

Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Riverina Water County Council

General Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Primary Financial Statements:	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	56
– On the Conduct of the Audit (Sect 417 [3])	58

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Riverina Water County Council.
- (ii) Riverina Water County Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 29 September 2016. Council has the power to amend and reissue these financial statements.
-

Riverina Water County Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 August 2016.



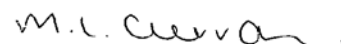
Clr G Hiscock
Chairperson



Clr G Verdon
Councillor



Mr G Haley
General Manager



Ms M Curran
Responsible Accounting Officer

Riverina Water County Council

Income Statement

for the year ended 30 June 2016

Budget ¹				Actual	Actual
2016	\$ '000		Notes	2016	2015
Income from continuing operations					
<i>Revenue:</i>					
4,844	Rates and annual charges		3a	5,100	5,031
18,971	User charges and fees		3b	21,727	20,994
390	Interest and investment revenue		3c	922	1,140
127	Other revenues		3d	1,320	1,154
680	Grants and contributions provided for operating purposes		3e,f	723	735
2,300	Grants and contributions provided for capital purposes		3e,f	3,849	3,115
<i>Other income:</i>					
–	Net gains from the disposal of assets		5	17	–
27,312	Total income from continuing operations			33,658	32,169
Expenses from continuing operations					
8,650	Employee benefits and on-costs		4a	8,032	7,148
1,039	Borrowing costs		4b	162	902
2,629	Materials and contracts		4c	1,748	3,096
7,100	Depreciation and amortisation		4d	6,945	6,711
3,638	Other expenses		4e	2,720	3,034
–	Net losses from the disposal of assets		5	–	34
23,056	Total expenses from continuing operations			19,607	20,925
4,256	Operating result from continuing operations			14,051	11,244
4,256	Net operating result for the year			14,051	11,244
4,256	Net operating result attributable to Council			14,051	11,244
1,956	Net operating result for the year before grants and contributions provided for capital purposes			10,202	8,129

¹ Original budget as approved by Council – refer Note 16

Riverina Water County Council

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		14,051	11,244
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	86,322	2,786
Total items which will not be reclassified subsequently to the operating result		86,322	2,786
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		86,322	2,786
Total comprehensive income for the year		100,373	14,030
Total comprehensive income attributable to Council		100,373	14,030

Riverina Water County Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	19,890	8,398
Investments	6b	–	27,500
Receivables	7	5,079	3,777
Inventories	8	2,770	3,771
Other	8	–	7
Total current assets		27,739	43,453
Non-current assets			
Infrastructure, property, plant and equipment	9	320,524	206,462
Intangible assets	25	3,500	2,750
Total non-current assets		324,024	209,212
TOTAL ASSETS		351,763	252,665
LIABILITIES			
Current liabilities			
Payables	10	826	829
Borrowings	10	1,499	1,411
Provisions	10	3,803	3,664
Total current liabilities		6,128	5,904
Non-current liabilities			
Borrowings	10	12,262	13,761
Total non-current liabilities		12,262	13,761
TOTAL LIABILITIES		18,390	19,665
Net assets		333,373	233,000
EQUITY			
Retained earnings	20	98,893	84,842
Revaluation reserves	20	234,480	148,158
Total equity		333,373	233,000

Riverina Water County Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		84,842	148,158	233,000	–	233,000
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		84,842	148,158	233,000	–	233,000
c. Net operating result for the year		14,051	–	14,051	–	14,051
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	86,322	86,322	–	86,322
Other comprehensive income		–	86,322	86,322	–	86,322
Total comprehensive income (c&d)		14,051	86,322	100,373	–	100,373
Equity – balance at end of the reporting period		98,893	234,480	333,373	–	333,373

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		73,598	145,372	218,970	–	218,970
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		73,598	145,372	218,970	–	218,970
c. Net operating result for the year		11,244	–	11,244	–	11,244
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	2,786	2,786	–	2,786
Other comprehensive income		–	2,786	2,786	–	2,786
Total comprehensive income (c&d)		11,244	2,786	14,030	–	14,030
Equity – balance at end of the reporting period		84,842	148,158	233,000	–	233,000

Riverina Water County Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
4,840	Rates and annual charges		5,130	4,900
18,954	User charges and fees		22,043	20,231
476	Investment and interest revenue received		1,090	1,073
3,199	Grants and contributions		4,547	3,831
–	Bonds, deposits and retention amounts received		11	7
644	Other		2,292	2,276
Payments:				
(8,535)	Employee benefits and on-costs		(8,163)	(6,497)
(3,150)	Materials and contracts		(1,995)	(4,023)
(1,039)	Borrowing costs		(162)	(902)
(3,638)	Other		(4,707)	(3,771)
<u>11,751</u>	Net cash provided (or used in) operating activities	11b	<u>20,086</u>	<u>17,125</u>
Cash flows from investing activities				
Receipts:				
18,992	Sale of investment securities		27,500	–
323	Sale of infrastructure, property, plant and equipment		333	166
Payments:				
–	Purchase of investment securities		–	(6,000)
(42,611)	Purchase of infrastructure, property, plant and equipment		(35,016)	(11,870)
<u>(23,296)</u>	Net cash provided (or used in) investing activities		<u>(7,183)</u>	<u>(17,704)</u>
Cash flows from financing activities				
Receipts:				
12,000	Proceeds from borrowings and advances		–	–
Payments:				
(1,531)	Repayment of borrowings and advances		(1,411)	(1,341)
<u>10,469</u>	Net cash flow provided (used in) financing activities		<u>(1,411)</u>	<u>(1,341)</u>
<u>(1,076)</u>	Net increase/(decrease) in cash and cash equivalents		<u>11,492</u>	<u>(1,920)</u>
3,077	Plus: cash and cash equivalents – beginning of year	11a	8,398	10,318
<u>2,001</u>	Cash and cash equivalents – end of the year	11a	<u>19,890</u>	<u>8,398</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	–	27,500
	Total cash, cash equivalents and investments		<u>19,890</u>	<u>35,898</u>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	9
2(a)	Council functions/activities – financial information	20
2(b)	Council functions/activities – component descriptions	20
3	Income from continuing operations	21
4	Expenses from continuing operations	24
5	Gains or losses from the disposal of assets	26
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	27
6(c)	Restricted cash, cash equivalents and investments – details	28
7	Receivables	29
8	Inventories and other assets	29
9(a)	Infrastructure, property, plant and equipment	30
9(b)	Externally restricted infrastructure, property, plant and equipment	31 n/a
10(a)	Payables, borrowings and provisions	31
10(b)	Description of (and movements in) provisions	32
11	Statement of cash flows – additional information	33
12	Commitments for expenditure	35
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	36
	13a (ii) Local government industry graphs (consolidated)	37
14	Investment properties	39 n/a
15	Financial risk management	39
16	Material budget variations	43
17	Statement of developer contributions	45
18	Contingencies and other liabilities/assets not recognised	46
19	Interests in other entities	47 n/a
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	48
21	Financial result and financial position by fund	48 n/a
22	'Held for sale' non-current assets and disposal groups	49 n/a
23	Events occurring after the reporting date	49 n/a
24	Discontinued operations	49 n/a
25	Intangible assets	50
26	Reinstatement, rehabilitation and restoration liabilities	50 n/a
27	Fair value measurement	51
Additional council disclosures		
28	Financial review	54
29	Council information and contact details	55

n/a – not applicable

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (t).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

- (i) Estimated fair values of infrastructure, property, plant and equipment.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Annual Charges, Grants and Contributions

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

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

A provision for the impairment on annual charges receivables has not been established as unpaid annual charges represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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 detailed note relating to developer contributions can be found at Note 17.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

User charges, fees and other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2016) and **(ii)** all the related operating results (for the financial year ended 30 June 2016).

Council is a single fund entity and as such water supply is the only entity operation. Council does not hold or have interest in any joint arrangement, associate, County Council or unconsolidated structured entity.

(d) Leases

Council does not have any Finance Leases or Non-cancellable Operating Leases.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date 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.

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

(g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding annual charges) are generally due for settlement no more than 30 days from the date of recognition.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

(i) Inventories

Stores

Stores in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Water networks** (External valuation)
- **Operational land** (External valuation)
- **Buildings – specialised/non-specialised** (External valuation)
- **Other structures** (External valuation)
- **Plant and equipment** (as approximated by depreciated historical cost)
- **Other assets** (as approximated by depreciated historical cost)

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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.

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then the increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle, the latest being 30 June 2016.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

Land	100% Capitalised
Plant & Equipment	> \$1,000
Furniture & Fittings	> \$1,000
Buildings - construction	> \$5,000
Buildings - renovations	> \$5,000
Other Structures	> \$5,000
Water Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office Furniture	10 to 20 years
- Computer Equipment	5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 15 years

Buildings

- Buildings : Masonry	50 to 100 years
-----------------------	-----------------

Water Assets

- Reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (m) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational.

This classification of land is disclosed in Note 9 (a).

(l) Intangible assets

Water License Rights

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(m) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(n) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(p) Borrowing costs

Borrowing costs are expensed / except to the extent that they are incurred during the construction of qualifying assets.

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.

(q) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) 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.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair

value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24 February 2016 and covers the period ended 30 June 2015.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of 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 2016 was \$302,524.28.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$512,000 as at 30 June 2016.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution 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.

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2016.

(r) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the

liability is classified as current even if it is not expected to be settled within the next 12 months.

(s) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(t) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – *Financial Instruments*

AASB 15 – *Revenue from Contracts with Customers and associated amending standards*

AASB ED 260 – *Income of Not-for-Profit Entities*

AASB16 – *Leases*

AASB2015-6 – *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(u) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(v) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(w) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/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 & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Water supplies	27,312	33,658	32,169	23,056	19,607	20,925	4,256	14,051	11,244	723	735	351,763	252,665
Total functions and activities	27,312	33,658	32,169	23,056	19,607	20,925	4,256	14,051	11,244	723	735	351,763	252,665
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income	–	–	–	–	–	–	–	–	–	–	–	–	–
Operating result from continuing operations	27,312	33,658	32,169	23,056	19,607	20,925	4,256	14,051	11,244	723	735	351,763	252,665

Note 2(b). Council Functions / Activities - Component Descriptions

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

WATER SUPPLIES

Comprising the water supply functions servicing the Local Government Areas of Lockhart, Urana, Wagga Wagga and part of the Greater Hume Shire.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Nil			
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Water supply services		5,100	5,031
Total annual charges		5,100	5,031
TOTAL RATES AND ANNUAL CHARGES		5,100	5,031
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		20,542	19,997
Total user charges		20,542	19,997
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		116	12
Section 603 certificates		150	129
Total fees and charges – statutory/regulatory		266	141
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Leaseback fees – Council vehicles		29	27
Standpipe fees		162	148
Water connection fees		728	681
Total fees and charges – other		919	856
TOTAL USER CHARGES AND FEES		21,727	20,994

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		102	84
– Interest earned on investments (interest and coupon payment income)		820	1,056
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>922</u>	<u>1,140</u>
(d) Other revenues			
Reversal of prior period revaluation decrements (Intangible Assets)	25	750	650
Lease rental		28	39
Insurance claim recoveries		308	204
Sales – general		228	228
Sales – scrap material		6	33
<u>TOTAL OTHER REVENUE</u>		<u>1,320</u>	<u>1,154</u>

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Nil				
Specific purpose				
Pensioners' rates subsidies:				
– Water	219	194	–	–
Diesel and alternative fuels	16	7	–	–
LIRS subsidy	488	534	–	–
Total specific purpose	723	735	–	–
Total grants	723	735	–	–
Grant revenue is attributable to:				
– Commonwealth funding	488	534	–	–
– State funding	235	201	–	–
	723	735	–	–
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 64 – water supply contributions	–	–	3,849	3,115
Total developer contributions	–	–	3,849	3,115
Other contributions:				
Nil				
TOTAL GRANTS AND CONTRIBUTIONS	723	735	3,849	3,115

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		7,049	6,434
Travel expenses		193	187
Employee leave entitlements (ELE)		1,275	1,325
Superannuation		1,152	1,304
Workers' compensation insurance		101	108
Fringe benefit tax (FBT)		57	56
Payroll tax		414	470
Training costs (other than salaries and wages)		162	200
Uniforms		52	43
Total employee costs		10,455	10,127
Less: capitalised costs		(2,423)	(2,979)
TOTAL EMPLOYEE COSTS EXPENSED		8,032	7,148
Number of 'full-time equivalent' employees (FTE) at year end		93	93
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		816	902
Total interest bearing liability costs		816	902
Less: capitalised costs		(654)	–
Total interest bearing liability costs expensed		162	902
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		162	902
(c) Materials and contracts			
Contractor and consultancy costs		1,638	2,921
Auditors remuneration ⁽¹⁾		44	59
Legal expenses:			
– Legal expenses: other		66	116
TOTAL MATERIALS AND CONTRACTS		1,748	3,096
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's External Auditor		26	23
– Other audit and assurance services: Council's Internal Auditor		18	36
Remuneration for audit and other assurance services		44	59
Total Auditor remuneration		44	59

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	457	440
Office equipment		–	–	156	100
Infrastructure:					
– Buildings – non-specialised		–	–	49	48
– Buildings – specialised		–	–	107	90
– Water supply network		–	–	6,176	6,033
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>–</u>	<u>–</u>	<u>6,945</u>	<u>6,711</u>

\$ '000	Notes	Actual 2016	Actual 2015
---------	-------	----------------	----------------

(e) Other expenses

Other expenses for the year include the following:

Advertising		39	63
Bank charges		106	99
Computer software charges		160	168
Members expenses – chairperson's fee		9	9
Members expenses – members fees		50	48
Members expenses (incl. chairperson) – other (excluding fees above)		15	17
Demand management		3	34
Donations, contributions and assistance to other organisations (Section 356)		49	36
Electricity and heating		1,767	2,089
Fair value decrements – Buildings	9(a)	15	–
Insurance		152	151
Office expenses (including computer expenses)		78	76
Postage		96	85
Printing and stationery		26	36
Subscriptions and publications		42	29
Telephone and communications		113	94
<u>TOTAL OTHER EXPENSES</u>		<u>2,720</u>	<u>3,034</u>

Riverina Water County Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Plant and equipment			
Proceeds from disposal – plant and equipment		333	164
Less: carrying amount of plant and equipment assets sold/written off		(316)	(197)
Net gain/(loss) on disposal		17	(33)
Office equipment			
Proceeds from disposal – office equipment		–	2
Less: carrying amount of office equipment assets sold/written off		–	(3)
Net gain/(loss) on disposal		–	(1)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>17</u>	<u>(34)</u>

Riverina Water County Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		287	–	263	–
Cash-equivalent assets ¹					
– Deposits at call		1	–	1	–
– Short-term deposits		19,602	–	8,134	–
Total cash and cash equivalents		19,890	–	8,398	–
Investments (Note 6b)					
– Long term deposits		–	–	27,500	–
Total investments		–	–	27,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		19,890	–	35,898	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash and cash equivalents

a. 'At fair value through the profit and loss'		19,890	–	8,398	–
--	--	---------------	----------	--------------	----------

Investments

b. 'Held to maturity'	6(b-i)	–	–	27,500	–
Investments		–	–	27,500	–

Note 6(b-i)

**Reconciliation of investments
classified as 'held to maturity'**

Balance at the beginning of the year		27,500	–	21,500	–
Additions		–	–	6,000	–
Disposals (sales and redemptions)		(27,500)	–	–	–
Balance at end of year		–	–	27,500	–

Comprising:

– Long term deposits		–	–	27,500	–
Total		–	–	27,500	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	19,890	–	35,898	–
attributable to:				
Internal restrictions (refer below)	7,845	–	16,565	–
Unrestricted	12,045	–	19,333	–
	19,890	–	35,898	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	–	3,849	(3,849)	–
External restrictions – other		–	3,849	(3,849)	–
Total external restrictions		–	3,849	(3,849)	–
Internal restrictions					
Employees leave entitlement	(A)	1,099	42	–	1,141
Asset replacement		1,444	1,647	(1,387)	1,704
Sales fluctuation		5,000	–	–	5,000
Unexpended loans		9,022	–	(9,022)	–
Total internal restrictions		16,565	1,689	(10,409)	7,845
TOTAL RESTRICTIONS		16,565	5,538	(14,258)	7,845

A A provision of 30% of Employee Leave Entitlements has been made.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		758	–	788	–
User charges and fees		1,757	–	2,043	–
Accrued revenues					
– Interest on investments		65	–	233	–
Government grants and subsidies		219	–	194	–
Sundry debtors		2,280	–	519	–
Total		5,079	–	3,777	–
Less: provision for impairment					
Nil					
TOTAL NET RECEIVABLES		5,079	–	3,777	–

Externally restricted receivables

Nil

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%). Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		2,770	–	3,771	–
Total inventories at cost		2,770	–	3,771	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		2,770	–	3,771	–
(b) Other assets					
Prepayments		–	–	7	–
TOTAL OTHER ASSETS		–	–	7	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to P&L	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	4,725	–	–	–	4,725	–	23,567	–	–	–	–	–	28,292	–	–	–	28,292
Plant and equipment	–	5,527	2,813	–	2,714	818	–	(316)	(457)	–	–	–	–	5,741	2,982	–	2,759
Office equipment	–	586	276	–	310	267	–	–	(156)	–	–	–	–	844	423	–	421
Land:																	
– Operational land	–	3,598	–	–	3,598	–	62	–	–	–	(10)	–	–	3,650	–	–	3,650
Infrastructure:																	
– Buildings – non-specialised	–	3,901	597	–	3,304	7	–	–	(49)	(15)	(102)	–	–	3,582	437	–	3,145
– Buildings – specialised	–	8,564	996	–	7,568	3,269	62	–	(107)	–	–	636	–	12,215	787	–	11,428
– Water supply network	–	336,962	152,719	–	184,243	5,738	1,226	–	(6,176)	–	–	85,798	–	403,863	133,034	–	270,829
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	4,725	359,138	157,401	–	206,462	10,099	24,917	(316)	(6,945)	(15)	(112)	86,434	28,292	429,895	137,663	–	320,524

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		165	–	39	–
Accrued expenses:					
– Salaries and wages		158	–	428	–
– Other expenditure accruals		454	–	324	–
Security bonds, deposits and retentions		49	–	38	–
Total payables		826	–	829	–
Borrowings					
Loans – secured ¹		1,499	12,262	1,411	13,761
Total borrowings		1,499	12,262	1,411	13,761
Provisions					
Employee benefits:					
Annual leave		916	–	920	–
Sick leave		6	–	5	–
Long service leave		2,881	–	2,739	–
Total provisions		3,803	–	3,664	–
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		6,128	12,262	5,904	13,761

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

¹. Loans are secured over the income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2016	Actual 2015
(ii) Current liabilities 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.		
Provisions – employees benefits	3,187	3,107
Payables – security bonds, deposits and retentions	49	38
	<u>3,236</u>	<u>3,145</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	920	497	(524)	23	–	916
Sick leave	5	1	–	–	–	6
Long service leave	2,739	63	(60)	139	–	2,881
TOTAL	3,664	561	(584)	162	–	3,803

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	19,890	8,398
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		19,890	8,398
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		14,051	11,244
Adjust for non-cash items:			
Depreciation and amortisation		6,945	6,711
Net losses/(gains) on disposal of assets		(17)	34
Impairment (reversal of previous losses) – I,PP&E		–	(650)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Write offs relating to the fair valuation of I,PP&E		15	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,302)	(657)
Decrease/(increase) in inventories		1,001	(215)
Decrease/(increase) in other assets		7	(7)
Increase/(decrease) in payables		126	12
Increase/(decrease) in other accrued expenses payable		(140)	297
Increase/(decrease) in other liabilities		11	7
Increase/(decrease) in employee leave entitlements		139	349
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		20,086	17,125

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		250	250
Credit cards/purchase cards		90	90
Total financing arrangements		340	340
Amounts utilised as at balance date:			
– Credit cards/purchase cards		13	12
Total financing arrangements utilised		13	12

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years income.

(e) Bank guarantees

Council has no Bank Guarantees to any external 3rd parties outstanding at year end.

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(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		–	2,918
Water Treatment Plant		11,311	–
Total commitments		11,311	2,918
These expenditures are payable as follows:			
Within the next year		11,311	2,918
Total payable		11,311	2,918
Sources for funding of capital commitments:			
Unrestricted general funds		3,311	–
Unexpended loans		–	2,918
New loans (to be raised)		8,000	–
Total sources of funding		11,311	2,918

Details of capital commitments

Contract for the construction of new Wagga Wagga Water treatment plant, project to be finalised during 2016/17 financial year.

2015: Contract for the construction of store warehouse building, project was finalised during 2015/16 financial year.

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>9,450</u>	32.54%	26.45%	17.04%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>29,042</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>28,319</u>	86.10%	87.79%	87.01%
Total continuing operating revenue ⁽¹⁾	<u>32,891</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>27,739</u>	9.59x	15.75x	16.59x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,892</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>16,557</u>	10.53x	6.74x	5.06x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,573</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>758</u>	12.65%	13.65%	13.04%
Rates, annual and extra charges collectible	<u>5,990</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>19,890</u>	14.52 mths	26.1 mths	22.3 mths
Payments from cash flow of operating and financing activities	<u>1,370</u>			

Notes

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

(2) Refer Notes 6-8 inclusive.

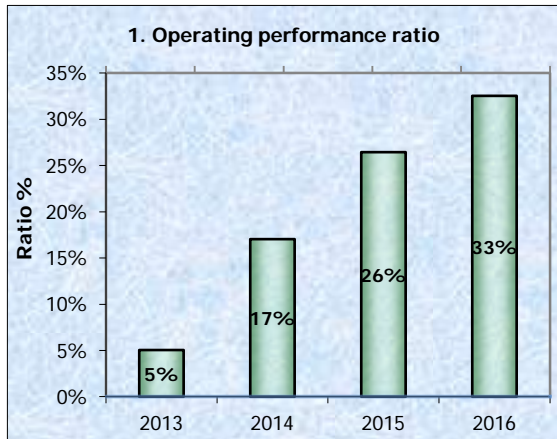
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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



Commentary on 2015/16 result

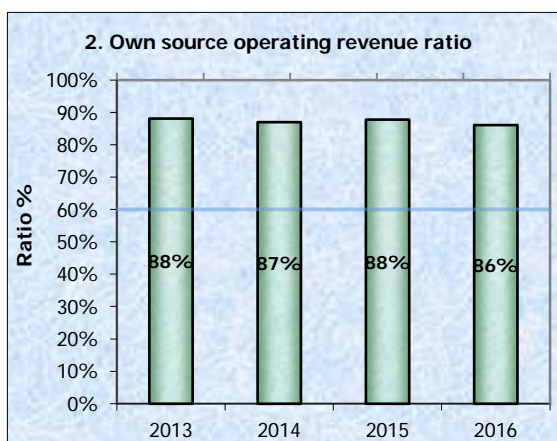
2015/16 ratio 32.54%

Dry weather resulted in higher than anticipated water sales. Operating expenditure lower than budgeted due to borrowing costs being capitalised for the Wagga Water Treatment Plant project that was work in progress at year end.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2015/16 result

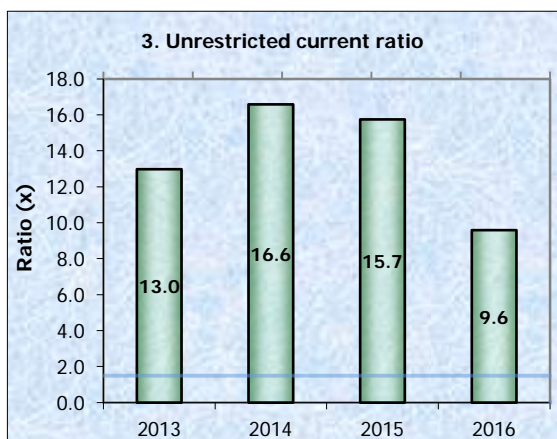
2015/16 ratio 86.10%

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

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2015/16 result

2015/16 ratio 9.59x

A reduction in this ratio during 2015/16 is due to a drop in cash balances with works underway on the Wagga Water Treatment Plant project.

Benchmark: ——— Minimum ≥ 1.50

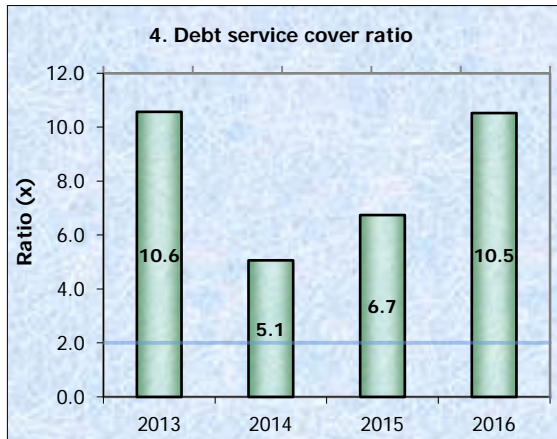
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



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 2015/16 result

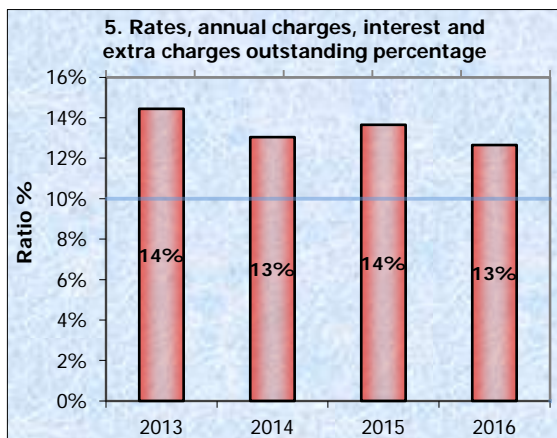
2015/16 ratio 10.53x

A larger operating result in 2015/16 has increased this ratio, in addition to interest being capitalised on the Wagga Water Treatment Plant project which is work in progress for the year.

Benchmark: Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result

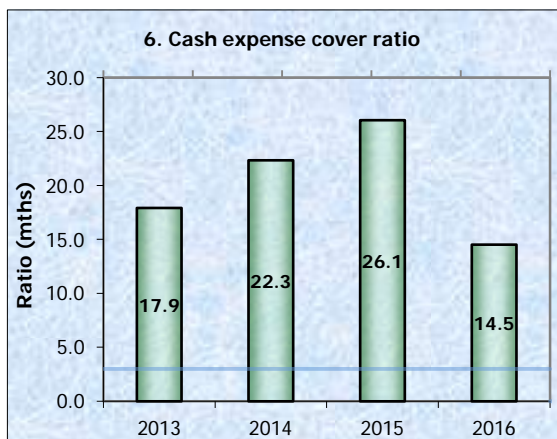
2015/16 ratio 12.65%

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

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
 Ratio is outside Benchmark



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 2015/16 result

2015/16 ratio 14.52 mths

A reduction in cash due to cash outflows for the Wagga Water Treatment Plant project has significantly reduced this ratio for 2015/16.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. 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		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	19,890	8,398	–	8,398
Investments				
– 'Held to maturity'	–	27,500	–	27,500
Receivables	5,079	3,777	–	3,777
Total financial assets	24,969	39,675	–	39,675
Financial liabilities				
Payables	826	829	–	829
Loans/advances	13,761	15,172	–	15,172
Total financial liabilities	14,587	16,001	–	16,001

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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. 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.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	196	196	(196)	(196)
2015				
Possible impact of a 1% movement in interest rates	356	356	(356)	(356)

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

Credit risk on 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.

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

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

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

		2016 Annual charges	2016 Other receivables	2015 Annual charges	2015 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		80%	92%	84%	78%
Overdue		20%	8%	16%	22%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Annual charges	Other receivables	Annual charges	Other receivables	Annual charges	Other receivables
Current	Current	609	4,011	660	2,305
Overdue	0 – 30 days overdue	149	310	128	684
		758	4,321	788	2,989

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	49	777	–	–	–	–	–	826	826
Loans and advances	–	2,253	2,252	2,250	2,249	2,247	6,247	17,498	13,761
Total financial liabilities	49	3,030	2,252	2,250	2,249	2,247	6,247	18,324	14,587
2015									
Trade/other payables	38	791	–	–	–	–	–	829	829
Loans and advances	–	2,255	2,253	2,252	2,250	2,249	8,494	19,753	15,172
Total financial liabilities	38	3,046	2,253	2,252	2,250	2,249	8,494	20,582	16,001

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 the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	826	0.00%	829	0.00%
Loans and advances – fixed interest rate	13,380	5.50%	14,766	5.50%
Loans and advances – variable interest rate	381	3.70%	406	5.70%
	<u>14,587</u>		<u>16,001</u>	

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 24 June 2015.

While the Income Statement included in this General Purpose Financial Report 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.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	4,844	5,100	256	5%	F
User charges and fees	18,971	21,727	2,756	15%	F
Conservative water sale forecasts have resulted in actual water sales being higher than budget, after dry weather.					
Interest and investment revenue	390	922	532	136%	F
Cash levels are higher than anticipated due to high water sales and uncompleted capital works projects, which has resulted in increased investment revenue.					
Other revenues	127	1,320	1,193	939%	F
Council received a court settlement during the year which was not originally budgeted for and intangible assets were revalued, resulting in a reversal of a fair value decrement.					
Operating grants and contributions	680	723	43	6%	F
Capital grants and contributions	2,300	3,849	1,549	67%	F
S64 Developer Contributions were significantly higher than anticipated to new land development in Wagga.					
Net gains from disposal of assets	–	17	17	0%	F
Better than anticipated auction results for vehicles being disposed.					

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	8,650	8,032	618	7%	F
Borrowing costs	1,039	162	877	84%	F
Interest related to the Wagga Water Treatment Plant project was capitalised for the year.					
Materials and contracts	2,629	1,748	881	34%	F
Increased focus on capital works projects has diverted expenditure away from operational.					
Depreciation and amortisation	7,100	6,945	155	2%	F
Impairment expenses	-	-	-	0%	F
Other expenses	3,638	2,720	918	25%	F
Electricity expenditure significantly lower than originally budgeted due to energy efficiency improvements.					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	11,751	20,086	8,335	70.9%	F
Higher than anticipated water sales due to dry weather increased cash on hand, which has resulted in higher than anticipated interest income being received.					
Cash flows from investing activities	(23,296)	(7,183)	16,113	(69.2%)	F
Redemption of long term investments to short term cash on hand has increased inflow.					
Cash flows from financing activities	10,469	(1,411)	(11,880)	(113.5%)	U
Budgeted borrowings not required due to delay in capital works and better than anticipated water sales.					

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S64 contributions	–	3,849	–	–	(3,849)	–	–	–
Total contributions	–	3,849	–	–	(3,849)	–	–	–

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 schemes 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

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) Sick Leave Payable on Retirement due to Medical Grounds

At balance date there is a contingent liability for staff who are entitled to a sick leave to be paid out if they were to retire due to medical grounds. This is an unlikely event. Amount totals \$94,000.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		84,842	73,598
a. Net operating result for the year		14,051	11,244
Balance at end of the reporting period		98,893	84,842

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve		234,480	148,158
Total		234,480	148,158

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		148,158	145,372
– Revaluations for the year	9(a)	86,322	2,786
– Balance at end of year		234,480	148,158
TOTAL VALUE OF RESERVES		234,480	148,158

(iii) 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.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 29/09/16.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	2,750	2,100
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
Net book value – opening balance	2,750	2,100
Movements for the year		
– Fair valuation (decrement reversal via Income Statement)	750	650
Closing values:		
Gross book value (30/6)	3,500	2,750
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u>	<u>3,500</u>	<u>2,750</u>

¹ The net book value of intangible assets represent:

– Water licences	3,500	2,750
	3,500	2,750

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Other financial assets	30/06/16	–	19,890	–	19,890
High Security Water Licence	30/06/16	–	3,500	–	3,500
Total financial assets		–	23,390	–	23,390
Infrastructure, property, plant and equipment					
Water Treatment Plants	30/06/16	–	–	27,284	27,284
Ground Water Bores	30/06/16	–	–	7,062	7,062
Water Pumping Stations	30/06/16	–	–	8,508	8,508
Water Reservoirs	30/06/16	–	–	43,012	43,012
Other Water Assets	30/06/16	–	–	960	960
Pipes	30/06/16	–	–	184,003	184,003
Buildings	30/06/16	–	–	14,573	14,573
Land	30/06/16	–	132	3,518	3,650
Plant & Equipment	30/06/16	–	2,759	–	2,759
Office Equipment	30/06/16	–	421	–	421
Total infrastructure, property, plant and equipment		–	3,312	288,920	292,232

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
Other financial assets	30/06/15	–	8,398	–	8,398
High Security Water Licence	30/06/15	–	2,750	–	2,750
Total financial assets		–	11,148	–	11,148
Infrastructure, property, plant and equipment					
Water Treatment Plants	30/06/11	–	35,127	–	35,127
Ground Water Bores	30/06/11	–	8,032	–	8,032
Water Pumping Stations	30/06/11	–	8,201	–	8,201
Water Reservoirs	30/06/11	–	36,444	–	36,444
Other Water Assets	30/06/11	–	938	–	938
Pipes	30/06/11	–	100,226	–	100,226
Buildings	30/06/11	–	10,872	–	10,872
Land	30/06/11	–	3,599	–	3,599
Plant & Equipment	30/06/15	–	2,713	–	2,713
Office Equipment	30/06/15	–	310	–	310
Total infrastructure, property, plant and equipment		–	206,462	–	206,462

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Financial assets

Council primarily holds held to maturity term deposits. Fair value is based on annual figures confirmed by the financial institution. An external valuation is conducted for the High Security Water Licence on an annual basis based on observed market rates for similar licences.

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

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

- Land: where an active market exists, a market approach has been adopted. For other types of land the cost approach was adopted. Market valuations were determined by comparing recent sales of land with similar characteristics. Cost valuations were obtained by assuming the need to purchase land from an adjoining neighbour, the value could be determined based on known zoning and town planning restrictions, comparing recent sales of similar land.
- Buildings: buildings are disaggregated into different components. Observable inputs to the valuation include design and construction, average cost of construction, condition and consumption, supported by inspection and market evidence. Unobservable inputs include pattern of consumption and remaining service potential, which required professional judgement.
- Infrastructure: assets are componentised into significant parts. Unit rates are based on similar capacity, using market evidence or other inputs that require professional judgement.
- Plant and Equipment: valued based on actual historical costs.

(4). Highest and best use

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

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	5,100	5,031	4,288	3,724	3,229
User charges revenue	21,727	20,994	19,391	18,177	12,006
Interest and investment revenue (losses)	922	1,140	1,106	513	187
Grants income – operating and capital	723	735	894	463	340
Total income from continuing operations	33,658	32,169	28,702	25,777	17,622
Sale proceeds from I,PP&E	333	166	379	507	293
New loan borrowings and advances	–	–	–	15,000	3,200
Outflows:					
Employee benefits and on-cost expenses	8,032	7,148	7,869	7,433	7,460
Borrowing costs	162	902	970	402	69
Materials and contracts expenses	1,748	3,096	2,548	2,434	1,600
Total expenses from continuing operations	19,607	20,925	21,309	21,771	17,137
Total cash purchases of I,PP&E	35,016	11,870	6,180	5,525	5,976
Total loan repayments (incl. finance leases)	1,411	1,341	1,274	382	31
Operating surplus/(deficit) (excl. capital income)	10,202	8,129	4,338	1,159	(1,262)
Financial position figures	2016	2015	2014	2013	2012
Current assets	27,739	43,453	38,494	31,973	11,928
Current liabilities	6,128	5,904	5,169	4,954	3,958
Net current assets	21,611	37,549	33,325	27,019	7,970
Available working capital (Unrestricted net current assets)	19,068	26,059	16,374	11,426	6,635
Cash and investments – unrestricted	12,045	19,333	10,211	5,419	1,871
Cash and investments – internal restrictions	7,845	16,565	21,607	19,834	4,343
Cash and investments – total	19,890	35,898	31,818	25,271	6,191
Total borrowings outstanding (Loans, advances and finance leases)	13,761	15,172	16,513	17,787	3,169
Total value of I,PP&E (excl. land and earthworks)	454,537	360,265	346,055	336,515	323,514
Total accumulated depreciation	137,663	157,401	150,783	145,282	138,967
Indicative remaining useful life (as a % of GBV)	70%	56%	56%	57%	57%

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

Riverina Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 29. Council information and contact details

Principal place of business:

91 Hammond Avenue
Wagga Wagga NSW 2650

Contact details

Mailing address:

PO Box 456
Wagga Wagga NSW 2650

Opening hours:

Monday - Friday 8:30am - 4pm

Telephone: 02 6922 0608

Facsimile: 02 6921 2241

Internet: www.rwcc.nsw.gov.au

Email: admin@rwcc.nsw.gov.au

Officers

GENERAL MANAGER

Mr G Haley

RESPONSIBLE ACCOUNTING OFFICER

Ms M Curran

PUBLIC OFFICER

Mr G Haley

AUDITORS

Crowe Horwath Auswild
491 Smollett Street
Albury NSW 2640

Elected members

CHAIRPERSON

Clr G Hiscock

COUNCILLORS

Clr D Meyer, OAM (Greater Hume Shire)
Clr R Kendall (City of Wagga Wagga)
Clr P Funnell (City of Wagga Wagga)
Clr K Poynter (City of Wagga Wagga)
Clr Y Braid (City of Wagga Wagga)
Mr M Eden (Federation Council Administrator)

Other information

ABN: 52 084 883 210

INDEPENDENT AUDIT REPORT TO RIVERINA WATER COUNTY COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

SCOPE

We have audited the accompanying financial statements of Riverina Water County Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 29 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2) (a) and (c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, statement of cash flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules and accordingly, we express no opinion on them.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit opinion expressed in this report has been formed on the above basis.

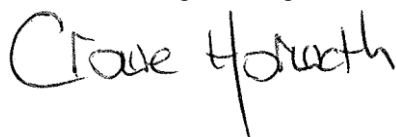
INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

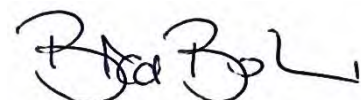
AUDITOR'S OPINION

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) the Council's financial statements:
 - have been properly prepared in accordance with the requirements of this Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN

Partner

Dated at Albury this 29th day of September 2016.

Report on the Conduct of the Audit

Riverina Water County Council

Year Ended 30 June 2016

Contents

1	Report on the Conduct of the Audit	3
2	Operating Result	4
3	Financial Position	6
4	Performance Indicators	7
5	Specific Balance Sheet Items.....	9
6	Other Matters	11

1 Report on the Conduct of the Audit

We have completed our audit of the financial statements for Riverina Water County Council (Council) for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council and this report on the conduct of the audit should be read in conjunction with the audit opinion.

The Council is responsible for the preparation and presentation of the financial statements and the information they contain. The financial statements consist of the general purpose financial statements and Council's statement in the approved form required by Section 413 (2) and (3) respectively of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosure in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Our engagement is summarised as:

Nature of Engagement	Opinion	Basis of Preparation
General purpose financial statements	Unqualified	Going concern Not for Profit entity
Special purpose financial statements	Emphasis of matter regarding basis of preparation	National Competition Policy requirements by area of business activity

Following from our audit there are a number of comments we wish to raise concerning Council's financial statements. These comments are set out in this report below.

2 Operating Result

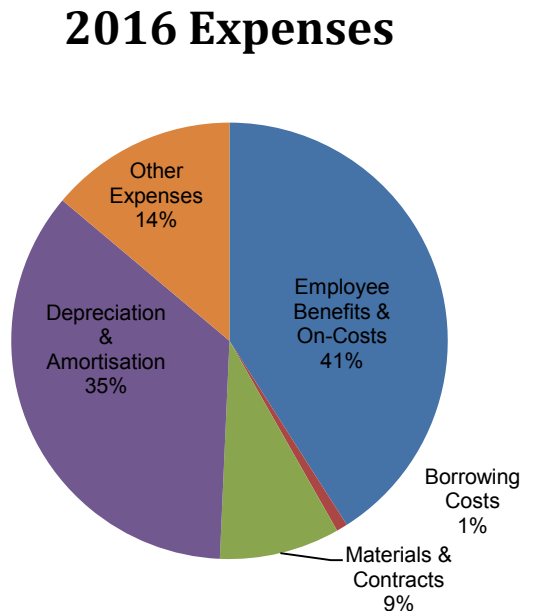
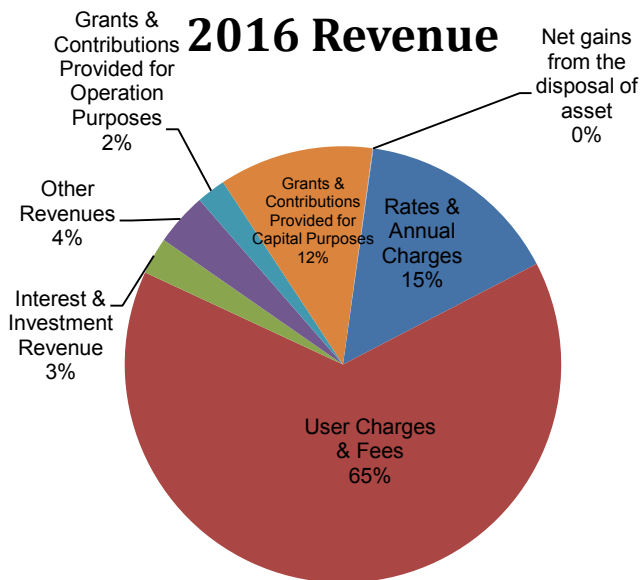
Riverina Water County Council (the 'Council') is a County Council in Southern New South Wales, whose affairs are governed by:

- Local Government Act 1993;
- Local Government Regulations;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Local Government Asset Accounting Manual Regulations.

The Council is responsible for the administration and implementation of the strategic policies voted on in Council.

The Council achieved a net operating result from continuing operations (including capital contributions) of \$14,051,000 (2015: \$11,244,000) for the year ended 30 June 2016. The net operating result for the year before grants and contributions provided for capital purposes is \$10,202,000 (2015: \$8,129,000).

A breakdown of Council's revenues and expenses for the year are as follows:



Significant income and expense items in the current year were:

	2016 \$'000	2015 \$'000	2014 \$'000
Annual charges	5,100	5,031	4,288
User charges and fees	21,727	20,994	19,391
Grants and contributions - operating	723	735	674
Grants and contributions - capital	3,849	3,115	3,055
Other Revenue	1,320	1,154	504
Employee costs	8,032	7,148	7,869
Materials and contracts	1,748	3,096	2,548
Depreciation and amortisation	6,945	6,711	6,574

The above significant items are based on the operational results from Council as disclosed in the income statement and accompanying notes.

User charges and fees has been consistently higher over the past few years due to drier weather. Capital Grants contribution is predominately made up of S64 developer contributions which can vary year on year, depending on the level of developments occurring in the Riverina Water County Council area.

Major expenditure captions have remained fairly constant across the last three years, with materials and contracts decreasing due to contracts and consultancy costs being capitalized due to the Water Treatment Plant works, which is a major once off project.

3 Financial Position

A measure of the Council's financial position is its unrestricted working capital. The following table sets out the unrestricted working capital position of Council as at the end of the financial year.

	2016 \$'000	2015 \$'000	2014 \$'000
Cash and Liquid Investments	19,890	35,898	31,818
External Restrictions - included in liabilities	-	-	-
- not included in liabilities	-	-	-
Internal Restrictions - included in liabilities	(1,141)	(1,099)	(994)
- not included in liabilities	(6,704)	(15,466)	(20,613)
Unrestricted Cash and Investments	12,045	19,333	10,211
Other Net Current Assets / (Liabilities) excluding anticipated LSL Provision & restrictions included in liabilities	4,908	4,758	4,323
Unrestricted Working Capital	16,953	24,091	14,534

The above represents the amount of working capital Council has available to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital. This level of unrestricted working capital has decreased due to the water treatment plant which is a major capital project of Council.

The above result continues to indicate a strong capacity to pay debts as and when they fall due.

We recommend that Council continue to monitor its unrestricted working capital position when reviewing its financial position. It is also recommended that Council continue to be mindful of its unrestricted working capital position when considering its future spending requirements.

4 Performance Indicators

Refer to Note 13 of the financial statements. Sections 4.1 to 4.6 contemplate Council's performance on a consolidated basis.

4.1 Operating Performance Ratio

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

This ratio has improved year on year, 2016: 32.54% 2015: 26.45%, 2014: 17.04%.

Weather conditions and increased prices has led to increased fees and charges. The ratio has increased due to borrowing costs associated with the water treatment plant project being capitalised during the construction phase as this item has been deemed a qualifying asset.

4.2 Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility and shows the degree of reliance on external funding sources such as operating grants and contributions. A Council has improved financial flexibility with a higher level of own source revenue.

This ratio has consistently remained in the high 80 - 90% range as Council heavily relies on revenue from water usage charges as its main source of income.

4.3 Liquidity (Unrestricted Current) Ratio

This ratio is used to assess the adequacy of working capital and Council's ability to satisfy its obligations in the short term for the unrestricted activities of Council. Unrestricted current ratio is calculated by current assets less all external restrictions divided by current liabilities less specific purpose liabilities.

This ratio outcome for Council is considered well above the benchmark, 2016: 9.59:1, 2015: 15.75:1, 2014: 16.59:1. The reported results in the comparison years are due to delays in capital projects leading to a buildup of liquid assets. The reduction in 2015 and 2016 is a result of capital projects currently underway.

4.4 Debt Service Ratio

This ratio demonstrates the percentage of Council revenue required to service the debts carried by Council.

This ratio has increased this year: 2016: 10.53, 2015: 6.74:1, 2014: 5.06:1 and 2013: 10.57:1. This is due to repayments of borrowings and advances, capitalisation of interest pertaining to qualifying assets and an increasing revenue base.

4.5 Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

The outstanding percentage assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts.

The percentage of outstanding debts has decreased from 13.65% in 2015 to 12.65% this year. Rates and annual charges represents only a small portion of the Council's revenue base however recovery efforts should be targeted to enhance the reported result in future years.

4.6 Cash Expense Cover Ratio

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

This ratio result is considered to be performing above minimum benchmarks. 2016: 14.52, 2015: 26.05, 2014: 22.34 and 2013: 17.92. This observable trend is due to the timing of planned capital projects leading to a surplus of cash and investments being built up over time to fund the major capital works currently underway.

5 Specific Balance Sheet Items

5.1 Receivables

Total current receivables at 30 June 2016, was \$5.07m (2015: \$3.77m). This does not include an impairment provision as recoverability has historically been strong. This is due to controls in place to facilitate the recovery of these debts, including interest on overdue rates, reducing water supply and the potential for Council to sell the property after a prolonged period of non-payment.

This balance consists of user charges and fees of \$1.757m (2015: \$2.043m) and rates and annual charges of \$758k (2015: \$788k). The percentage of annual charges outstanding is referred to at Section 4.5 of this report.

5.2 Capital Expenditure

During the reporting period Council spent \$35.02m (2015: \$11.87m) on items of an infrastructure, property, plant or equipment nature between both asset renewal and new asset additions. The primary areas of capital expenditure were as follows:

	2016 \$	2015 \$	2014 \$
Capital Works in Progress	23,567,000	-*	-*
Plant and equipment	818,000	535,000	769,000
Office equipment	267,000	175,000	52,000
Land	62,000	153,000	130,000
Buildings	3,338,000	1,432,000	89,000
Water supply network	6,964,000	9,575,000	5,140,000
	35,016,000	11,870,000	6,180,000

*Change in disclosure, in prior years any capital works in progress were disclosed within the water supply network caption.

5.3 Fair Value of Water Supply Network and Land & Buildings

In 2016 the Council performed a revaluation of water supply network assets, land and buildings in accordance with the revaluation cycle, and have utilized external valuers APV valuations.

A revaluation increment of \$85.798m and \$636k has been recognised through the revaluation reserve for Water Supply Network assets and Specialised Buildings respectively, whilst revaluation decrements of \$10k and \$102k have been recognised for Operational Land and Non-Specialised Buildings.

5.4 Borrowings

Borrowings have decreased by repayments of \$1.411m from the prior year's balance of \$15.172m. There have been no new loans during the 2016 year.

5.5 New Standards and Interpretations Not Yet Adopted

Certain new accounting standards have been published that are not mandatory for the 30 June 2016 reporting period as follows:

- AASB 9 *Financial Instruments* and associated amending standards, effective 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers*, effective 1 January 2018.
- AASB 2015-6 (amendments to AASB 10, AASB 124 and AASB 1049), extends scope of AASB124 *Related Party Disclosures* effective 1 July 2016.
- AASB 2014-3 Amendments to Australian Accounting Standards – *Accounting for Acquisitions of Interests in Joint Operations (AASB1 and AASB11) and AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, effective 1 January 2018.
- AASB 16 *Leases*, effective 1 January 2019.

Council is of the view that these standards not yet effective will not significantly affect any of the amounts recognised in the financial statements, however they may impact certain information otherwise disclosed, or the format in which information is disclosed.

6 Other Matters

Several performance improvement observations were noted during our yearend audit visits. A final management letter has been issued to management. There were no critical control deficiencies noted in Council's systems.

6.1 Superannuation

Riverina Water City Council has employees whose superannuation contributions are contributed into the Local Government Superannuation Scheme – Pool B (the Scheme).

The Local Government Superannuation Scheme – Pool B is a defined benefit plan and for the purposes of AASB 119 *Employee Benefits* it has been deemed a “multi-employer fund”. Due to the pooled nature of the funds assets sufficient information is not available for the purposes of AASB119. As a result of the global financial crisis, the Scheme has a significant deficiency in net assets. Over the past number of years Councils have been required to make additional contributions to assist the Scheme recover this deficit.

The last formal valuation of the Scheme was performed for the period ended 30 June 20015. The position of the Scheme is monitored annually and the Actuary has estimated that as at 30 June 2016 a deficit still exists. Employers are required to make additional contributions to assist extinguishing this deficit. These additional contributions made by Council during 2016 were \$298k.

Due to the pooled nature of the Scheme estimate and the inability to accurately report Council's share of this deficit, Council has recorded this as a contingent liability in the 2016 financial statements.

Additionally, we highlight that Council needs to be mindful of how its share of the deficit will be funded in future years.

6.2 Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

6.3 Assistance Provided

We recognise and appreciate the General Manager, Manager of Corporate Services and staff of Council for their cooperation and courtesy extended to us during the course of the audit.

6.4 Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

Contact Us

Crowe Horwath Auswild

491 Smollett Street
Albury NSW 2640 Australia
Tel +61 2 6021 1111
Fax +61 2 6041 1892
www.crowehorwath.com.au

Disclaimer

Crowe Horwath Albury is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Riverina Water County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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



Riverina Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	4
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	5
4. Auditor’s Report	11

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Riverina Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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 financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 August 2016.



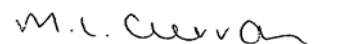
Clr G Hiscock
Chairperson



Clr G Verdon
Councillor



Mr G Haley
General Manager



Ms M Curran
Responsible Accounting Officer

Riverina Water County Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	5,100	5,031
User charges	21,727	20,994
Fees	–	–
Interest	922	1,140
Grants and contributions provided for non-capital purposes	723	735
Profit from the sale of assets	17	–
Other income	570	504
Total income from continuing operations	29,059	28,404
Expenses from continuing operations		
Employee benefits and on-costs	8,032	7,148
Borrowing costs	162	902
Materials and contracts	1,542	2,901
Depreciation and impairment	6,945	6,711
Water purchase charges	206	195
Loss on sale of assets	–	34
Calculated taxation equivalents	40	40
Debt guarantee fee (if applicable)	–	–
Other expenses	1,970	2,384
Total expenses from continuing operations	18,897	20,315
Surplus (deficit) from continuing operations before capital amounts	10,162	8,089
Grants and contributions provided for capital purposes	3,849	3,115
Surplus (deficit) from continuing operations after capital amounts	14,011	11,204
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	14,011	11,204
Less: corporate taxation equivalent (30%) [based on result before capital]	(3,049)	(2,427)
SURPLUS (DEFICIT) AFTER TAX	10,962	8,777
Plus opening retained profits	67,519	58,742
Plus/less: prior period adjustments - to eliminate tax equiv from Balance Sheet	17,323	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	40	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	3,049	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	98,893	67,519
Return on capital %	3.2%	4.4%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	10,962	8,777
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	10,962	8,777
Potential dividend calculated from surplus	5,481	4,389

Riverina Water County Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	19,890	8,398
Investments	–	27,500
Receivables	5,079	3,777
Inventories	2,770	3,771
Other	–	7
Non-current assets classified as held for sale	–	–
Total current assets	27,739	43,453
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	320,524	206,463
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	3,500	2,750
Other	–	–
Total non-current assets	324,024	209,213
TOTAL ASSETS	351,763	252,666
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	826	829
Borrowings	1,499	1,411
Provisions	3,803	20,987
Total current liabilities	6,128	23,227
Non-current liabilities		
Payables	–	–
Borrowings	12,262	13,761
Provisions	–	–
Total non-current liabilities	12,262	13,761
TOTAL LIABILITIES	18,390	36,988
NET ASSETS	333,373	215,678
EQUITY		
Retained earnings	98,893	67,519
Revaluation reserves	234,480	148,159
Council equity interest	333,373	215,678
Non-controlling equity interest	–	–
TOTAL EQUITY	333,373	215,678

Riverina Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	9
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Riverina Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 government policy statement, *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 standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

Riverina Water County Council

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

Category 2

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

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax

Riverina Water County Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

payments have been applied to all Council-nominated business activities and are reflected in these 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 – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage 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 each reported business activity.

While 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 or 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 30%.

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

Since this 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 Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date.

(ii) Return on investments (rate of return)

The 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 rate of return on capital 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 2.17% at 30 June 2016.

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

(iii) Dividends

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

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

Riverina Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Riverina Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	40,000
(ii)	Number of assessments multiplied by \$3/assessment	99,087
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	40,000
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	5,481,200
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	950,870
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	25,583,300

2016 Surplus	10,962,400	2015 Surplus	8,777,300	2014 Surplus	5,843,600
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	950,870
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Riverina Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	32,821
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.86%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	317,344
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,663
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	35,016
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	5.68%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

INDEPENDENT AUDIT REPORT TO RIVERINA WATER COUNTY COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Riverina Water County Council (the Council), which comprises the statement of financial position by business activity as at 30 June 2016, and the income statement by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and Management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Division of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The NSW Office of Water Guidelines and are appropriate to meet the needs of the Council and the Office of Local Government.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

OPINION

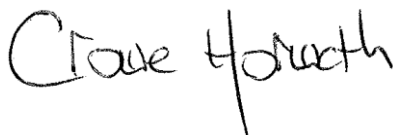
In our opinion the financial statements of Riverina Water County Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) presenting fairly a view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

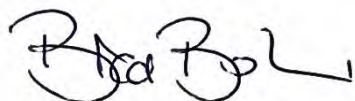
BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Office of Local Government, or for any purpose other than that for which it was prepared.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN
Partner

Dated at Albury this 29th day of September 2016.

Riverina Water County Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

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



Riverina Water County Council

Special Schedules

for the year ended 30 June 2016

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedule 3		9
Special Schedule 7	Report on Infrastructure Assets	10

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Riverina Water County Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	-	-	-	-
Administration	-	-	-	-
Public order and safety				
Fire service levy, fire protection, emergency services	-	-	-	-
Beach control	-	-	-	-
Enforcement of local government regulations	-	-	-	-
Animal control	-	-	-	-
Other	-	-	-	-
Total public order and safety	-	-	-	-
Health	-	-	-	-
Environment				
Noxious plants and insect/vermin control	-	-	-	-
Other environmental protection	-	-	-	-
Solid waste management	-	-	-	-
Street cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater management	-	-	-	-
Total environment	-	-	-	-
Community services and education				
Administration and education	-	-	-	-
Social protection (welfare)	-	-	-	-
Aged persons and disabled	-	-	-	-
Children's services	-	-	-	-
Total community services and education	-	-	-	-
Housing and community amenities				
Public cemeteries	-	-	-	-
Public conveniences	-	-	-	-
Street lighting	-	-	-	-
Town planning	-	-	-	-
Other community amenities	-	-	-	-
Total housing and community amenities	-	-	-	-
Water supplies	19,607	29,809	3,849	14,051
Sewerage services	-	-	-	-

Riverina Water County Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	–	–	–	–
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	–	–	–	–
Total recreation and culture	–	–	–	–
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	–	–	–	–
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
Total transport and communication	–	–	–	–
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	–	–	–
Total economic affairs	–	–	–	–
Totals – functions	19,607	29,809	3,849	14,051
General purpose revenues ⁽¹⁾				
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	19,607	29,809	3,849	14,051

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Riverina Water County Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,411	13,761	15,172	–	1,411	–	–	816	1,499	12,262	13,761
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	1,411	13,761	15,172	–	1,411	–	–	816	1,499	12,262	13,761
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,411	13,761	15,172	–	1,411	–	–	816	1,499	12,262	13,761

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Riverina Water County Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	321	903
b. Engineering and supervision	1,309	1,238
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	768	908
d. Maintenance expenses	982	1,020
– Reservoirs		
e. Operation expenses	103	100
f. Maintenance expenses	195	182
– Pumping stations		
g. Operation expenses (excluding energy costs)	18	16
h. Energy costs	1,767	2,089
i. Maintenance expenses	226	180
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	365	348
l. Maintenance expenses	571	607
– Other		
m. Operation expenses	359	204
n. Maintenance expenses	473	281
o. Purchase of water	206	195
3. Depreciation expenses		
a. System assets	6,332	6,171
b. Plant and equipment	613	540
4. Miscellaneous expenses		
a. Interest expenses	162	902
b. Revaluation decrements	–	–
c. Other expenses	4,837	5,007
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	19,607	20,891

Riverina Water County Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	4,624	4,553
b. Usage charges	14,532	13,272
7. Non-residential charges		
a. Access (including rates)	476	477
b. Usage charges	6,060	6,254
c. Other charges	345	470
8. Extra charges	102	84
9. Interest income	820	1,056
10. Other income	2,110	2,148
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	219	194
c. Other grants	487	534
12. Contributions		
a. Developer charges	3,849	3,115
b. Developer provided assets	–	–
c. Other contributions	17	12
13. Total income	33,641	32,169
14. Gain (or loss) on disposal of assets	17	(34)
15. Operating result	14,051	11,244
15a. Operating result (less grants for acquisition of assets)	14,051	11,244

Riverina Water County Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	24,917	5,434
c. Renewals	9,281	5,726
d. Plant and equipment	818	710
17. Repayment of debt	–	–
18. Totals	35,016	11,870
Non-operating funds employed		
19. Proceeds from disposal of assets	338	379
20. Borrowing utilised	–	–
21. Totals	338	379
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	28,925	28,492
b. Residential (unoccupied, ie. vacant lot)	1,371	1,376
c. Non-residential (occupied)	2,733	2,626
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	576 ET	308 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 448,350	\$ 352,437

Riverina Water County Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	1,141	–	1,141
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	18,749	–	18,749
26. Receivables			
a. Specific purpose grants	219	–	219
b. Rates and availability charges	758	–	758
c. User charges	1,757	–	1,757
d. Other	2,345	–	2,345
27. Inventories	2,770	–	2,770
28. Property, plant and equipment			
a. System assets	–	317,344	317,344
b. Plant and equipment	–	3,180	3,180
29. Other assets	–	3,500	3,500
30. Total assets	27,739	324,024	351,763
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	826	–	826
33. Borrowings	1,499	12,262	13,761
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	3,803	–	3,803
35. Total liabilities	6,128	12,262	18,390
36. NET ASSETS COMMITTED	21,611	311,762	333,373
EQUITY			
37. Accumulated surplus			98,893
38. Asset revaluation reserve			234,480
39. TOTAL EQUITY			333,373
Note to system assets:			
40. Current replacement cost of system assets			451,602
41. Accumulated current cost depreciation of system assets			(134,258)
42. Written down current cost of system assets			317,344

Riverina Water County Council

Notes to Special Schedule 3 for the year ended 30 June 2016

Administration ⁽¹⁾

(item 1a of Special Schedule 3) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedule 3) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedule 3) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedule 3) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedule 3) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedule 3) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedule 3) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedule 3) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 is for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply revenue.

Residential charges ⁽²⁾ (items 6a and 6b of Special Schedule 3) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedule 3) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Other income (item 10 of Special Schedule 3) include all income not recorded elsewhere.

Other contributions (item 12c of Special Schedule 3) incl. capital contributions for water supply services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and not in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Riverina Water County Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	350	343	3,145	3,582	39%	56%	6%	0%	0%
	Buildings – specialised	–	–	150	139	11,428	12,215	59%	12%	28%	2%	0%
	Sub-total	–	–	500	482	14,573	15,797	54.0%	21.5%	23.2%	1.3%	0.0%
Water supply network	Treatment Plants	11,000	11,000	1,800	1,695	27,284	40,970	11%	34%	21%	33%	0%
	Bores	250	250	930	894	7,063	11,291	25%	70%	5%	0%	0%
	Reservoirs	200	200	400	298	43,011	58,442	24%	46%	27%	3%	0%
	Pumping Stations	130	130	600	536	9,468	15,577	20%	65%	11%	4%	0%
	Pipeline	35,921	35,921	982	982	184,003	184,003	31%	50%	14%	5%	0%
	Sub-total	47,501	47,501	4,712	4,405	270,829	310,283	26.3%	48.4%	17.2%	8.1%	0.0%
TOTAL – ALL ASSETS		47,501	47,501	5,212	4,887	285,402	326,080	27.6%	47.1%	17.5%	7.8%	0.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Riverina Water County Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>9,014</u>	142.36%	90.34%	49.11%
Depreciation, amortisation and impairment	<u>6,332</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>47,501</u>	16.64%	33.00%	9.24%
Carrying value of infrastructure assets	<u>285,402</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>4,887</u>	0.94	0.54	0.81
Required asset maintenance	<u>5,212</u>			

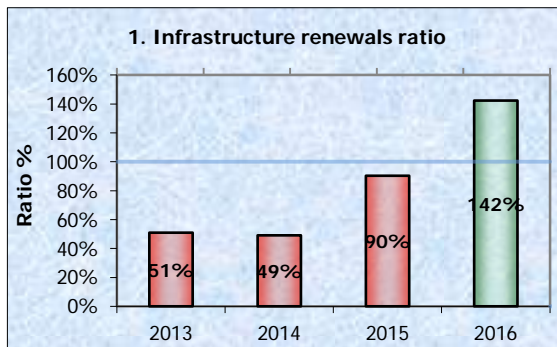
Notes

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

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

Riverina Water County Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

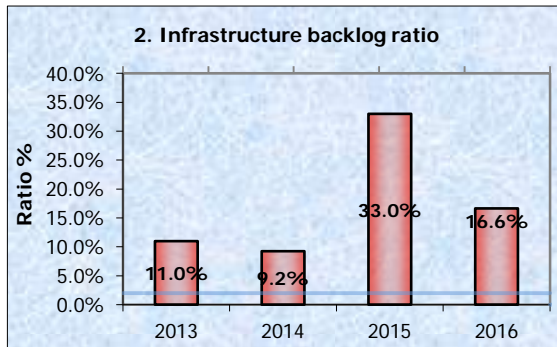
Commentary on 2015/16 result

2015/16 Ratio 142.36%

Significant capital projects including large pipe replacement projects were undertaken during 2015/16, which has increased this ratio over the last two years.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

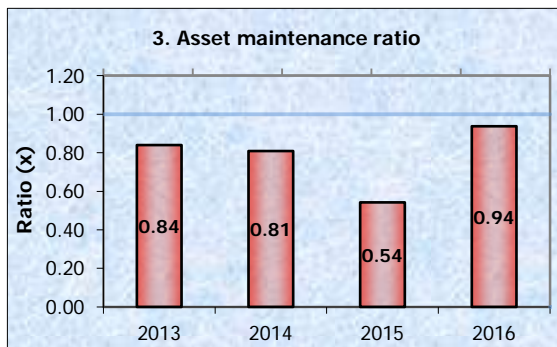
Commentary on 2015/16 result

2015/16 Ratio 16.64%

New Wagga water treatment plant project is part completed, which has reduced this ratio in 2015/16. The remaining backlog is primarily pipe replacement which is prioritised based on criticality and resourcing.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 0.94 x

Council has a maintenance program for its assets. Due to limited resourcing, there is a slight shortfall in maintenance spending compared to benchmark.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark