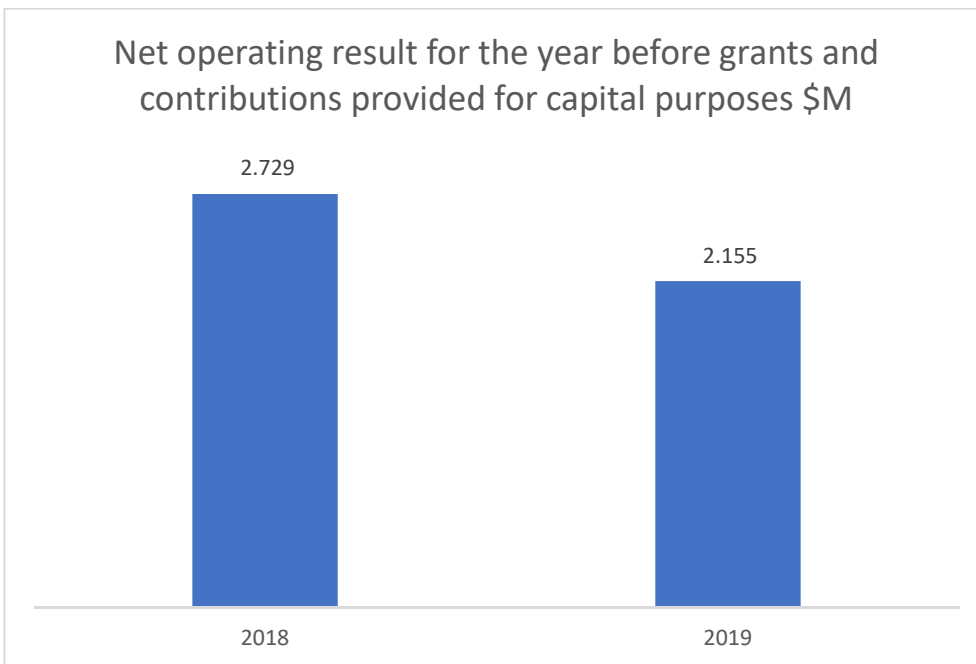


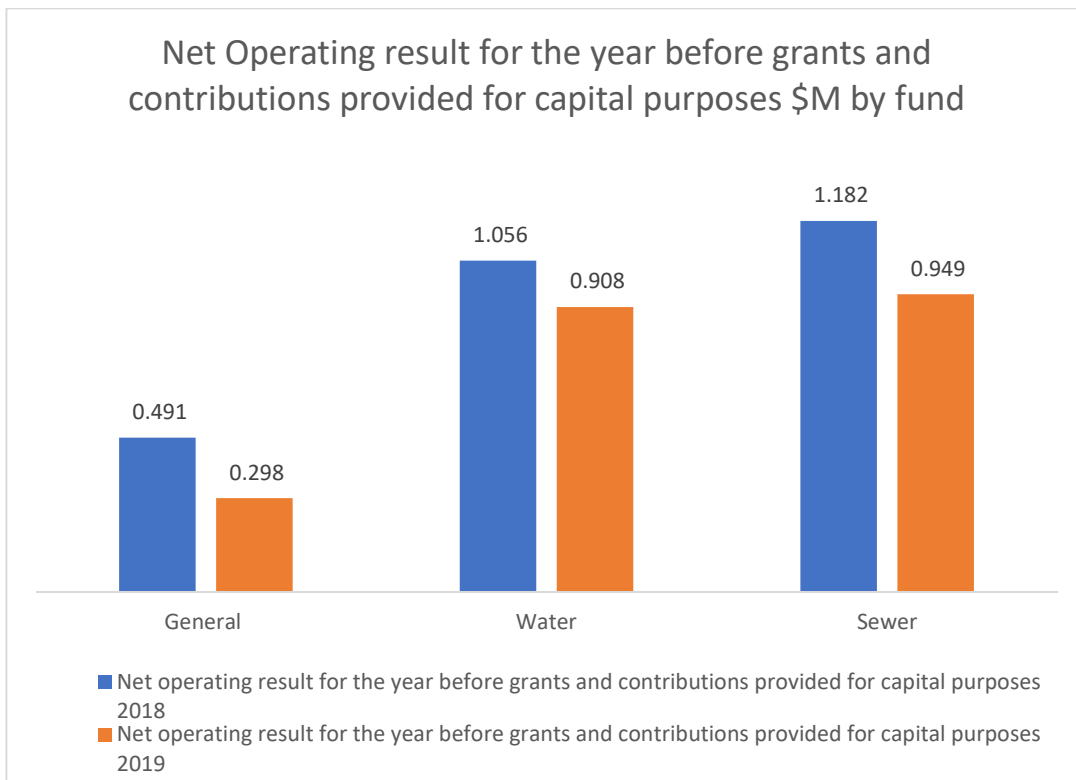


Please see Note 3e and Note 23 of Attachment 2 for further details.

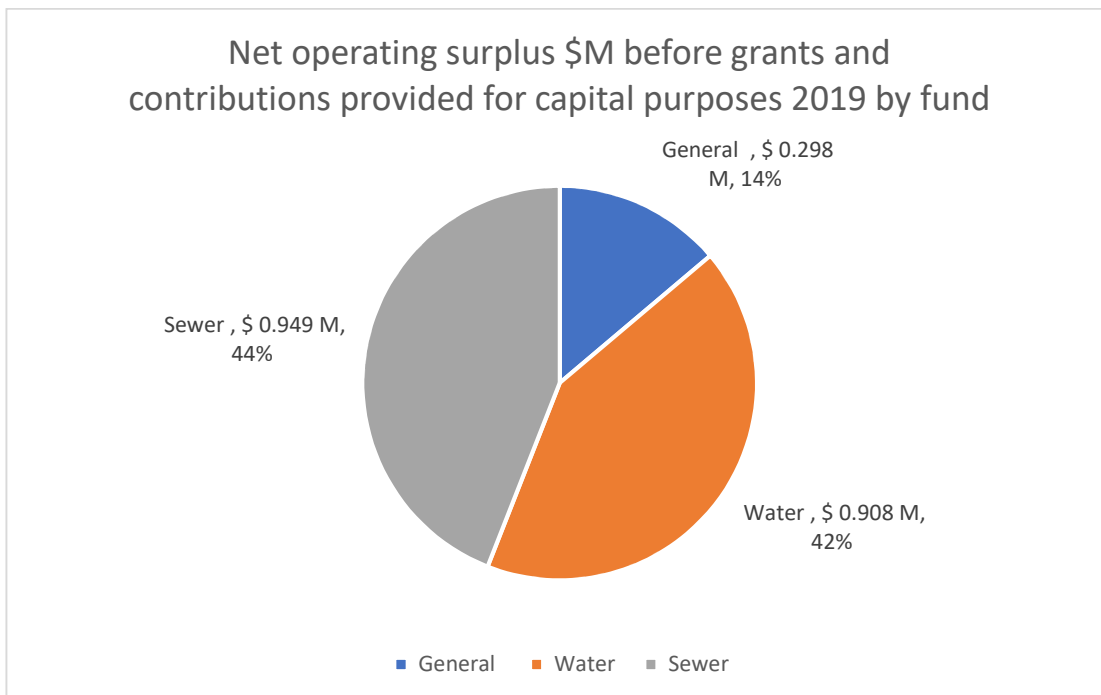
Operating Result before capital grants

A more important indicator is the operating result before capital grants and contributions. This result for Council was a surplus of \$2.2m in 2018-19 compared to a surplus of \$2.7m in the previous financial year, representing a decrease of \$0.5m between financial years.





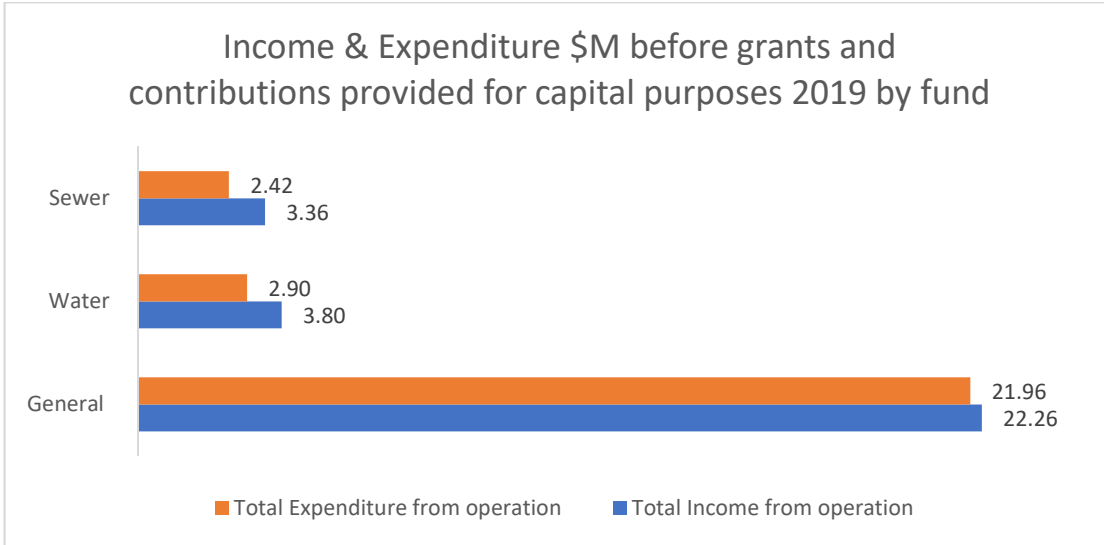
The graphs below are a quick summary of the key results by fund for the 2019 year, more detailed breakdown figures can be found in Note 23 of Attachment 1.



General fund performance

General fund refers to all of Council’s activities except for its water and sewer activities which are listed separately. The overall operating result before capital funding was a surplus of \$2.2m and but approximately only 14% was explained by the general fund. When comparing results, it is important to note that a consolidated position has the strong performance of the water and sewer fund masking the performance of the general fund. Note the operating grant value received in the

general fund (without matching expenditure) – being the \$1.6m in additional New Council Implementation Funding (NCIF merger funding) and the difference this has made to the operating performance. Moving forward, it is necessary for Council to keep a tight control of the general fund expenditure.

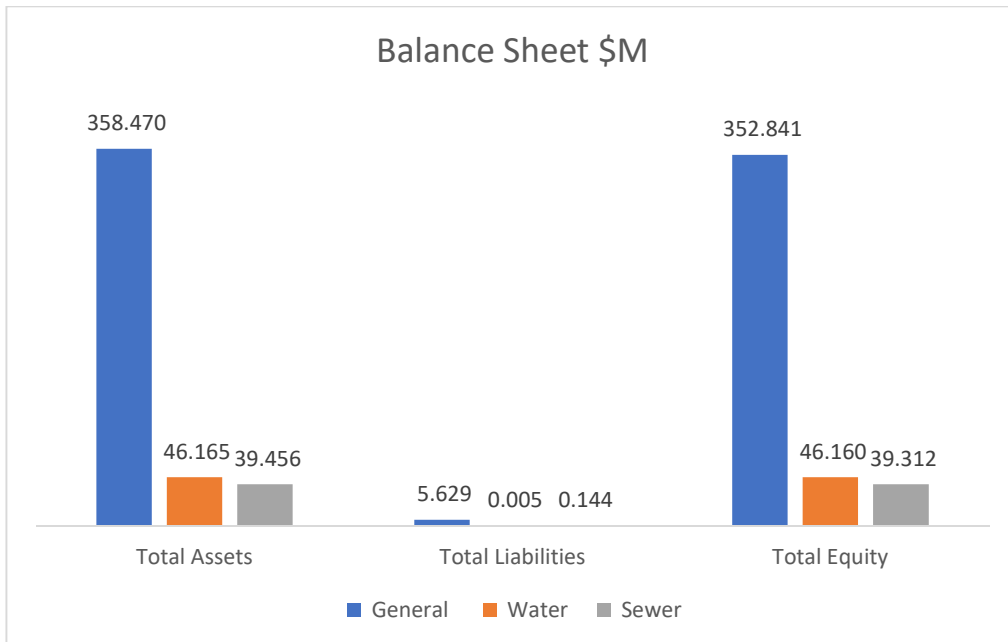


Balance Sheet

Council’s net assets total \$438.3m.

The largest class of assets is roads, followed by buildings, water and sewer.

Council holds total cash, cash equivalents and investments \$48.5m. Approximately \$20.9m is held in internally restricted reserves and \$16.9m is held in externally restricted reserves.



Major changes between financial years

If reference is made to the Income Statement of the General Purpose Financial Reports at Attachment 1, the following Table 1 indicates the major changes between 2018-19 and the previous financial year by line item:

Table 1 – 2018-2019 Income Statement Major Changes between financial years

Item	Change between 2018-19 and 2017-18 \$'000	Change Outcome	Comment
Income			
Rates & Annual Charges	\$216	Increase	Reflects imposition of rate peg increase for 2018-19 of 2.3% and changes in annual charges from Council's adopted 2018-19 Revenue Policy
User Charges and Fees	\$806	Increase	Major changes include \$585K increase RMS charges for works conducted on roads not controlled by Council. Further information is available in Note 3(b) in Attachment 2.
Interest and Investment Revenue	\$126	Increase	Slight increase in revenues despite a further decline in interest rates. This reflects an improved cash position due to an increase in capital grants.
Other Revenues	\$34	Increase	A variety of non-material factors have made up this number. See Note 3(d) in Attachment 2.
Grants & Contributions – Operating	\$1,050	Increase	This was primarily a merger funding operational grant.
Grants & Contributions – Capital	\$9,386	Increase	Major increases in Capital grants were \$3,400k for RFS and \$6,186k for stronger communities and stronger country communities funding.
Net Share of interests in joint ventures and associates	\$53	Increase	Specific details are contained in Note 14 to Attachment 2
Total Income Change	\$11,671	Increase	
Expenditure			
Employee Benefits and Oncost	\$363	Increase	Decreased salary and wages \$198k. Decreased superannuation of \$46k. There was a decrease of \$27k of employee capitalised costs. These decreased were offset by an increase in Employee leave entitlements of \$447k.
Borrowing Costs	-\$5	Decrease	All borrowings have now been repaid.
Materials & Contracts	\$982	Increase	The need to expend merger funding grants reflects greater expense in raw materials and consumables of \$242k. There was an increase in agency / project temporary staff of \$406k, increase in legal expenses of \$60k, operating lease expenses decreased \$186k as Council paid out all leases.
Depreciation & amortisation	\$837	Increase	Major change is due to roads \$439k increase, buildings \$102k increase and sewerage & water supply networks increase of \$179k. These increases are primarily driven by the harmonisation of different asset life assumptions between Conargo and Deniliquin Council. Refer note 4(d).
Other Expenses	-\$261	Decrease	Overall decrease - there were variations in line items as disclosed at Note 4(e) in Attachment 2.
Net Losses from Disposal of Assets	\$942	Increase	Reflection of the written down value of infrastructure assets at the end of financial year. Main impact due to roads that required replacement before being fully written down.

Item	Change between 2018-19 and 2017-18 \$'000	Change Outcome	Comment
Total Expenditure Change	\$2,858	Increase	
Change in Result	\$8,813	Increase	Improved operating result for the 2018-19 compared to 2017-18.

Performance ratios

Following on from the operating result, there are performance ratios disclosed at note 24 to the General Purpose Financial Statements and in Special Schedule. These ratios have been derived following the financial assessments undertaken by NSW Treasury Corporation on all NSW Councils 2012 and are now incorporated into the Code of Accounting Practice and Financial Reporting that determines the content of Council's Financial Statements.

These ratios also have trend graphs and all look to be presenting either a stable or improving result, with the exception of the Own Source Revenue ratio. This ratio has been negatively impacted by the receipt of additional NSW Government Merger Funding – representing an increase in external funding.

Asset Value

On instruction of the NSW Auditor General, recognition of Crown Lands has been taken up in Councils Balance Sheet. This has been done via a restatement of the prior year's Accumulated surplus in the Financial Statements. Please see Note 12(a) in Attachment 1. This had the impact of increasing Assets as well as Equity by approximately \$10m. The remainder of Council assets have not been revalued since 2015. A full revaluation of all asset classes is underway for the 2019-20 year.

Cash and Investments

As at 30 June 2019 Council held \$48.47m in cash and investments. This was an increase by \$4.23m over the previous year. Of this amount \$10.70m was unrestricted, \$16.90m had external restrictions and \$20.87 had internal restrictions.

Receivables

Receivables have decreased from \$4.49m in 2017-18 to \$3.61m in 2018-19. This was primarily due to the repayment in full of a \$746k loan made to Dongmun Greentek to support the development of an ethanol plant.

Payables and Provisions

Total payables increased from \$1.35m to \$2.34m 2017-18 to 2018-19 (or \$993k). Material items were: Payment owing for Goods and Services rose by \$427k for operating expenditures and by \$346k for capital expenditures. 'Other expenditure accruals' also rose by \$212k. These were partially offset by a fall in accrued expenses from salaries and wages by \$171k.

See Note 10 in Attachment 2 for additional information.

Loan Borrowings

All Council loans were repaid in 2018-19. This totalled \$2.54m. Council had zero debt at 30 June 2019.

Liquidity

Council's balance sheet indicates net current assets of \$46.98 million. It is on this basis, in the opinion of the Responsible Accounting Officer, that the short-term financial position of Council remains in a satisfactory position and that Council can be confident it can meet its payment

obligations as and when they fall due. That is, there is no uncertainty as to Council being considered as a 'going concern'. In addition, Council's cash expense cover ratio is out to 30.62 months whereas the minimum benchmark is 3 months. Council substantially exceeds this benchmark.

Council's Unrestricted Current Ratio has improved to 11.92, demonstrating Council has \$11.92 in unrestricted current assets compared to every \$1.00 of unrestricted current liabilities.

STRATEGIC IMPLICATIONS

Nil

COMMUNITY STRATEGIC PLAN

- 5 - A community working together to achieve its potential
 - 5.3 - Our local government is efficient, innovative and financially sustainable
 - 5.3.1 - Deliver sustainable financial management
 - 5.3.1.2 - Monitor and accurately report on Council's financial position in accordance with Local Government Act requirements.

FINANCIAL IMPLICATIONS

There are no direct financial implications associated with this report as the report does not involve any future expenditure of Council funds, but it is a report advising the financial outcomes of Council during the 2018-2019 financial year.

LEGISLATIVE IMPLICATIONS

Section 413(2)(c) of the Local Government Act 1993 and Regulation 215 of the Local Government (General) Regulation 2005 requires Council to specifically form an opinion on the financial statements. Specifically, Council needs to sign off an opinion on the Financial Statements regarding their preparation and content as follows:

- the Financial Statements have been prepared in accordance with the:
 - Local Government Act 1993 (as amended) and the Regulations made thereunder.
 - Australian Accounting Standards and professional pronouncements.
 - Local Government Code of Accounting Practice and Financial Reporting.
- 1.
 - the content to the best of knowledge and belief:
 - Present fairly the Council's operating result and financial position for the year.
 - Accord with Council's accounting and other records.
 - Management is not aware of any matter that would render the Financial Statements false or misleading in any way
- 2.

Section 416(1) of the Local Government Act 1993 requires a Council's annual Financial Statements to be prepared and audited within four (4) months of the end of that financial year, that is on or before 31 October.

Section 417(4) of the Local Government Act 1993 requires, as soon as practicable after completing the audit, the Auditor must send a copy of the Auditor's Reports to the Departmental Chief Executive and to the Council.

Section 417(5) of the Local Government Act 1993 requires Council, as soon as practicable after receiving the Auditor's Reports, to send a copy of the Auditor's Reports on the Council's Financial Statements, together with a copy of the Council's audited Financial Statements, to the Departmental Chief Executive.

Section 418(1) of the Local Government Act 1993 requires Council to fix a date for the Meeting at which it proposes to present its audited Financial Statements, together with the Auditor's Reports, to the public, and must give public notice of the date so fixed. This requirement must be completed within five weeks after Council has received the Auditors Reports.

Section 420 of the Local Government Act 1993 requires Council to provide the opportunity for the public to submit submissions on the Financial Statements. Submissions are to be submitted to Council meeting within seven days of the Financial Statements being presented to the public. In the case of the 2018-19 Financial Statements, closing date for submissions will be 29 November 2019

Section 417(4) of the Local Government Act 1993 requires, as soon as practicable after completing the audit, the Auditor must send a copy of the Auditor's Reports to the Departmental Chief Executive and to the Council.

Section 417(5) of the Local Government Act 1993 requires Council, as soon as practicable after receiving the Auditor's Reports, to send a copy of the Auditor's Reports on the Council's Financial Statements, together with a copy of the Council's audited Financial Statements, to the Departmental Chief Executive before 6 November 2019.

ATTACHMENTS

- 1. ERC - General Purpose Financial Statements 2019 (Draft)**
- 2. ERC - Special Purpose Financial Statements 2019 (Draft)**
- 3. ERC - Special Schedules 2019 (Draft)**
- 4. Auditor's Engagement Closing Report - Confidential**
- 5. ERC - Report on the Conduct of the Audit (Draft)**

Edward River Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Edward River Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

180 Cressy Street
Deniliquin NSW 2710

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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

Edward River Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Edward River Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 31 October 2019.

Cr Norm Brennan
Mayor
31 October 2019

Cr Pat Fogarty
Councillor
31 October 2019

Mr Adam McSwain
General Manager
31 October 2019

Mrs Amanda Barber
Responsible Accounting Officer
31 October 2019

Edward River Council

Financial Statements 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 ¹ \$ '000
Income from continuing operations				
<u>Revenue:</u>				
12,521	Rates and annual charges	3a	12,736	12,520
3,289	User charges and fees	3b	4,812	4,006
804	Interest and investment revenue	3c	1,173	1,047
720	Other revenues	3d	470	436
8,600	Grants and contributions provided for operating purposes	3e,3f	10,165	9,115
-	Grants and contributions provided for capital purposes	3e,3f	10,020	634
<u>Other income:</u>				
-	Net share of interests in joint ventures and associates using the equity method	14	72	20
25,934	Total income from continuing operations		39,448	27,778
Expenses from continuing operations				
8,685	Employee benefits and on-costs	4a	8,734	8,371
147	Borrowing costs	4b	143	148
6,495	Materials and contracts	4c	5,127	4,145
8,610	Depreciation and amortisation	4d	8,801	7,964
3,185	Other expenses	4e	3,260	3,521
-	Net losses from the disposal of assets	5	1,208	266
27,122	Total expenses from continuing operations		27,273	24,415
(1,188)	Operating result from continuing operations		12,175	3,363
(1,188)	Net operating result for the year		12,175	3,363
(1,188)	Net operating result attributable to council		12,175	3,363
(1,188)	Net operating result for the year before grants and contributions provided for capital purposes		2,155	2,729

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

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

Edward River Council

Financial Statements 2019

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
Net operating result for the year (as per Income Statement)		12,175	3,363
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	8(a)	1,111	-
Total items which will not be reclassified subsequently to the operating result		1,111	-
Total other comprehensive income for the year		1,111	-
Total comprehensive income for the year		13,286	3,363
Total comprehensive income attributable to Council		13,286	3,363

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

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

Edward River Council

Financial Statements 2019

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$ '000	Restated 2018 ¹ \$ '000	Restated 1 July 2017 \$ '000
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	19,456	23,487	22,372
Investments	6(b)	29,014	20,755	21,000
Receivables	7	3,606	4,486	4,171
Other		50	25	108
Total current assets		52,126	48,753	47,651
Non-current assets				
Infrastructure, property, plant and equipment	8(a)	391,092	382,724	381,864
Intangible assets	9	32	164	375
Investments accounted for using the equity method	14	841	769	841
Total non-current assets		391,965	383,657	383,080
TOTAL ASSETS		444,091	432,410	430,731
LIABILITIES				
Current liabilities				
Payables	10	2,340	1,347	1,976
Income received in advance	10	51	336	308
Borrowings	10	–	589	589
Provisions	11	2,755	2,580	3,042
Total current liabilities		5,146	4,852	5,915
Non-current liabilities				
Payables	10	50	49	51
Borrowings	10	–	1,951	2,540
Provisions	11	582	531	561
Total non-current liabilities		632	2,531	3,152
TOTAL LIABILITIES		5,778	7,383	9,067
Net assets		438,313	425,027	421,664
EQUITY				
Accumulated surplus	12a	437,202	425,027	421,664
Revaluation reserves	12a	1,111	–	–
Council equity interest		438,313	425,027	421,664
Total equity		438,313	425,027	421,664

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

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

Edward River Council

Financial Statements 2019

Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000
Opening balance		415,027	–	415,027	411,664	–	411,664
Correction of prior period errors	12b	10,000	–	10,000	10,000	–	10,000
Restated opening balance		425,027	–	425,027	421,664	–	421,664
Net operating result for the year		12,175	–	12,175	3,363	–	3,363
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	8(a)	–	1,111	1,111	–	–	–
Other comprehensive income		–	1,111	1,111	–	–	–
Total comprehensive income		12,175	1,111	13,286	3,363	–	3,363
Equity – balance at end of the reporting period		437,202	1,111	438,313	425,027	–	425,027

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

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

Edward River Council

Financial Statements 2019

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000	Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities			
<u>Receipts</u>			
12,174	Rates and annual charges	13,103	11,954
4,281	User charges and fees	4,409	2,928
804	Investment and interest revenue received	1,085	1,151
7,428	Grants and contributions	20,185	10,155
–	Bonds, deposits and retention amounts received	39	–
1,833	Other	1,189	2,757
<u>Payments</u>			
(9,990)	Employee benefits and on-costs	(8,691)	(8,931)
(5,731)	Materials and contracts	(4,700)	(4,874)
(147)	Borrowing costs	(143)	(148)
–	Bonds, deposits and retention amounts refunded	–	(5)
(2,750)	Other	(2,920)	(4,518)
7,902	Net cash provided (or used in) operating activities	23,556	10,469
Cash flows from investing activities			
<u>Receipts</u>			
–	Sale of investment securities	–	9,250
321	Sale of infrastructure, property, plant and equipment	160	444
<u>Payments</u>			
–	Purchase of investment securities	(8,259)	(9,005)
(15,745)	Purchase of infrastructure, property, plant and equipment	(16,948)	(9,454)
(15,424)	Net cash provided (or used in) investing activities	(25,047)	(8,765)
Cash flows from financing activities			
<u>Payments</u>			
(327)	Repayment of borrowings and advances	(2,540)	(589)
(327)	Net cash flow provided (used in) financing activities	(2,540)	(589)
(7,849)	Net increase/(decrease) in cash and cash equivalents	(4,031)	1,115
–	Plus: cash and cash equivalents – beginning of year	23,487	22,372
(7,849)	Cash and cash equivalents – end of the year	19,456	23,487
Additional Information:			
–	plus: Investments on hand – end of year	29,014	20,755
(7,849)	Total cash, cash equivalents and investments	48,470	44,242

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

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 21 November 2019. 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.

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

Council is a not for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

- estimated fair values of infrastructure, property, plant and equipment – refer Note 18.
- estimated tip remediation provisions – refer Note 11.
- employee benefit provisions – refer Note 11.

Significant judgements in applying the council's accounting policies

- Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

(d) Monies and other assets received by Council**(i) The Consolidated Fund**

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

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

- General purpose operations
- Water service
- Sewerage service

Due to their immaterial nature, the following Section 355 committees have been excluded from these financial statements:

- Edward River Council Community Garden
- Edward River Concert Band
- Edward River Council Tidy Towns Committee
- Blighty Hall Committee
- Booorooban Hall Committee
- Conargo Hall and Recreation Ground Committee
- Mayrung Hall Committee
- Pretty Pine Hall Committee
- Wanganella Hall Committee
- Multi Arts Centre

(ii) The Trust Fund

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

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

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

(e) 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.

(f) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

AASB 16 Leases

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

At the end of this reporting period, Council does not have any lease commitments for the last 12 months and will continue to be the same position. Hence Council does not expect any significant impact on the financial statements.

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

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

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income. Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards (AASB 15 and AASB 1058), these standards may affect the timing of the recognition of some grants and donations.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018. At the end of this reporting period, Council does not have any lease commitments for the last 12 months and will continue to be the same position. Hence Council does not expect any significant impact on the financial statements.

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities ^{1,2}										
A community working together to achieve its potential	13,529	14,911	5,099	7,449	8,430	7,462	5,618	5,735	139,508	67,448
A great place to live	1,289	748	1,829	3,333	(540)	(2,585)	11,922	426	70,338	30,288
A prosperous and vibrant economy	851	858	735	1,339	116	(481)	105	220	24,038	8,223
A region with quality and sustainable infrastructure	21,347	9,541	16,294	11,164	5,053	(1,623)	278	1,493	189,921	285,030
A valued and enhanced natural environment	2,432	1,720	3,316	1,130	(884)	590	50	313	20,286	41,421
Total functions and activities	39,448	27,778	27,273	24,415	12,175	3,363	17,973	8,187	444,091	432,410

(1) Income and expenditure allocated to each function/ activity using cost centres, with each cost centre being attached to one particular function/activity.

(2) Assets allocated to each activity on the basis of the activities expenditure as a proportion of total expenditure. The assumption is that a function's expenditure is a reflection of that activities utilisation of total assets.

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

These Functions align with Council's Community Strategic Plan and are in line with Council's Integrated Planning and Reporting framework.

A community working together to achieve its potential

These are activities that relate to council's leadership, including governance, administration and general purpose operations. Council's objectives of this function are:

1. Our community is informed and engaged.
2. We collaborate and pursue partnerships that achieve great outcomes for our community.
3. Our local government is efficient, innovative and financially sustainable.

A great place to live

These activities relate to council's society and community, including health, public order and security, community services and education, as well as recreation and culture. Council's objectives for this function are:

1. Our community has access to essential services.
2. Our community is safe, happy and healthy, both physically and mentally.
3. Our community and public spaces are accessible and inclusive and reflect our history, heritage and culture.

A prosperous and vibrant economy

These activities relate to the economy in Council's area of operation and include agriculture, manufacturing, construction and economic affairs. Council's objectives for this function are:

1. Our economy is strong and diverse.
2. We develop our key assets to enhance agriculture, boost tourism and support existing business.
3. Our region provides strong education, employment and training opportunities.

A region with quality and sustainable infrastructure

These activities relate to infrastructure, including water and sewerage, roads, transport and communication. Council's objectives for this function are:

1. Our built environment is managed, maintained and improved.
2. Our road network is a source of pride.
3. Our water and sewer infrastructure is efficient and fit for purpose.

A valued and enhanced natural environment

These activities relate to the natural environment in which council operates, including solid waste management, drainage and storm water management. Council's objectives for this function are:

1. We are committed to resource recovery and waste management.
2. Our natural environment is protected and enhanced.
3. We plan for the future to accommodate and facilitate sustainable growth and development.

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Rates and annual charges		
Ordinary rates		
Residential	3,505	3,426
Farmland	2,700	2,639
Business	1,006	981
Other	29	29
Less: pensioner rebates (mandatory)	(148)	(144)
Rates levied to ratepayers	7,092	6,931
Pensioner rate subsidies received	76	78
Total ordinary rates	7,168	7,009
Special rates		
Business promotion levy	–	80
Rates levied to ratepayers	–	80
Total special rates	–	80
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,198	1,170
Stormwater management services	75	77
Water supply services	1,344	1,304
Sewerage services	2,887	2,815
Waste management services (non-domestic)	148	144
Less: pensioner rebates (mandatory)	(178)	(174)
Annual charges levied	5,474	5,336
Pensioner subsidies received:		
– Water	34	34
– Sewerage	33	33
– Domestic waste management	27	28
Total annual charges	5,568	5,431
TOTAL RATES AND ANNUAL CHARGES	12,736	12,520

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

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.

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.

To allow for comparative purposes, a discrepancy totalling \$173,000 has been taken up in 2018 'Income from continuing operations' figures. Code 27 has moved 'Pensioner rate subsidies', previously recognised in 'Special Purpose Grants', into 'Rates and annual charges'.

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.

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	–	15
Water supply services	2,298	2,173
Sewerage services	350	357
Waste management services (non-domestic)	85	87
Total specific user charges	2,733	2,632
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	24	33
Inspection services	26	32
Private works – section 67	166	128
Regulatory/ statutory fees	20	22
Section 10.7 certificates (EP&A Act)	17	16
Section 603 certificates	24	26
Development fees	36	42
Impounding fees	7	3
Other – certificates and permits	10	9
Re-zoning fees	2	12
Total fees and charges – statutory/regulatory	332	323
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	111	107
Caravan park	79	56
Cemeteries	114	74
Gravel pits	7	7
Leaseback fees – Council vehicles	37	5
Library and art gallery	7	15
Park rents	5	7
RMS charges (state roads not controlled by Council)	1,094	509
Agistment	10	4
Animal control	1	1
Medical centre	63	93
Murray Valley industrial park	21	30
Museum donations	14	17
Other lease rentals	83	11
Radio tower leases	–	14
Truckwash	85	81
Other	16	20
Total fees and charges – other	1,747	1,051
TOTAL USER CHARGES AND FEES	4,812	4,006

Accounting policy for user charges and fees

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

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	77	36
– Cash and investments	1,061	954
– Other	35	57
TOTAL INTEREST AND INVESTMENT REVENUE	1,173	1,047
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	77	36
General Council cash and investments	476	340
Restricted investments/funds – external:		
Water fund operations	192	221
Sewerage fund operations	150	131
Domestic waste management operations	29	42
Restricted investments/funds – internal:		
Internally restricted assets	249	277
Total interest and investment revenue	1,173	1,047

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Rental income – other council properties	47	50
Fines	20	19
Legal fees recovery – rates and charges (extra charges)	109	69
Commissions and agency fees	9	15
Diesel rebate	111	139
Insurance claims recoveries	–	4
Recycling income (non-domestic)	1	14
Sales – general	69	38
Insurance rebates	63	45
Royalties	3	7
Other	20	7
Workers compensation reimbursement	18	29
TOTAL OTHER REVENUE	470	436

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council 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. Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards. Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,994	1,863	–	–
Financial assistance – local roads component	763	742	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,068	1,912	–	–
Financial assistance – local roads component	792	764	–	–
Total general purpose	5,617	5,281	–	–
Specific purpose				
Economic development	105	5	–	215
Employment and training programs	–	40	–	–
Environmental programs	50	75	–	–
Heritage and cultural	10	6	–	–
Library – per capita	37	90	–	–
NSW rural fire services	687	378	3,400	–
Recreation and culture	3	42	–	–
Street lighting	–	39	–	–
Transport (roads to recovery)	–	1,387	–	–
Transport (other roads and bridges funding)	187	–	12	–
Crown reserve	79	210	–	–
Merger funding – new Council implementation	1,600	–	–	–
Merger funding – stronger communities	–	–	6,186	419
Total specific purpose	2,758	2,272	9,598	634
Total grants	8,375	7,553	9,598	634
Grant revenue is attributable to:				
– Commonwealth funding	5,618	6,663	–	–
– State funding	2,071	801	9,598	634
– Other funding	686	89	–	–
	8,375	7,553	9,598	634

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

		Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
	Notes				
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		56	36	–	–
S 64 – sewerage service contributions		66	35	–	–
Total developer contributions – cash		122	71	–	–
Total developer contributions	22	122	71	–	–
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		1,560	1,341	422	–
Other		2	5	–	–
Economic Development		36	41	–	–
Library services		70	45	–	–
Transport (Other Roads)		–	59	–	–
Total other contributions – cash		1,668	1,491	422	–
Total other contributions		1,668	1,491	422	–
Total contributions		1,790	1,562	422	–
TOTAL GRANTS AND CONTRIBUTIONS		10,165	9,115	10,020	634

Accounting policy for grants and contributions

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

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

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

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

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

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

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	11,068	14,840
Add: operating grants recognised in the current period but not yet spent	1,743	834
Less: operating grants recognised in a previous reporting period now spent	(3,962)	(4,606)
Unexpended and held as restricted assets (operating grants)	<u>8,849</u>	<u>11,068</u>
Capital grants		
Unexpended at the close of the previous reporting period	–	–
Add: capital grants recognised in the current period but not yet spent	4,634	–
Unexpended and held as restricted assets (capital grants)	<u>4,634</u>	<u>–</u>
Contributions		
Unexpended at the close of the previous reporting period	39	39
Less: contributions recognised in a previous reporting period now spent	(39)	–
Unexpended and held as restricted assets (contributions)	<u>–</u>	<u>39</u>

Edward River Council

Financial Statements 2019

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

Note 4. Expenses from continuing operations

	2019	2018
	\$ '000	\$ '000
(a) Employee benefits and on-costs		
Salaries and wages	6,893	7,091
Employee termination costs	148	134
Employee leave entitlements (ELE)	1,668	1,221
Superannuation	826	872
Workers' compensation insurance	292	216
Fringe benefit tax (FBT)	24	67
Training costs (other than salaries and wages)	175	118
Protective clothing	4	4
Uniform clothing	44	39
Recruitment costs	3	-
OH&S expenses	32	7
Other	4	8
Total employee costs	10,113	9,777
Less: capitalised costs	(1,379)	(1,406)
TOTAL EMPLOYEE COSTS EXPENSED	8,734	8,371
Number of 'full-time equivalent' employees (FTE) at year end	105	109
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	107	113

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 15 for more information.

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	Notes	2019 \$ '000	2018 \$ '000
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		131	145
Total interest bearing liability costs expensed		131	145
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	12	3
Total other borrowing costs		12	3
TOTAL BORROWING COSTS EXPENSED		143	148

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.

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Materials and contracts		
Raw materials and consumables	1,744	1,502
Contractor and consultancy costs		
– Contractor engineering services	328	36
– Contractor merger related	214	227
– Contractor road services	341	256
– Contractor waste services	129	44
– Contractor water and sewer services	253	111
– Contractor IT related	78	103
– Contractor sports and recreation	348	224
– Contractor other	387	406
– Consultancy merger related	33	194
– Contractors Corporate Services	212	–
– Consultancy other	81	331
Consultancy - Corporate Services	128	–
Auditors remuneration ¹	74	72
Legal expenses:		
– Legal expenses: planning and development	–	10
– Legal expenses: debt recovery	111	53
– Legal expenses: other	37	25
Operating leases:		
– Operating lease rentals: minimum lease payments	–	186
Insurance	268	–
Other	361	367
Total materials and contracts	5,127	4,145
TOTAL MATERIALS AND CONTRACTS	5,127	4,145

Accounting policy for operating leases

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

1. 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	74	72
Remuneration for audit and other assurance services	74	72
Total Auditor-General remuneration	74	72
Total Auditor remuneration	74	72

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	Notes	2019 \$ '000	2018 \$ '000
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,166	1,091
Office equipment		109	109
Furniture and fittings		29	28
Land improvements (depreciable)		92	72
Infrastructure:			
– Buildings – non-specialised		193	180
– Buildings – specialised		806	717
– Other structures		135	119
– Roads		3,641	3,202
– Bridges		54	83
– Footpaths		253	258
– Other road assets		103	57
– Stormwater drainage		394	346
– Water supply network		745	647
– Sewerage network		690	609
– Swimming pools		78	69
– Other open space/recreational assets		104	108
Other assets:			
– Library books		29	29
– Other		–	18
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	8(a),11	48	48
Intangible assets	9	132	174
Total gross depreciation and amortisation costs		8,801	7,964
Total depreciation and amortisation costs		8,801	7,964
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		8,801	7,964

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 8 for IPPE assets.

Impairment of non-financial assets

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

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

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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.

	2019 \$ '000	2018 \$ '000
(e) Other expenses		
Advertising	243	100
Bad and doubtful debts	34	120
Bank and centrepay charges	51	45
Contributions/levies to other levels of government		
– Central Murray County Council	141	137
– Emergency services levy (includes FRNSW, SES, and RFS levies)	336	308
Councillor expenses – mayoral fee	38	29
Councillor expenses – councillors' fees	83	82
Councillors' expenses (incl. mayor) – other (excluding fees above)	34	71
Donations, contributions and assistance to other organisations (Section 356)	171	453
– Crown reserves contribution program	13	17
– ERC merger section 355 contribution program	122	6
– Other organisations	–	114
Election expenses	–	63
Electricity and heating	564	557
Information technology	251	169
Insurance	577	482
Licences, fees and permits	39	69
Merger administrator expenses	–	4
Office expenses	32	20
Postage	40	35
Printing and stationery	10	31
Promotion material	17	143
Street lighting	188	140
Subscriptions and publications	87	99
Telephone and communications	99	105
Travel expenses	–	35
Valuation fees	42	78
Other	48	9
Total other expenses	3,260	3,521
TOTAL OTHER EXPENSES	3,260	3,521

Accounting policy for other expenses

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

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
Plant and equipment	8(a)		
Proceeds from disposal – plant and equipment		160	444
Less: carrying amount of plant and equipment assets sold/written off		(71)	(245)
Net gain/(loss) on disposal		<u>89</u>	<u>199</u>
Infrastructure	8(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,297)	(465)
Net gain/(loss) on disposal		<u>(1,297)</u>	<u>(465)</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		–	9,250
Less: carrying amount of investments sold/redeemed/matured		–	(9,250)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(1,208)</u>	<u>(266)</u>

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

	2019 \$ '000	2018 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	5,704	6,317
Cash-equivalent assets		
– Deposits at call	2,252	2,066
– Short-term deposits	11,500	15,104
Total cash and cash equivalents	<u>19,456</u>	<u>23,487</u>

Accounting policy for cash and cash equivalents

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

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	29,014	–	20,755	–
Total Investments	29,014	–	20,755	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	48,470	–	44,242	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	29,014	–	20,755	–
Total	29,014	–	20,755	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Classification

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

Held to maturity investments

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	48,470	–	44,242	–
attributable to:				
External restrictions	16,895	–	14,506	–
Internal restrictions	20,868	–	18,418	–
Unrestricted	10,707	–	11,318	–
	48,470	–	44,242	–
			2019 \$ '000	2018 \$ '000

Details of restrictions

External restrictions – other

Developer contributions – general	39	39
Specific purpose unexpended grants	1,056	1,017
Water supplies	8,554	6,978
Sewerage services	5,457	4,542
Domestic waste management	1,300	1,300
Business promotion levy	–	30
Conargo milestones / interpretative	37	17
Conargo Oval M&R	20	20
Deniliquin band committee	19	19
Deniliquin community gardens	3	3
EPA waste	36	36
Library reserve	371	502
Regional arts	3	3
External restrictions – other	16,895	14,506
Total external restrictions	16,895	14,506

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
Internal restrictions		
Plant and vehicle replacement	1,799	1,799
Infrastructure replacement	3,013	3,113
Employees leave entitlement	692	692
Deposits, retentions and bonds	230	235
Airport industrial land	50	50
Asset management	14	14
Airport runway development	187	241
Blighty-upgrade power	70	70
Building maintenance	50	50
Cemetery upgrade	9	9
Conargo landscaping project	70	85
Depot office and gates upgrade	41	41
Dog trial	3	3
Election reserve	12	12
Fencing Conargo	7	7
Gravel pits	14	14
Human resources	18	18
Internal audit	6	6
Land development fund	385	400
Landscaping plans	90	90
Merger operational	2,133	2,133
Merger stronger communities	10,522	7,878
Recreation reserves / village landscaping	1,113	1,113
Risk management	5	5
Wanganella hall community	5	5
Shire – entrance signage	5	5
Tourism/industry promotion	13	18
Town planning plans, surveys and studies	103	103
Waste facilities	150	150
Water infrastructure	57	57
Website development	2	2
Total internal restrictions	20,868	18,418
TOTAL RESTRICTIONS	37,763	32,924

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Purpose				
Rates and annual charges	683	–	1,152	–
Interest and extra charges	164	–	127	–
User charges and fees	2,318	–	2,178	–
Private works	–	–	22	–
Accrued revenues				
– Interest on investments	389	–	338	–
– Other income accruals	22	–	39	–
Amounts due from other councils	32	–	26	–
Loan to Dongmun Greentek	–	–	746	–
Net GST receivable	241	–	77	–
Other debtors	–	–	7	–
Total	3,849	–	4,712	–
Less: provision of impairment				
Rates and annual charges	–	–	(102)	–
Other debtors	(243)	–	(124)	–
Total provision for impairment – receivables	(243)	–	(226)	–
TOTAL NET RECEIVABLES	3,606	–	4,486	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	81	–	94	–
– Other	674	–	1,276	–
Sewerage services				
– Rates and availability charges	180	–	232	–
– Other	114	–	163	–
Total external restrictions	1,049	–	1,765	–
Unrestricted receivables	2,557	–	2,721	–
TOTAL NET RECEIVABLES	3,606	–	4,486	–

	2019 \$ '000	2018 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	226	106
+ new provisions recognised during the year	17	135
– amounts provided for but recovered during the year	–	(15)
Balance at the end of the period	243	226

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Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables**Recognition and measurement**

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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

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

Impairment**Accounting policy under AASB 9 applicable from 1 July 2018**

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8(a). Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
	\$ '000	Restated \$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	2,710	–	2,710	3,324	44	–	–	(2,225)	–	–	3,853	–	3,853
Plant and equipment	14,287	(9,216)	5,071	699	–	(71)	(1,166)	–	–	–	14,087	(9,554)	4,533
Office equipment	2,861	(2,516)	345	–	–	–	(109)	107	–	–	2,968	(2,625)	343
Furniture and fittings	277	(179)	98	–	4	–	(29)	–	–	–	280	(207)	73
Land:													
– Operational land	4,979	–	4,979	–	611	–	–	4	(407)	–	5,187	–	5,187
– Community land	3,346	–	3,346	–	–	–	–	–	–	–	3,346	–	3,346
– Crown land	8,618	–	8,618	–	–	–	–	–	407	–	9,025	–	9,025
Land improvements – depreciable	3,746	(1,334)	2,412	41	244	–	(92)	363	–	–	4,394	(1,426)	2,968
Infrastructure:													
– Buildings – non-specialised	10,382	(4,265)	6,117	131	5,042	–	(193)	31	–	–	15,586	(4,458)	11,128
– Buildings – specialised	49,046	(12,145)	36,901	47	–	(15)	(806)	713	–	–	49,674	(12,834)	36,840
– Other structures	18,857	(831)	18,026	–	–	–	(135)	–	–	–	18,857	(966)	17,891
– Roads	204,597	(61,024)	143,573	4,278	82	(993)	(3,641)	593	–	–	206,405	(62,513)	143,892
– Bridges	7,135	(2,247)	4,888	–	–	–	(54)	–	–	–	7,136	(2,302)	4,834
– Footpaths and kerb and gutter	21,921	(6,274)	15,647	270	–	(153)	(253)	325	–	–	21,703	(5,867)	15,836
– Other road assets	4,089	(640)	3,449	–	–	(112)	(103)	–	–	–	3,969	(735)	3,234
– Bulk earthworks (non-depreciable)	27,471	–	27,471	–	–	–	–	–	–	–	27,471	–	27,471
– Stormwater drainage	33,720	(12,225)	21,495	63	–	–	(394)	–	–	–	33,783	(12,619)	21,164
– Water supply network	58,899	(22,620)	36,279	715	50	(23)	(745)	–	–	580	59,230	(22,374)	36,856
– Sewerage network	55,487	(21,691)	33,796	40	28	–	(690)	–	–	531	56,085	(22,380)	33,705
– Swimming pools	4,043	(969)	3,074	4	423	–	(78)	3	–	–	4,474	(1,047)	3,427
– Other open space/recreational assets	4,332	(1,007)	3,325	81	831	–	(104)	–	–	–	5,260	(1,127)	4,133
Other assets:													
– Library books	1,142	(997)	145	40	–	–	(29)	–	–	–	1,182	(1,026)	156
– Other	1,004	(94)	910	200	–	–	–	86	–	–	1,290	(94)	1,196
Reinstatement, rehabilitation and restoration assets (refer Note 11):													
– Tip assets	431	(382)	49	–	–	–	(48)	–	–	–	431	(430)	1
Total Infrastructure, property, plant and equipment	543,380	(160,656)	382,724	9,933	7,359	(1,367)	(8,669)	–	–	1,111	555,676	(164,584)	391,092

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 8(a). Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation	Net carrying amount
	Restated \$ '000	\$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000
Capital work in progress	1,739	–	1,739	2,086	536	–	–	(1,651)	2,710	–	2,710
Plant and equipment	13,973	(8,869)	5,104	1,303	–	(245)	(1,091)	–	14,287	(9,216)	5,071
Office equipment	2,848	(2,407)	441	13	–	–	(109)	–	2,861	(2,516)	345
Furniture and fittings	277	(151)	126	–	–	–	(28)	–	277	(179)	98
Land:											
– Operational land	4,929	–	4,929	51	–	–	–	–	4,979	–	4,979
– Community land	3,327	–	3,327	20	–	–	–	–	3,346	–	3,346
– Crown land	8,618	–	8,618	–	–	–	–	–	8,618	–	8,618
Land improvements – depreciable	3,669	(1,262)	2,407	77	–	–	(72)	–	3,746	(1,334)	2,412
Infrastructure:											
– Buildings – non-specialised	10,382	(4,085)	6,297	–	–	–	(180)	–	10,382	(4,265)	6,117
– Buildings – specialised	48,929	(11,428)	37,501	–	–	–	(717)	116	49,046	(12,145)	36,901
– Other structures	18,857	(712)	18,145	–	–	–	(119)	–	18,857	(831)	18,026
– Roads	200,597	(57,458)	143,139	3,255	–	(364)	(3,202)	745	204,597	(61,024)	143,573
– Bridges	7,135	(2,164)	4,971	–	–	–	(83)	–	7,135	(2,247)	4,888
– Footpaths	21,673	(5,952)	15,721	248	–	(64)	(258)	–	21,921	(6,274)	15,647
– Other road assets	4,089	(583)	3,506	–	–	–	(57)	–	4,089	(640)	3,449
– Bulk earthworks (non-depreciable)	27,471	–	27,471	–	–	–	–	–	27,471	–	27,471
– Stormwater drainage	33,681	(11,879)	21,802	39	–	–	(346)	–	33,720	(12,225)	21,495
– Water supply network	58,063	(22,877)	35,186	1,258	–	(37)	(647)	519	58,899	(22,620)	36,279
– Sewerage network	54,956	(21,082)	33,874	438	–	–	(609)	93	55,487	(21,691)	33,796
– Swimming pools	4,043	(900)	3,143	–	–	–	(69)	–	4,043	(969)	3,074
– Other open space/recreational assets	4,332	(898)	3,434	–	–	–	(108)	–	4,332	(1,007)	3,325
Other assets:											
– Library books	1,105	(968)	137	–	37	–	(29)	–	1,142	(997)	145
– Other	826	(76)	750	–	–	–	(18)	178	1,004	(94)	910
Reinstatement, rehabilitation and restoration assets (refer Note 11):											
– Tip assets	430	(333)	97	–	–	–	(48)	–	431	(382)	49
Total Infrastructure, property, plant and equipment ²	535,949	(154,084)	381,865	8,788	573	(710)	(7,790)	–	543,380	(160,656)	382,724

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

(2) The Gross carrying amount opening balance has been adjusted by \$10,000K which represents the recognition of Crown Lands \$10,000K

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 8(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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.

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	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 8(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

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

Rural Fire Service assets

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

Council recognise rural fire service assets for land and buildings.

Note 8(b). Externally restricted infrastructure, property, plant and equipment

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	-	-	-	37	-	37
Plant and equipment	102	102	-	102	97	5
Office equipment	5	5	-	5	4	1
Infrastructure	59,230	22,374	36,856	58,380	22,620	35,760
Total water supply	59,337	22,481	36,856	58,524	22,721	35,803
Sewerage services						
WIP	-	-	-	93	-	93
Plant and equipment	46	43	3	46	41	5
Office equipment	4	4	-	4	3	1
Infrastructure	56,085	22,380	33,705	55,394	21,691	33,703
Total sewerage services	56,135	22,427	33,708	55,537	21,735	33,802
TOTAL RESTRICTED I,PP&E	115,472	44,908	70,564	114,061	44,456	69,605

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Intangible assets

	2019 \$ '000	2018 \$ '000
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	896	932
Accumulated amortisation	(732)	(557)
Net book value – opening balance	164	375
Movements for the year		
– Other capitalised costs	–	(37)
– Amortisation charges	(132)	(174)
Closing values at 30 June		
Gross book value	896	896
Accumulated amortisation	(864)	(732)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	32	164
The net book value of intangible assets represents:		
– Software	32	164
	32	164

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.

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Payables				
Goods and services – operating expenditure	810	–	383	–
Goods and services – capital expenditure	545	–	199	–
Accrued expenses:				
– Salaries and wages	146	–	317	–
– Other expenditure accruals	342	–	130	–
Long service levy	21	–	4	–
Rural fire service liability	81	–	64	–
Security bonds, deposits and retentions	218	50	180	49
ATO – net GST payable	100	–	–	–
Workers compensation	68	–	68	–
Other	9	–	2	–
Total payables	2,340	50	1,347	49
Income received in advance				
Payments received in advance	51	–	336	–
Total income received in advance	51	–	336	–
Borrowings				
Loans – secured ¹	–	–	589	1,951
Total borrowings	–	–	589	1,951
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,391</u>	<u>50</u>	<u>2,272</u>	<u>2,000</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	5	–	29	–
Sewer	144	–	387	589
Payables and borrowings relating to externally restricted assets	149	–	416	589
Total payables and borrowings relating to restricted assets	149	–	416	589
Total payables and borrowings relating to unrestricted assets	2,242	50	1,856	1,411
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,391</u>	<u>50</u>	<u>2,272</u>	<u>2,000</u>

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

	2019 \$ '000	2018 \$ '000
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(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	50	50
Total payables and borrowings	50	50

(c) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019	
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000	
Loans – secured	2,540	(2,540)	–	–	–	–	
TOTAL	2,540	(2,540)	–	–	–	–	

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, accrued expenses and bonds for development applications.

Payables

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

Borrowings

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

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

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

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	683	–	676	–
Sick leave	211	–	226	–
Long service leave	1,483	275	1,286	238
RDO leave	31	–	16	–
Time in lieu leave	8	–	50	–
ELE on-costs	113	10	100	8
Sub-total – aggregate employee benefits	2,529	285	2,354	246
Asset remediation/restoration:				
Asset remediation/restoration (future works)	226	297	226	285
Sub-total – asset remediation/restoration	226	297	226	285
TOTAL PROVISIONS	2,755	582	2,580	531

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	2,755	582	2,580	531
TOTAL PROVISIONS	2,755	582	2,580	531

	2019 \$ '000	2018 \$ '000
--	-----------------	-----------------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,079	1,929
	<u>2,079</u>	<u>1,929</u>

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

(c) Description of and movements in provisions

	ELE provisions					Total \$ '000
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
2019						
At beginning of year	676	226	1,524	108	66	2,600
Additional provisions	526	208	227	16	36	1,013
Amounts used (payments)	(544)	(240)	(131)	-	-	(915)
Remeasurement effects	24	17	138	-	-	179
Other	-	-	-	(1)	(62)	(63)
Total ELE provisions at end of period	682	211	1,758	123	40	2,814
2018						
At beginning of year	871	227	1,811	126	60	3,095
Additional provisions	380	183	(33)	(18)	6	518
Amounts used (payments)	(590)	(187)	(275)	-	-	(1,052)
Remeasurement effects	15	3	21	-	-	39
Total ELE provisions at end of period	676	226	1,524	108	66	2,600
					Other provisions	
					Asset remediation \$ '000	Total \$ '000
2019						
At beginning of year					511	511
Remeasurement effects					12	12
Total other provisions at end of period					523	523
2018						
At beginning of year					508	508
Remeasurement effects					3	3
Total other provisions at end of period					511	511

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

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

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

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Rehabilitation

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

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

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

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

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

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

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

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

Following an internal review with a consultant involving Crown, Community and Operational land previously unrecognised Community land has now been recognised as Crown land in the Council land register.

Council has brought to account several parcels of Crown land which have been identified to be under the care and control of Council.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

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

Changes to Accumulated Surplus at 1 July 2017

Total Equity (as previously disclosed)	411,664
Crown Land not previously recognised	8,618
Community Land not previously recognised	1,382
Restated Total Equity	421,664

Changes to Infrastructure, Plant, Property and Equipment at 1 July 2017

Total Assets (as previously disclosed)	420,731
Crown Land not previously recognised	8,618
Community Land not previously recognised	1,382
Restated Total Assets	430,731

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

	Original Balance 1 July, 2017 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2017 \$ '000
IPP&E	371,864	10,000	381,864
Total Assets	420,731	10,000	430,731
Accumulated Surplus	411,664	10,000	421,664
Total equity	411,664	10,000	421,664

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Adjustments to the comparative figures for the year ended 30 June 2018****Statement of Financial Position**

	Original Balance 30 June, 2018 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2018 \$ '000
IPP&E	372,724	10,000	382,724
Total Assets	422,410	10,000	432,410
Accumulated surplus	415,027	10,000	425,027
Total equity	415,027	10,000	425,027

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition adjustments

There were no material impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018.

Reclassification from 'held to maturity' to 'amortised cost'

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

	Notes	2019 \$ '000	2018 \$ '000
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	19,456	23,487
Balance as per the Statement of Cash Flows		19,456	23,487
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		12,175	3,363
Adjust for non-cash items:			
Depreciation and amortisation		8,801	7,964
Net losses/(gains) on disposal of assets		1,208	266
Losses/(gains) recognised on fair value re-measurements through the P&L:			
Other non cash items		–	92
Share of net (profits)/losses of associates/joint ventures using the equity method		(72)	(20)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		863	(435)
Increase/(decrease) in provision for impairment of receivables		17	120
Decrease/(increase) in other current assets		(25)	83
Increase/(decrease) in payables		427	(444)
Increase/(decrease) in other accrued expenses payable		41	(40)
Increase/(decrease) in other liabilities		(105)	12
Increase/(decrease) in provision for employee benefits		214	(495)
Increase/(decrease) in other provisions		12	3
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		23,556	10,469

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Associates	72	20	841	769
Total	72	20	841	769

Associates

(a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019	2018
			\$ '000	\$ '000
Central Murray Regional Library	Associate	% Net assets	426	392
Central Murray County Council	Associate	% Net assets	415	378
Total carrying amounts – material associates			841	770

(b) Details

	Principal activity	Place of business
Central Murray Regional Library	Provision of Library Services	Deniliquin
Central Murray County Council	Noxious Weeds Control	Deniliquin

(c) Relevant interests and fair values

	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019 \$ '000	2018 \$ '000	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Central Murray Regional Library	426	392	87%	87%	87%	87%	50%	50%
Central Murray County Council	415	378	36%	36%	36%	36%	33%	33%

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for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

	Central Murray Regional Library	Central Murray County Council		
	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000
(d) Summarised financial information for associates				
Statement of financial position				
Current assets				
Cash and cash equivalents	400	502	318	514
Other current assets	–	–	77	9
Non-current assets	193	180	865	662
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	–	36	34	21
Other current liabilities	103	102	73	113
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	–	95	–	–
Net assets	490	449	1,153	1,051
Reconciliation of the carrying amount				
Opening net assets (1 July)	449	359	1,051	1,212
Profit/(loss) for the period	41	90	102	(161)
Closing net assets	490	449	1,153	1,051
Council's share of net assets (%)	87%	87%	36%	36%
Council's share of net assets (\$)	426	392	415	378
Statement of comprehensive income				
Income	486	505	1,024	821
Interest income	10	10	9	8
Depreciation and amortisation	(37)	(38)	(100)	(101)
Interest expense	(6)	(7)	–	–
Other expenses	(412)	(380)	(831)	(889)
Profit/(loss) from continuing operations	41	90	102	(161)
Profit/(loss) for period	41	90	102	(161)
Total comprehensive income	41	90	102	(161)
Share of income – Council (%)	87%	87%	36%	36%
Profit/(loss) – Council (\$)	36	78	37	(58)
Total comprehensive income – Council (\$)	36	78	37	(58)

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses. The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

	2019 \$ '000	2018 \$ '000
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	417	133
Open space and recreational assets	300	367
Water infrastructure	628	243
Sewer infrastructure	434	148
Roads	194	147
Motor vehicles and major plant acquisitions	1,508	–
Total commitments	3,481	1,038
These expenditures are payable as follows:		
Within the next year	3,481	1,038
Total payable	3,481	1,038
Sources for funding of capital commitments:		
Unrestricted general funds	2,419	647
Externally restricted reserves	1,062	391
Total sources of funding	3,481	1,038

Details of capital commitments

Commitments exist for various stronger communities grant funded projects, roads, water and sewer projects.

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	181
Later than one year and not later than 5 years	–	165
Total non-cancellable operating lease commitments	–	346

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

Three year lease on office building. Commenced May 2017.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

All finance agreements are secured only against the leased asset.

No lease agreements impose any financial restrictions on Council regarding future debt etc.

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

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

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. 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 additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not 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.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2019 was \$175,898.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 31/12/18 and covers the period ended 30/06/18.

Council's expected contribution to the Fund for the next annual reporting period is \$153,504.
The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* 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 *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2019 triennial review will be completed around December 2019. Council's additional lump sum contribution per annum 0.26% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub group.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2019 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

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.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

2. Other liabilities**(i) Third party claims**

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED**(i) Land under roads**

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

(ii) Mortgage over land

Council had a first mortgage over land in return for a \$700,000 bank guarantee. In August 2018 Council sold one lot of the property and the remaining loan balance was paid back to Council May 2019.

Council has no other mortgage over land as at 30 June 2019.

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	19,456	23,487	19,456	23,487
Receivables	3,606	4,486	3,606	4,486
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	29,014	20,755	29,014	20,755
Total financial assets	52,076	48,728	52,076	48,728
Financial liabilities				
Payables	2,390	1,396	2,390	1,397
Loans/advances	–	2,540	–	2,828
Total financial liabilities	2,390	3,936	2,390	4,225

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2019				
Possible impact of a 1% movement in interest rates	389	389	(389)	(389)
2018				
Possible impact of a 1% movement in interest rates	444	444	(444)	(444)

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2019						
Gross carrying amount	–	351	154	127	51	683
2018						
Gross carrying amount	250	453	279	132	38	1,152

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2019						
Gross carrying amount	1,161	74	147	730	1,054	3,166
Expected loss rate (%)	0.37%	3.34%	6.49%	3.85%	18.84%	7.67%
ECL provision	4	2	10	28	198	242
2018						
Gross carrying amount	253	2,231	13	34	1,029	3,560
Expected loss rate (%)	0.58%	2.34%	6.49%	3.65%	16.59%	6.36%
ECL provision	1	52	1	1	171	226

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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.

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2019							
Trade/other payables	0.00%	218	2,138	50	–	2,406	2,391
Total financial liabilities		218	2,138	50	–	2,406	2,391
2018							
Trade/other payables	0.00%	229	1,111	50	–	1,390	1,396
Loans and advances	5.17%	288	589	1,951	–	2,828	2,540
Total financial liabilities		517	1,700	2,001	–	4,218	3,936

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 2018/19 was adopted by the Council on 21 June 2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	12,521	12,736	215	2% F
User charges and fees	3,289	4,812	1,523	46% F
Increase in water revenue from adverse weather conditions and RMS unanticipated revenue.				
Interest and investment revenue	804	1,173	369	46% F
The budget was set conservatively on the lower end of the estimate for investment income. In addition there was an increase in investments in Council's portfolio as a result of increased grant funding.				
Other revenues	720	470	(250)	(35)% U
Budget figure included anticipated gains of 361K from the sale of assets and this was offset by Legal Fees recovery 37K, Diesel Rebates 30K and General Rebates 30K.				
Operating grants and contributions	8,600	10,165	1,565	18% F
Merger funding grants received were 1,600K more than what had been anticipated in the budget.				
Capital grants and contributions	-	10,020	10,020	∞ F
Merger grant funding received which had not been anticipated in the budget.				
Joint ventures and associates – net profits	-	72	72	∞ F
EXPENSES				
Employee benefits and on-costs	8,685	8,734	(49)	(1)% U
Borrowing costs	147	143	4	3% F
Materials and contracts	6,495	5,127	1,368	21% F
Flood works capital repair program classified as operational expenditure in the budget.				
Depreciation and amortisation	8,610	8,801	(191)	(2)% U
Other expenses	3,185	3,260	(75)	(2)% U
Net losses from disposal of assets	-	1,208	(1,208)	∞ U
Disposal of roads, footpaths, curb and gutter and other road assets which were replaced sooner than anticipated.				

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	7,902	23,556	15,654	198% F
Increase in Specific purpose and Merger funding - new Council implementation grants received.				
Net cash provided from (used in) investing activities	(15,424)	(25,047)	(9,623)	62% U
Increase in capital works expenditure due to capital works grants received - Merger funding - stronger communities and NSW rural fire services.				
Net cash provided from (used in) financing activities	(327)	(2,540)	(2,213)	677% U
Council resolved to pay off all outstanding loans due to a favourable financial position.				

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	8(a)					
Plant and equipment		30/06/17	–	–	4,533	4,533
Office equipment		30/06/17	–	–	343	343
Furniture and fittings		30/06/17	–	–	73	73
Crown lands		30/06/15	–	–	9,025	9,025
Operational land		30/06/15	–	–	5,187	5,187
Community land		30/06/15	–	–	3,346	3,346
Land improvements – depreciable		30/06/15	–	–	2,968	2,968
Buildings – non-specialised		30/06/15	–	–	11,128	11,128
Buildings – specialised		30/06/15	–	–	36,840	36,840
Other structures		30/06/15	–	–	17,891	17,891
Roads		30/06/15	–	–	143,892	143,892
Bridges		30/06/15	–	–	4,834	4,834
Footpaths and kerb		30/06/15	–	–	15,836	15,836
Bulk earthworks		30/06/15	–	–	27,471	27,471
Other road assets		30/06/15	–	–	3,234	3,234
Stormwater drainage		30/06/15	–	–	21,164	21,164
Water supply network		30/06/17	–	–	36,856	36,856
Sewerage network		30/06/17	–	–	33,705	33,705
Swimming pools		30/06/15	–	–	3,427	3,427
Other open spaces/recreational assets		30/06/15	–	–	4,133	4,133
Library books		30/06/15	–	–	156	156
Other assets		30/06/15	–	–	1,196	1,196
Tip assets		30/06/17	–	–	1	1
Total infrastructure, property, plant and equipment			–	–	387,239	387,239

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total Restated
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
	8(a)				
Plant and equipment		30/06/17	–	–	5,071
Office equipment		30/06/17	–	–	345
Furniture and fittings		30/06/17	–	–	98
Crown lands			–	–	9,025
Operational land		30/06/15	–	–	4,572
Community land		30/06/15	–	–	3,346
Land improvements – depreciable		30/06/15	–	–	2,412
Buildings – non-specialised		30/06/15	–	–	6,117
Buildings – specialised		30/06/15	–	–	36,901
Other structures		30/06/15	–	–	18,026
Roads		30/06/15	–	–	143,573
Bridges		30/06/15	–	–	4,888
Footpaths and kerb		30/06/15	–	–	15,647
Bulk earthworks		30/06/15	–	–	27,471
Other road assets		30/06/15	–	–	3,449
Stormwater drainage		30/06/15	–	–	21,495
Water supply network		30/06/17	–	–	36,279
Sewerage network		30/06/17	–	–	33,796
Swimming pools		30/06/15	–	–	3,074
Other open spaces/recreational assets		30/06/15	–	–	3,325
Library books		30/06/15	–	–	145
Other assets		30/06/15	–	–	910
Tip assets		30/06/17	–	–	49
Total infrastructure, property, plant and equipment			–	–	380,014

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

(2) 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:

Infrastructure, property, plant and equipment (IPP&E)

Plant and Equipment - This class of asset category is not valued at fair value. The category is at depreciated historical cost, but is disclosed as fair value.

Office Equipment - Same as Plant and Equipment above.

Furniture and Fittings - Same as Plant and Equipment above.

Operational Land - The latest valuation was conducted by APV Valuers during the 2014/15 financial year.

The valuation method is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Operational Land should be valued at market value after considering the buyers and sellers in the market and, where possible, include elements such as zoning limitations, alternative use and size of the land.

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Note 19. Fair Value Measurement (continued)

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, PDSLIVE property searches, Benchmarking, APV database of recent projects and on-site visits.

Community Land - The latest valuation was conducted by APV Valuers during the 2014/15 financial year.

The valuation method is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Council is unable to provide neither observable nor unobservable valuation techniques and therefore it is reported as a Level 3.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, PDSLIVE property searches, Benchmarking, APV database of recent projects and on-site visits.

Crown Land - Same as Community Land above.

Land Improvements (Depreciable) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide, Benchmarking, APV database of recent projects and on-site visits.

Buildings (Non - Specialised) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately. This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Buildings (Specialised) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year.

Refer to Buildings (Non-Specialised above for valuation method and data sources.

Other Structures - The latest valuation was conducted by APV Valuers during the 2014/15 financial year.

The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide, Benchmarking, APV database of recent projects and on-site visits.

Roads & Bulk Earthworks - The latest valuation was conducted by APV Valuers during the 2014/15 financial year.

The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual construction or purchase prices, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Bridges - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

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Note 19. Fair Value Measurement (continued)

Footpaths - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Stormwater - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Water Supply Network - The latest valuation was conducted by APV Valuers during the 2016/17 financial year.

The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual construction or purchase prices, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Sewer Network - The latest valuation was conducted by APV Valuers during the 2016/17 financial year. Refer to Water Supply Network above for valuation method and data sources.

Swimming Pools - The latest valuation was conducted by APV Valuers during the 2014/15 financial year.

The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Other Open Spaces/ Recreational Assets - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Swimming Pools above for valuation method and data sources.

Library Books - Same as Plant and Equipment above.

Other Assets - Refer to Swimming Pools above for valuation method and data sources.

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for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land Restated	Community Land Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2018					
Opening balance	5,104	441	126	4,928	3,326
Purchases (GBV)	1,303	13	–	51	20
Disposals (WDV)	(245)	–	–	–	–
Depreciation and impairment	(1,091)	(109)	(28)	–	–
Closing balance Restated	5,071	345	98	4,979	3,346
2019					
Opening balance	5,071	345	98	4,979	3,346
Transfers from/(to) another asset class	–	–	–	(407)	–
Purchases (GBV)	699	–	4	611	–
Disposals (WDV)	(71)	–	–	–	–
Depreciation and impairment	(1,166)	(109)	(29)	–	–
Adjustments and transfers	–	107	–	4	–
Closing balance Restated	4,533	343	73	5,187	3,346
	Crown Land Restated	Land improv- ements	Buildings non specialised	Building specialised	Other structures
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2018					
Opening balance	8,618	2,407	6,297	37,501	18,145
Transfers from/(to) another asset class	–	–	–	116	–
Purchases (GBV)	–	77	–	–	–
Depreciation and impairment	–	(72)	(180)	(716)	(119)
Closing balance Restated	8,618	2,412	6,117	36,901	18,026
2019					
Opening balance	8,618	2,412	6,117	36,901	18,026
Transfers from/(to) another asset class	407	–	–	–	–
Purchases (GBV)	–	285	5,173	47	–
Disposals (WDV)	–	–	–	(15)	–
Depreciation and impairment	–	(92)	(193)	(806)	(135)
Adjustments and transfers	–	363	31	713	–
Closing balance Restated	9,025	2,968	11,128	36,840	17,891

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Note 19. Fair Value Measurement (continued)

	Roads \$ '000	Bridges \$ '000	Footpaths \$ '000	Bulk earthworks \$ '000	Other road assets \$ '000
2018					
Opening balance	143,139	4,971	15,721	27,471	3,506
Purchases (GBV)	3,255	–	248	–	–
Disposals (WDV)	(364)	–	(64)	–	–
Depreciation and impairment	(3,202)	(83)	(258)	–	(57)
Adjustments and transfers	745	–	–	–	–
Closing balance Restated	143,573	4,888	15,647	27,471	3,449
2019					
Opening balance	143,573	4,888	15,647	27,471	3,449
Purchases (GBV)	4,360	–	270	–	–
Disposals (WDV)	(993)	–	(153)	–	(112)
Depreciation and impairment	(3,641)	(54)	(253)	–	(103)
Adjustments and transfers	593	–	325	–	–
Closing balance Restated	143,892	4,834	15,836	27,471	3,234
	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000	Swimming pools \$ '000	Other open spaces \$ '000
2018					
Opening balance	21,802	35,186	33,874	3,143	3,434
Purchases (GBV)	39	1,777	531	–	–
Depreciation and impairment	(346)	(647)	(609)	(69)	(109)
FV gains – Income Statement ¹	–	(37)	–	–	–
Closing balance Restated	21,495	36,279	33,796	3,074	3,325
2019					
Opening balance	21,495	36,279	33,796	3,074	3,325
Purchases (GBV)	63	765	68	427	912
Disposals (WDV)	–	(23)	–	–	–
Depreciation and impairment	(394)	(745)	(690)	(78)	(104)
Adjustments and transfers	–	580	531	4	–
Closing balance Restated	21,164	36,856	33,705	3,427	4,133

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

	Library books	Other assets	Tip assets	Total Restated
	\$ '000	\$ '000	\$ '000	\$ '000
2018				
Opening balance	137	750	97	380,124
Transfers from/(to) another asset class	–	178	–	294
Purchases (GBV)	37	–	–	7,351
Disposals (WDV)	–	–	–	(673)
Depreciation and impairment	(29)	(18)	(48)	(7,790)
FV gains – Income Statement ¹	–	–	–	(37)
Adjustments and transfers	–	–	–	745
Closing balance Restated	145	910	49	380,014
2019				
Opening balance	145	910	49	380,014
Purchases (GBV)	40	200	–	13,924
Disposals (WDV)	–	–	–	(1,367)
Depreciation and impairment	(29)	–	(48)	(8,669)
Adjustments and transfers	–	86	–	3,337
Closing balance Restated	156	1,196	1	387,239

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

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Cost approach	Gross replacement cost, remaining useful life and residual value
Office equipment	Cost approach	Gross replacement cost, remaining useful life and residual value
Furniture and fittings	Cost approach	Gross replacement cost, remaining useful life and residual value
Operational land	Market value approach	Comparison to other similar land sales/property prices, use of land and land area.
Community land	Market value approach	Use of land, zoning conditions and unit rates per square metre
Crown land	Market value approach	Use of land, zoning conditions and unit rates per square metre
Land improvements – depreciable	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score
Buildings – non specialised	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score
Buildings – specialised	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score
Other structures	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score

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for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Roads	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Bridges	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Footpaths and kerb	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Bulk earthworks	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Other road assets	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Stormwater drainage	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Water supply network	Cost approach - depreciated replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Sewerage network	Cost approach - depreciated replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Swimming pools	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Other open spaces/recreational assets	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Library books	Cost approach	Gross replacement cost and remaining useful life
Other assets	Cost approach - depreciated replacement	Gross replacement cost and remaining useful life
Tip assets	Cost approach - depreciated replacement	Gross replacement cost and remaining useful life

(4) Highest and best use

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

	2019 \$ '000	2018 \$ '000
Compensation:		
Short-term benefits	704	793
Post-employment benefits	49	63
Other long-term benefits	6	1
Termination benefits	-	25
Total	759	882

(b) Other transactions with KMP and their related parties

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(c) Other related party transactions

	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019					
Real Estate	1	6	-	-	-
Infrastructure works	2	4	-	-	-
2018					
Real Estate	1	12	-	-	-
Infrastructure works	2	9	-	-	-

- 1 Council provided carpark line marking services worth \$5,743 to Intereach Limited at an arm's length price. A member of Council's KMP is a board member for Intereach Limited.
- 2 Council paid \$4,088 to Big River Real Estate, which a member of the KMP is employed by and previously owned, for lease rentals.

Note 21. Events occurring after the reporting date

Council is aware of the following 'non-adjusting event' that merits disclosure.

Dissolution of Central Murray County Council (CMCC)

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

Prior to the dissolution, Council paid an annual contribution of \$141,457 toward the operations of the CMCC. Going forward Council will provide noxious weed control operations as one of its services.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			as at 30/6/2019				
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
Roads	11	-	-	-	-	-	11	-
Parking	8	-	-	-	-	-	8	-
Open space	4	-	-	-	-	-	4	-
Community facilities	9	-	-	-	-	-	9	-
Other	1	122	-	-	-	(122)	1	-
S7.11 contributions – under a plan	33	122	-	-	-	(122)	33	-
Total S7.11 and S7.12 revenue under plans	33	122	-	-	-	(122)	33	-
S7.11 not under plans	6	-	-	-	-	-	6	-
Total contributions	39	122	-	-	-	(122)	39	-

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	as at 30/6/2019	
	Opening Balance \$ '000	Contributions received during the year					Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN (former Deniliquin)								
Roads	11	-	-	-	-	-	11	-
Parking	8	-	-	-	-	-	8	-
Open space	4	-	-	-	-	-	4	-
Community facilities	9	-	-	-	-	-	9	-
Other	1	122	-	-	-	(122)	1	-
Total	33	122	-	-	-	(122)	33	-

Edward River Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,632	1,279	2,825
User charges and fees	2,158	2,298	356
Interest and investment revenue	831	192	150
Other revenues	470	–	–
Grants and contributions provided for operating purposes	10,098	34	33
Grants and contributions provided for capital purposes	9,898	56	66
Other income			
Share of interests in joint ventures and associates using the equity method	72	–	–
Total income from continuing operations	32,159	3,859	3,430
Expenses from continuing operations			
Employee benefits and on-costs	7,744	542	448
Borrowing costs	103	–	40
Materials and contracts	2,804	1,280	1,043
Depreciation and amortisation	7,355	752	694
Other expenses	2,772	298	190
Net losses from the disposal of assets	1,185	23	–
Total expenses from continuing operations	21,963	2,895	2,415
Operating result from continuing operations	10,196	964	1,015
Net operating result for the year	10,196	964	1,015
Net operating result attributable to each council fund	10,196	964	1,015
Net operating result for the year before grants and contributions provided for capital purposes	298	908	949

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

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	17,678	1,453	325
Investments	16,781	7,101	5,132
Receivables	2,557	755	294
Other	50	–	–
Total current assets	37,066	9,309	5,751
Non-current assets			
Infrastructure, property, plant and equipment	320,531	36,856	33,705
Investments accounted for using the equity method	841	–	–
Intangible assets	32	–	–
Total non-current assets	321,404	36,856	33,705
TOTAL ASSETS	358,470	46,165	39,456
LIABILITIES			
Current liabilities			
Payables	2,191	5	144
Income received in advance	51	–	–
Provisions	2,755	–	–
Total current liabilities	4,997	5	144
Non-current liabilities			
Payables	50	–	–
Provisions	582	–	–
Total non-current liabilities	632	–	–
TOTAL LIABILITIES	5,629	5	144
Net assets	352,841	46,160	39,312
EQUITY			
Accumulated surplus	362,840	45,580	38,782
Revaluation reserves	(10,000)	580	531
Council equity interest	352,840	46,160	39,313
Total equity	352,840	46,160	39,313

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

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

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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,291	11.21%	10.97%	16.75%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	29,356				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	19,021	48.31%	64.26%	39.10%	>60.00%
Total continuing operating revenue ¹	39,376				
3. Unrestricted current ratio					
Current assets less all external restrictions	34,182	11.92x	13.22x	8.56x	>1.50x
Current liabilities less specific purpose liabilities	2,868				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12,235	4.56x	15.04x	25.64x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,683				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	847	6.08%	8.91%	5.49%	<10.00%
Rates, annual and extra charges collectible	13,929				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	48,470	30.62	27.85	22.00	>3.00
Monthly payments from cash flow of operating and financing activities	1,583	mths	mths	mths	mths

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

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

Edward River Council

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Note 24(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6.37%	3.65%	24.17%	28.72%	28.51%	36.11%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	37.15%	52.82%	97.67%	98.11%	97.11%	97.94%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	11.92x	13.22x	1,861.80	287.86x	39.94x	12.76x	>1.50x
Current liabilities less specific purpose liabilities			x				
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.36x	14.37x	∞	∞	42.08x	8.66x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	8.62%	9.24%	0.00%	7.57%	0.00%	8.42%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	29.50	24.13	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 24a above.

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

To allow for comparative purposes, a discrepancy totalling \$173,000 has been taken up in 2018 'Income for continuing operations' figures. Code 27 has moved 'Pensioner rate subsidies', previously recognised in 'Special Purpose Grants', into 'Rates and annual charges'. Of the \$173,000, Financial assistance grants were decreased \$78,000 and Special purpose grants were decreased \$95,000. This required a restating of Indicator ratios for General, Water and Sewerage. As a result, the ratio percentages for 2018 figures have been slightly changed.

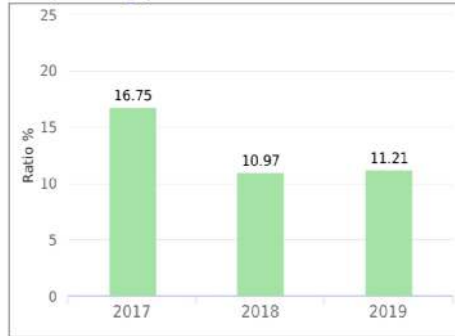
Edward River Council

Financial Statements 2019

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 11.21%

Operating performance for the year was boosted by the receipt of additional grants, including Merger Funding - New Council Implementation and Stronger Communities Grants.

Benchmark: — > 0.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 48.31%

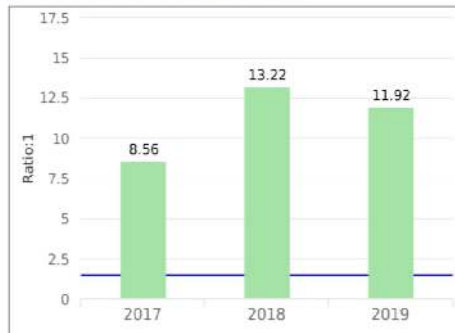
Ratio below benchmark due to increase in external funding - Merger Funding Grants. The increase in external funding meant that a larger proportion of funding as compared to the previous year was not from council's internal sources.

Benchmark: — > 60.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 11.92x

Council has consistently managed to maintain its unrestricted current ratio well above the benchmark, highlighting its council's capacity to meet its short-term obligations.

Benchmark: — > 1.50x

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

Ratio achieves benchmark
Ratio is outside benchmark

continued on next page ...

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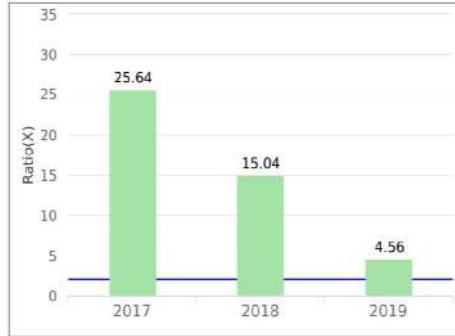
Edward River Council

Financial Statements 2019

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.56x

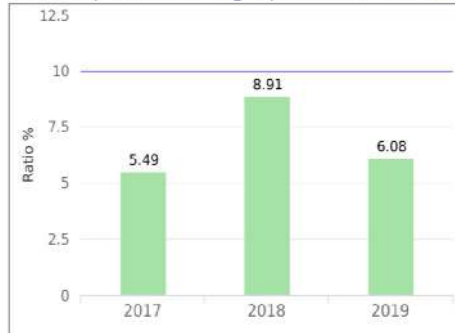
Council paid off its loans during the year and had a nil balance on Borrowings as at 30 June 2019.

Benchmark: — > 2.00x

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

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 2018/19 result

2018/19 ratio 6.08%

The Rates and charges Ratio is below the benchmark as Council continues to convert receivables into cash.

Benchmark: — < 10.00%

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

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 2018/19 result

2018/19 ratio 30.62 mths

Council's outstanding cash expense cover ratio indicates that the cash balances are at levels that would support its operations for more than 30 months.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark
Ratio is outside benchmark

Edward River Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Council information and contact details

Principal place of business:180 Cressy Street
Deniliquin NSW 2710**Contact details****Mailing Address:**PO Box 270
Deniliquin NSW 2710**Telephone:** 03 5898 3000**Facsimile:** 03 5898 3021**Opening hours:**8.30am to 5.00pm
Monday to Friday**Internet:** www.edwardriver.nsw.gov.au**Email:** council@edwardriver.nsw.gov.au**Officers****General Manager**

Mr Adam McSwain

Responsible Accounting Officer

Mrs Amanda Barber

AuditorsAudit Office NSW
Level 19, Tower 2 Darling Park
201 Sussex St
Sydney NSW 2000**Elected members****Mayor**

Cr Norm Brennan

CouncillorsCr Pat Fogarty - Deputy Mayor
Cr Peta Betts
Cr Marg Bull
Cr Ashley Hall
Cr Norm McAllister
Cr Peter McCrabb
Cr Nick Metcalfe
Cr Mac Wallace**Other information****ABN:** 90 407 359 958

Edward River Council

Financial Statements 2019

General Purpose Financial Statements
for the year ended 30 June 2019

Edward River Council

Financial Statements 2019

General Purpose Financial Statements
for the year ended 30 June 2019

Edward River Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Edward River Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, 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).

Edward River Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2019.

Cr Norm Brennan
Mayor
31 October 2019

Cr Pat Fogarty
Councillor
31 October 2019

Mr Adam McSwain
General Manager
31 October 2019

Mrs Amanda Barber
Responsible Accounting Officer
31 October 2019

Edward River Council

Special Purpose Financial Statements 2019

Income Statement – Water Supply Business Activity
 for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	1,279	1,241
User charges	2,298	2,181
Interest	192	221
Grants and contributions provided for non-capital purposes	34	34
Total income from continuing operations	3,803	3,677
Expenses from continuing operations		
Employee benefits and on-costs	542	417
Materials and contracts	1,280	1,209
Depreciation, amortisation and impairment	752	657
Loss on sale of assets	23	37
Calculated taxation equivalents	11	11
Other expenses	287	301
Total expenses from continuing operations	2,895	2,632
Surplus (deficit) from continuing operations before capital amounts	908	1,045
Grants and contributions provided for capital purposes	56	36
Surplus (deficit) from continuing operations after capital amounts	964	1,081
Surplus (deficit) from all operations before tax	964	1,081
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(250)	(314)
SURPLUS (DEFICIT) AFTER TAX	714	767
Plus accumulated surplus	44,605	43,031
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	11	11
– Corporate taxation equivalent	250	314
Closing accumulated surplus	45,580	44,123
Return on capital %	2.5%	2.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	714	768
Surplus for dividend calculation purposes	714	768
Potential dividend calculated from surplus	357	384

Edward River Council

Special Purpose Financial Statements 2019

Income Statement – Sewerage Business Activity
 for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	2,825	2,755
User charges	334	333
Fees	22	21
Interest	150	131
Grants and contributions provided for non-capital purposes	33	33
Total income from continuing operations	3,364	3,273
Expenses from continuing operations		
Employee benefits and on-costs	448	304
Borrowing costs	40	43
Materials and contracts	1,043	909
Depreciation, amortisation and impairment	694	612
Calculated taxation equivalents	10	10
Other expenses	180	223
Total expenses from continuing operations	2,415	2,101
Surplus (deficit) from continuing operations before capital amounts	949	1,172
Grants and contributions provided for capital purposes	66	35
Surplus (deficit) from continuing operations after capital amounts	1,015	1,207
Surplus (deficit) from all operations before tax	1,015	1,207
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(261)	(352)
SURPLUS (DEFICIT) AFTER TAX	754	855
Plus accumulated surplus	37,757	36,546
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	10
– Corporate taxation equivalent	261	352
Closing accumulated surplus	38,782	37,763
Return on capital %	2.9%	3.6%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	754	856
Surplus for dividend calculation purposes	754	856
Potential dividend calculated from surplus	377	428

Edward River Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Water Supply Business Activity
as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,453	3,601
Investments	7,101	3,378
Receivables	755	1,336
Total current assets	<u>9,309</u>	<u>8,315</u>
Non-current assets		
Receivables	–	34
Infrastructure, property, plant and equipment	36,856	35,803
Total non-current assets	<u>36,856</u>	<u>35,837</u>
TOTAL ASSETS	<u>46,165</u>	<u>44,152</u>
LIABILITIES		
Current liabilities		
Payables	5	29
Total current liabilities	<u>5</u>	<u>29</u>
TOTAL LIABILITIES	<u>5</u>	<u>29</u>
NET ASSETS	<u>46,160</u>	<u>44,123</u>
EQUITY		
Accumulated surplus	45,580	44,123
Revaluation reserves	580	–
TOTAL EQUITY	<u>46,160</u>	<u>44,123</u>

Edward River Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	325	2,305
Investments	5,132	2,237
Receivables	294	327
Total current assets	5,751	4,869
Non-current assets		
Receivables	–	68
Infrastructure, property, plant and equipment	33,706	33,802
Total non-current assets	33,706	33,870
TOTAL ASSETS	39,457	38,739
LIABILITIES		
Current liabilities		
Payables	144	219
Borrowings	–	168
Total current liabilities	144	387
Non-current liabilities		
Borrowings	–	589
Total non-current liabilities	–	589
TOTAL LIABILITIES	144	976
NET ASSETS	39,313	37,763
EQUITY		
Accumulated surplus	38,782	37,763
Revaluation reserves	531	–
TOTAL EQUITY	39,313	37,763

Edward River Council

Special Purpose Financial Statements 2019

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water business activity

b. Sewer business activity

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.

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Edward River Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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 \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

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

In accordance with the Department of Industry (Dol) – 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 Dol – 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 Dol – 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 not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

continued on next page ...

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Edward River Council

Special Purpose Financial Statements 2019

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

Note 1. Significant Accounting Policies (continued)

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Edward River Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements
for the year ended 30 June 2019

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

Edward River Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Edward River Council

Special Schedules 2019

Special Schedules

for the year ended 30 June 2019

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Edward River Council

Special Schedules 2019

Permissible income for general rates

for the year ended 30 June 2019

		2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
		Deniliquin Council	Conargo Shire Council	Edward River Council	Deniliquin Council	Conargo Shire Council	Edward River Council
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Notional general income calculation ¹							
Last year notional general income yield	a	4,595	2,649	7,244	4,564	2,594	7,158
Plus or minus adjustments ²	b	13	(3)	10	9	(1)	8
Notional general income	c = a + b	4,608	2,646	7,254	4,573	2,593	7,166
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Less expiring special variation amount	g	-	-	-	(80)	-	(80)
Or plus rate peg amount	i = e X (c + g)	124	71	195	103	60	163
Sub-total	k = (c + g + h + i + j)	4,732	2,717	7,449	4,596	2,653	7,249
Plus (or minus) last year's carry forward total	l	(14)	25	11	(17)	21	4
Sub-total	n = (l + m)	(14)	25	11	(17)	21	4
Total permissible income	o = k + n	4,718	2,742	7,460	4,579	2,674	7,253
Less notional general income yield	p	4,738	2,723	7,461	4,595	2,649	7,244
Catch-up or (excess) result	q = o - p	(21)	19	(2)	(16)	25	9
Carry forward to next year ⁶	t = q + r + s	(21)	19	(2)	(16)	25	9

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

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

Edward River Council

Special Schedules 2019

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	299	299	66	65	11,128	15,711	46.0%	23.0%	23.0%	6.0%	2.0%
	Buildings – specialised	421	421	223	218	36,840	49,775	19.0%	39.0%	23.0%	18.0%	1.0%
	Sub-total	720	720	289	283	47,968	65,486	25.5%	35.2%	23.0%	15.1%	1.2%
Other structures	Other structures	150	150	106	113	17,891	18,857	68.0%	32.0%	0.0%	0.0%	0.0%
	Sub-total	150	150	106	113	17,891	18,857	68.0%	32.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	4,043	4,043	1,912	1,733	122,237	206,366	30.0%	33.0%	22.0%	12.0%	3.0%
	Unsealed roads	1,250	1,250	1,003	931	21,655	–	13.0%	12.0%	32.0%	36.0%	0.0%
	Bridges	–	–	118	59	4,834	7,134	4.0%	34.0%	63.0%	0.0%	(1.0%)
	Footpaths	40	40	350	299	4,412	7,355	9.0%	27.0%	57.0%	6.0%	1.0%
	Kerb and gutter	350	350	10	10	11,424	14,400	13.0%	24.0%	39.0%	19.0%	5.0%
	Other road assets	–	–	4	2	3,234	4,089	36.0%	23.0%	35.0%	6.0%	0.0%
	Bulk earthworks	–	–	–	–	27,471	27,471	24.0%	75.0%	1.0%	0.0%	0.0%
	Sub-total	5,683	5,683	3,397	3,034	195,267	266,815	27.3%	36.5%	23.0%	10.6%	2.6%
Water supply network	Water supply network	691	691	1,020	1,087	36,276	58,650	8.0%	17.0%	54.0%	19.0%	2.0%
	Other	–	–	–	–	580	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	691	691	1,020	1,087	36,856	58,650	8.0%	17.0%	54.0%	19.0%	2.0%
Sewerage network	Sewerage network	1,306	1,306	778	763	33,706	55,556	19.0%	18.0%	22.0%	37.0%	4.0%
	Other	–	–	–	–	(1)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,306	1,306	778	763	33,705	55,556	19.0%	18.0%	22.0%	37.0%	4.0%
Stormwater drainage	Stormwater drainage	150	150	106	113	21,264	33,883	13.0%	30.0%	41.0%	16.0%	0.0%
	Other	–	–	–	–	(100)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	150	150	106	113	21,164	33,883	13.0%	30.0%	41.0%	16.0%	0.0%

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Edward River Council

Special Schedules 2019

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	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
Open space / recreational assets	Swimming pools	–	–	23	89	7,560	4,471	10.0%	58.0%	32.0%	0.0%	0.0%
	Other open space/ recreational	4	4	288	489	–	6,793	39.0%	47.0%	8.0%	6.0%	0.0%
	Sub-total	4	4	311	578	7,560	11,264	27.5%	51.4%	17.5%	3.6%	0.0%
TOTAL - ALL ASSETS		8,704	8,704	6,007	5,971	360,411	510,511	24.5%	31.8%	26.7%	14.8%	2.2%

(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

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Edward River Council

Special Schedules 2019

Report on Infrastructure Assets (continued)
as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	8,322				
Depreciation, amortisation and impairment	7,196	115.65%	137.42%	117.81%	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	8,704				
Net carrying amount of infrastructure assets	360,411	2.42%	0.94%	1.45%	<2.00%
Asset maintenance ratio					
Actual asset maintenance	5,971				
Required asset maintenance	6,007	99.40%	98.20%	88.63%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	8,704				
Gross replacement cost	510,511	1.70%	0.66%	0.84%	

(*) 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.

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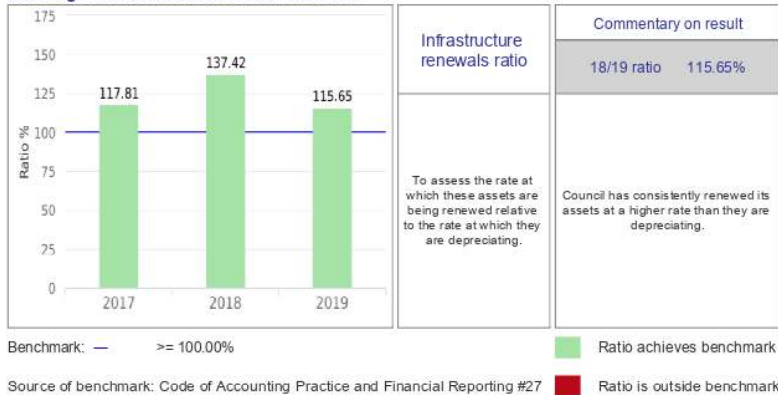
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Edward River Council

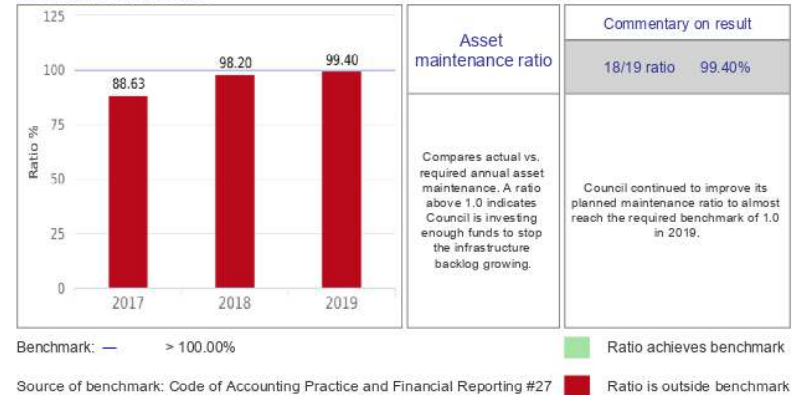
Special Schedules 2019

Report on Infrastructure Assets (continued)
as at 30 June 2019

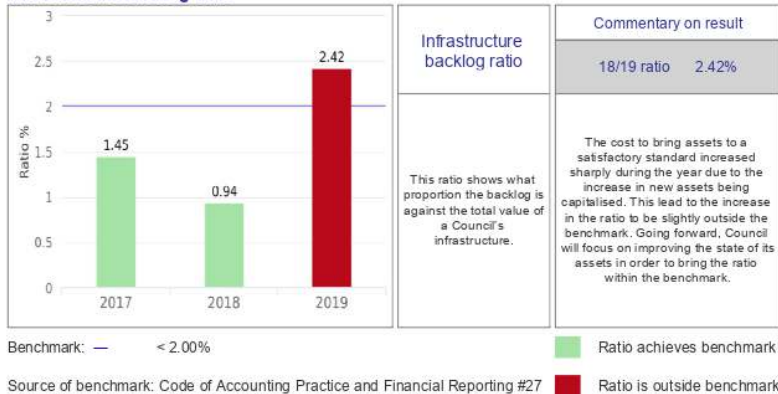
Buildings and infrastructure renewals ratio ¹



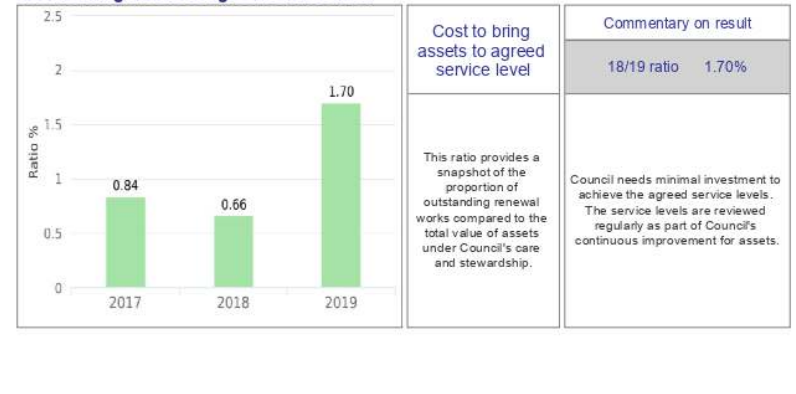
Asset maintenance ratio



Infrastructure backlog ratio ¹



Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)

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Edward River Council

Special Schedules 2019

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	131.35%	171.01%	95.97%	–	5.80%	–	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.31%	0.97%	1.87%	0.14%	3.87%	1.48%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	97.91%	108.37%	106.57%	101.20%	98.07%	67.07%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.69%	0.72%	1.18%	0.08%	2.35%	0.90%	

(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.



Norm Brennan
Mayor
Edward River Council
PO Box 270
DENILIKUIN NSW 2710

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D1925264/1721

XX October 2019

Dear Mayor







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

I have audited the general purpose financial statements (GPFS) of the Edward River Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT**Operating result**

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.736	12.520	 2
User charges and fees	4.812	4.006	 20
Grants and contributions revenue	20.185	9.749	 108
Materials and contracts	5.127	4.145	 24
Operating result for the year	12.175	3.363	 261
Net operating result before capital grants and contributions	2.155	2.729	 21

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

Rates and annual charges revenue was \$12.7 million (\$12.5 million for the year ended 30 June 2018). The increase of \$0.2 million (2%) due to IPART rate peg of 2.3%.

User charges and fees revenue was \$4.8 million (\$4.0 million for the year ended 30 June 2018). The increase is due to water revenue from adverse weather conditions and Council received \$1.1 million in fees for Roads Maintenance Council Contracts Works in 2019.

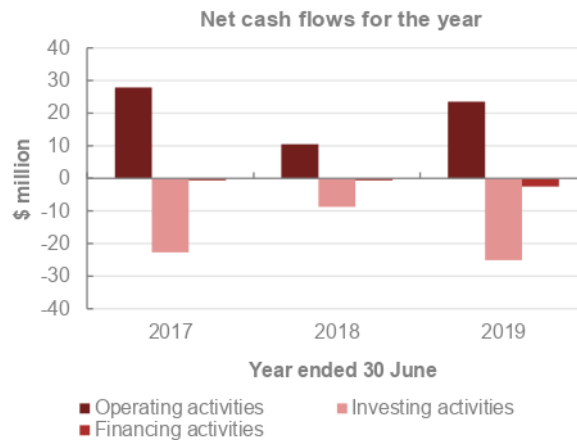
Grants and contributions revenue was \$20.2 million (\$9.7 million for the year ended 30 June 2018). The increase of \$10.4 million (108%) is primarily due to increased funding in the current year, specifically Stronger Communities merger funding of \$6.2 million, new Council implementation merger funding of \$1.6 million and NSW RFS funding of \$3.4 million.

Materials and contracts expenses was \$5.1 million (\$4.1 million for the year ended 30 June 2018). The increase is due to the flood works capital repair program.

Council's operating result was a surplus of \$12.2 million (\$3.4 million surplus for the year ended 30 June 2018). The net operating result before capital grants and contributions was a surplus of \$2.2 million (\$2.7 million surplus for the year ended 30 June 2018). These movements were mainly due to increased funding in the current year, as explained above.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents were \$19.5 million at 30 June 2019 (\$23.5 million at 30 June 2018).
- Net cash provided from operating activities increased by \$13.1 million. This is mainly due to the additional grants and contributions received.
- Net cash used in investing activities increased by \$16.3 million. This is due to increased purchases of infrastructure, property, plant, and equipment.
- Net cash used in financing activities increased by \$2.0 million due to additional repayments of borrowings in the current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	16.9	14.5	• Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$2.4 million is mainly due to water supplies and sewerage services.
Internal restrictions	20.9	18.4	• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase in the internal restrictions is primarily due to the \$2.6 million increment in merger stronger communities program.
Unrestricted	10.7	11.3	• Unrestricted cash and investments was \$10.7 million, which is available to provide liquidity for day-to-day operations of the Council.
Cash and investments	48.5	44.2	

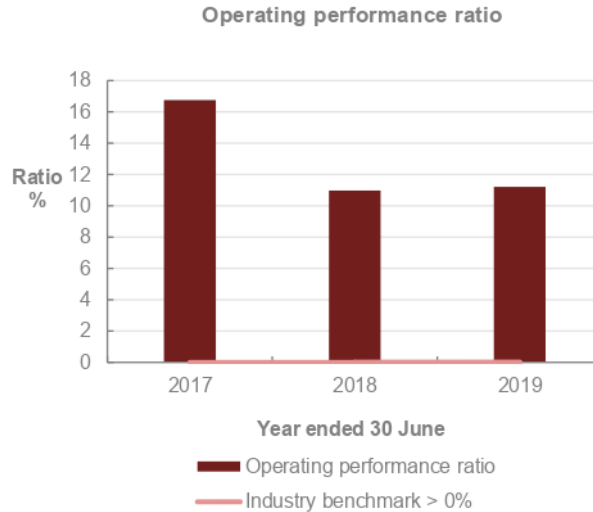
Debt

Council has no external borrowings as at 30 June 2019.

PERFORMANCE

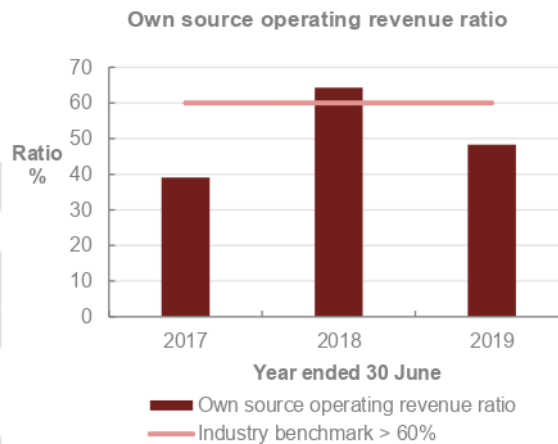
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The Council's operating performance ratio of 11.2% is above the benchmark of 0%. This indicates that Council can contain operating expenditures within operating revenue.
- The ratio remained relatively constant from 2018 to 2019.



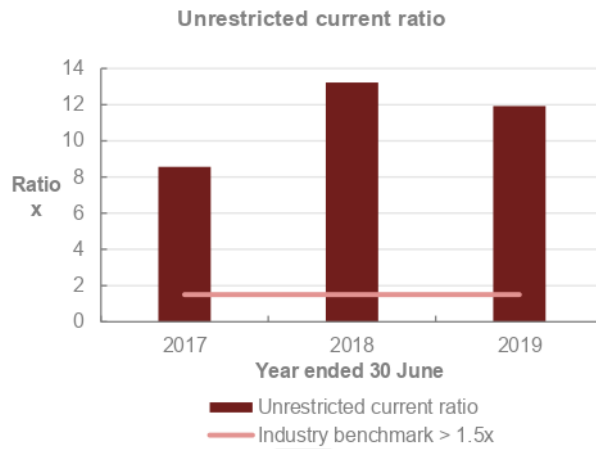
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 48.3% is not above the benchmark of 60%.
- The ratio decreased from 2018 to 2019 due to an increase in grants and contributions during the year.



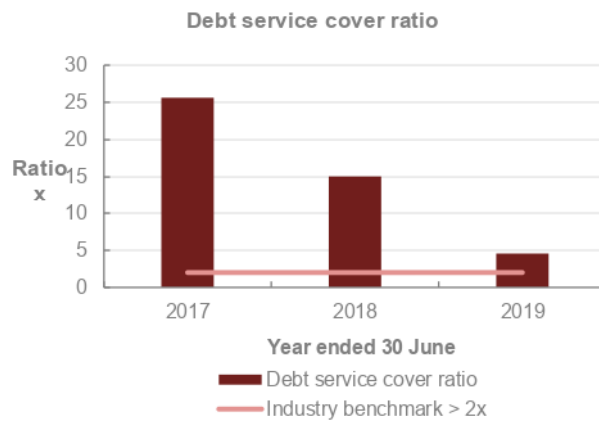
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's unrestricted current ratio of 11.92 is greater than the benchmark of 1.50.
- The ratio has remained relatively consistent from 2018 to 2019, moving from 13.22 in 2018 to 11.92 in 2019.



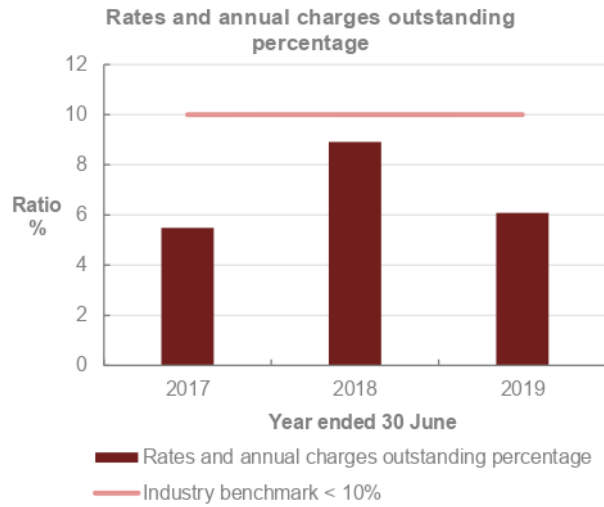
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 4.56 is greater than the benchmark of 2.
- The debt service coverage ratio has decreased from 2017 to 2019 due to an increase in principal repayments.
- Council paid off its borrowing during the year and had a nil balance as at 30 June 2019.



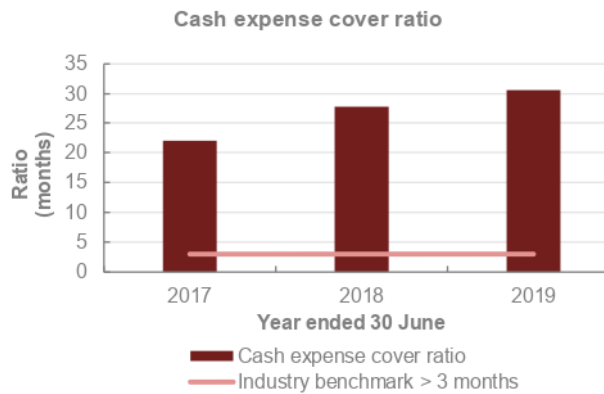
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's outstanding percentage of 6.1% is below the benchmark of being less than 10%.
- From 2018 to 2019, the outstanding percentage decreased, which is a reflection of sound debt recovery procedures at Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the OLG is greater than three months.
- The Council's cash expense cover ratio of 30.6 months is above the industry benchmark of 3 months.
- The ratio has steadily increased from 2017 to 2019 due to an increase in cash and cash equivalents plus investments.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$9.9 million of assets in the 2018-19 financial year, compared to \$8.8 million of assets in the 2017-18 financial year. \$3.3 million was spent on capital work-in-progress and \$4.3 million was spent on roads assets.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 7.</p>

Legislative compliance

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

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

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

cc: Mr Adam McSwain, General Manager
 Mr Peter Rae, Chair of Audit, Risk and Improvement Committee
 Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

7.2 AUDIT RISK AND IMPROVEMENT EXTERNAL MEMBER APPOINTMENT

Author: Trish Kirkland, Director Corporate Services

Authoriser: Trish Kirkland, Director Corporate Services

RECOMMENDATION

That Council

1. Adopt the revised Audit, Risk and Improvement Committee Charter contained at Attachment 3.
2. Appoint Mr Graham Bradley and Ms Suni Campbell to the Audit, Risk and Improvement Committee as Independent External Members.
3. Fund the required budget increase, as outlined in the Financial Implications sections of this report, from the identification of expenditure savings in other areas of Council's operations and receive a recommendation as part of the December 2019 Quarter Budget Review.

BACKGROUND

At its Ordinary Meeting held 18 July 2019, Council considered a report titled '9.5 Independent External Member Vacancy on the Audit Risk and Improvement Committee', and resolved [2019/07/159]:

That Council:

1. *Note the resignation of Ms Perin Davey from Council's Audit, Risk and Improvement Committee.*
2. *Invite applications from suitably skilled, experienced and qualified persons for the vacant position of Independent External Member.*
3. *Form a selection panel comprising the Audit, Risk and Improvement Committee Chair, one of the Councillor representatives from the Audit, Risk and Improvement Committee, the General Manager and the Director Corporate Services to assess the applications received, shortlist and interview applicants, and recommend to Council a preferred applicant for appointment.*
4. *Receive a further report containing the selection panel's recommendation.*

ISSUE/DISCUSSION

Council invited applications from suitably skilled, experienced and qualified persons and received four applications:

- Peter Hebbard
- Suni Campbell
- David Kortum
- Graham Bradley

An initial assessment of experience, qualifications and knowledge of each applicant was undertaken against the 'Selection Considerations' set out in the application pack:

'Applications for membership will be assessed for previous Committee experience, qualifications, knowledge and experience in the aspects of Council that the Committee are charged to review:

- *Compliance*
- *Risk management*

- *Fraud control*
- *Financial management*
- *Governance*
- *Implementation of the Community Strategic Plan, Delivery program and Council Strategies*
- *Service reviews*
- *Collection of performance management data by Council; and*
- *Any other matters prescribed by the Local Government (General) Regulations 2005*

Three shortlisted candidates were interviewed on Thursday 24 October 2019 by the following selection panel members:

- Committee Chair, Peter Rae
- Councillor representatives on the Committee, Cr McCrabb and Cr McAllister
- General Manager, Adam McSwain
- Director Corporate Services, Trish Kirkland

All interviewed candidates demonstrated a sound level of experience in one or more of the key areas kept under review by the Committee. However, two candidates demonstrated a broad range of skills, knowledge and experience that the selection panel consider to be highly valuable to the Committee. In order of preference, the selection panel recommend two candidates for Council's consideration:

1. Graham Bradley
2. Suni Campbell

Mr Graham Bradley is a retired Chartered Accountant and would bring to the Committee significant experience and knowledge of Internal Audit, External Audit and Audit, Risk and Improvement Committee in the NSW Local Government environment, refer Confidential Attachment 1. The appointment of Mr Graham Bradley to the Committee will fill the vacant position.

Ms Suni Campbell is the Company Secretary and Executive General Manager Business Services with Murray Irrigation Limited and would bring to the Committee significant experience and knowledge of governance, legal and legislative compliance, Internal Audit, Strategic Planning, Risk Management and ICT in a complex corporate organisation environment. Refer Confidential Attachment 2.

The appointment of Ms Suni Campbell, as a fourth external member, will require a minor change to the Committee Charter to increase the number of independent external members from three (3) to four (4). The Committee Charter was scheduled for a biannual review at the November Ordinary Council Meeting and so this review has been brought forward and the change from three (3) to four (4) independent external members has been made for Council's consideration. The revised Committee Charter is contained at Attachment 3.

The Committee Charter is prescribed document under Local Government Regulations and Section 23A Guidelines issued by the Office of Local Government. Council's Audit, Risk and Improvement Committee Charter is modelled from that recommended in the Office of Local Government's Internal Audit Guidelines.

STRATEGIC IMPLICATIONS

Nil

COMMUNITY STRATEGIC PLAN

Outcome 5.3 – Our local government is efficient, innovative and financially sustainable

FINANCIAL IMPLICATIONS

In accordance with Council resolution, each of the three independent external members receive a set fee of \$1,000.00 for each meeting attended.

The appointment of Mr Graham Bradley would require a budget adjustment for travel, accommodating and expenses allowance of \$1,000 per meeting.

The appointment of Ms Suni Campbell would require a budget adjustment to include an additional sitting allowance of \$1,000 per meeting.

LEGISLATIVE IMPLICATIONS

Local Government Amendment (Governance and Planning) Act 2016

- Section 428A – Audit, Risk and Improvement Committee

ATTACHMENTS

1. **Application - Mr Graham Bradley - Confidential**
2. **Application - Ms Suni Campbell - Confidential**
3. **Audit, Risk and Improvement Committee Charter Reviewed 2019**



AUDIT, RISK & IMPROVEMENT COMMITTEE

Committee Charter
Corporate Services
Director Corporate Services

1. OBJECTIVE

The objective of the Risk, Audit and Improvement Committee (Committee) is to provide independent assurance and assistance to Edward River Council on risk management, control, governance, and external accountability responsibilities.

Part 4A of the *Local Government Act 1993* ("the Act") will come into effect after the adoption of this Charter. When Part 4A of the Act commences, the Committee will be under a statutory obligation to keep under review the following aspects of the Council's operations.

- a) Compliance
- b) Risk management
- c) Fraud control
- d) Financial management
- e) Governance
- f) Implementation of the strategic plan, delivery program and strategies
- g) Collection of performance measurement data by the Council, and
- h) Any other matters prescribed by the regulations.

2. EXERCISE OF AUTHORITY

Subject to any legal obligations to protect information and confidentiality, The Council authorises the Committee, within the scope of its role and responsibilities, to:

- a) Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- b) Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- c) Request the attendance of any employee or Councillor at Committee meetings.
- d) Obtain external legal or other professional advice considered necessary to meet its responsibilities.

3. COMPOSITION AND TENURE

The Committee will be composed of six voting members, consisting of: ~~consist of:~~

3.1 Members (voting)

- a) Two Councillors (who are able to rotate through the committee by agreement and no more frequently than bi-annually).
- b) ~~Four~~Three independent external members (not a member of the Council), one of whom will act as chairperson.

3.2 Attendees (non-voting) from Council

The following Council officers will be required to attend the Committee Meeting but will have no voting powers

- a) General Manager
- b) Director Corporate Services



AUDIT, RISK & IMPROVEMENT COMMITTEE

Committee Charter
Corporate Services
Director Corporate Services

~~e) Finance Manager~~

~~d) HR Manager~~

3.3 Invitees (non-voting) for specific Agenda items

When the Committee deems necessary and when required other persons will be invited and/or will be permitted to attend Committee Meetings including:

- a) Representatives of the external and internal auditors.
- ~~b) Other Council officers required to participate for certain agenda items, may attend by invitation as requested by the Committee.~~
- c) Observers, such as Councillors who are not members of the Committee.

The independent external members will be appointed for the term of Council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Edward River Council. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public-sector environment.

4. ROLE AND RESPONSIBILITIES

The Committee has no executive powers, except those expressly provided by the Council.

In carrying out its responsibilities, the Committee must always recognise that primary responsibility for management of Council rests with the Council and the General Manager as defined by the NSW *Local Government Act 1993*.

The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committee's responsibilities are:

4.1 Risk Management

- a) Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- b) Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- c) Review the impact of the risk management framework on its control environment and insurance arrangements; and
- d) Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

4.2 Control Framework

- a) Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- b) Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;

**AUDIT, RISK & IMPROVEMENT COMMITTEE**

Committee Charter
Corporate Services
Director Corporate Services

- c) Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with;
- d) Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- e) Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 External Accountability

- a) Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- b) Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- c) To consider contentious financial reporting matters in conjunction with Council's management and external auditors.
- d) Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- e) Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- f) Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

4.4 Legislative Compliance

- a) Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- b) Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

4.5 Internal Audit

- a) Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- b) Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- c) Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- d) Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- e) Monitor the implementation of internal audit recommendations by management.
- f) Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- g) Periodically review the performance of Internal Audit.

4.6 External Audit

**AUDIT, RISK & IMPROVEMENT COMMITTEE**

Committee Charter
Corporate Services
Director Corporate Services

- a) Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- b) Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- c) Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- d) Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

4.7 Responsibilities of Members

Members of the Committee are expected to:

- a) Understand the relevant legislative and regulatory requirements appropriate to Edward River Council.
- b) Contribute the time needed to study and understand the papers provided.
- c) Apply good analytical skills, objectivity and good judgment.
- d) Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.
- e) Comply with the Council's Code of Conduct.

5. REPORTING

The minutes of Committee meetings will be tabled at the next Ordinary Council meeting (or as soon as practicable).

6. ADMINISTRATIVE ARRANGEMENTS**6.1 Meetings**

The Committee will meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit Committee Charter.

6.2 Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members, including at least ~~one~~-two independent members. Meetings can be held in person, by telephone or by video conference.

6.3 Secretariat

The Director of Corporate Services will be responsible for ensuring that the Committee has adequate secretariat support. The Secretariat will ensure the agenda for each meeting and

Page 4 of 5

**AUDIT, RISK & IMPROVEMENT COMMITTEE**

Committee Charter
Corporate Services
Director Corporate Services

supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained.

Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

6.4 Fees

Independent members of the Committee will be entitled to claim a fee for each meeting attended. The fee is set by Council resolution. Claims for fees will be made in accordance with the Councillor Expenses and Facilities Policy.

6.5 Conflict of Interests

Committee members must comply with the applicable provisions of Council's Code of Conduct and Code of Meeting Practice in carrying out the functions as Council officials. It is the personal responsibility of Council officials to comply with the standards in these Codes and regularly review their personal circumstances with these in mind.

Committee members must declare any conflict of interests at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee.

6.6 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

6.7 Assessment Arrangements

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

6.8 Review of Audit Committee Charter

At least once every two years the Audit, Risk and Improvement Committee will review this Charter.

7. RELEVANT LEGISLATION AND GUIDANCE

- NSW Local Government Act 1993
- Internal Audit Guidelines (2010) Office of Local Government
- Councillor Expenses and Facilities Policy
- Code of Conduct

8 CLOSE OF MEETING