

# Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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



# Riverina Water County Council

## General Purpose Financial Statements for the year ended 30 June 2018

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### Overview

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

91 Hammond Avenue  
Wagga Wagga NSW 2650

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

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

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

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

## Riverina Water County Council

### General Purpose Financial Statements for the year ended 30 June 2018

### Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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


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

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

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

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

**Signed in accordance with a resolution of Council made on 22 August 2018.**

  
\_\_\_\_\_  
Mr G Verdon  
Chairperson  
\_\_\_\_\_  
Mr P Funnell  
Councillor  
\_\_\_\_\_  
Mr A Crakanthorp  
General Manager  
\_\_\_\_\_  
Ms E Tonacia  
Responsible Accounting Officer

# Riverina Water County Council

## Income Statement

for the year ended 30 June 2018

| Original<br>unaudited<br>budget<br>2018  | \$ '000   | Notes | Actual<br>2018 | Actual<br>2017 |
|--|---|-------|----------------|----------------|
| <b>Income from continuing operations</b>   |   |       |                |                |
| <b>Revenue:</b>  |   |       |                |                |
| 5,016  | Rates and annual charges  | 3a    | 5,271          | 5,221          |
| 20,901   | User charges and fees   | 3b    | 22,877         | 21,412         |
| 200  | Interest and investment revenue   | 3c    | 595            | 522            |
| 125  | Other revenues  | 3d    | 281            | 492            |
| 207  | Grants and contributions provided for operating purposes                        | 3e,f  | 602            | 648            |
| 2,662  | Grants and contributions provided for capital purposes                          | 3e,f  | 3,319          | 2,392          |
| <b>Other income:</b>   |   |       |                |                |
| –  | Net gains from the disposal of assets   | 5     | –              | 78             |
| –  | Reversal of revaluation decrements / impairment of<br>IPP&E previously expensed | 4d    | 25             | 75             |
| <b>29,111</b>  | <b>Total income from continuing operations</b>                                  |       | <b>32,970</b>  | <b>30,840</b>  |
| <b>Expenses from continuing operations</b>   |   |       |                |                |
| 8,330  | Employee benefits and on-costs  | 4a    | 7,942          | 8,127          |
| 745  | Borrowing costs   | 4b    | 653            | 163            |
| 3,489  | Materials and contracts   | 4c    | 2,202          | 2,026          |
| 7,120  | Depreciation and amortisation   | 4d    | 6,066          | 5,979          |
| 5,015  | Other expenses  | 4e    | 4,389          | 3,239          |
| –  | Net losses from the disposal of assets  | 5     | 8              | –              |
| <b>24,699</b>  | <b>Total expenses from continuing operations</b>                                |       | <b>21,260</b>  | <b>19,534</b>  |
| <b>4,412</b>   | <b>Operating result from continuing operations</b>                              |       | <b>11,710</b>  | <b>11,306</b>  |
| <b>4,412</b>   | <b>Net operating result for the year</b>  |       | <b>11,710</b>  | <b>11,306</b>  |
| 4,412  | Net operating result attributable to Council                                    |       | 11,710         | 11,306         |
| <b>Net operating result for the year before grants and<br/>contributions provided for capital purposes</b> |   |       |                |                |
| <b>1,750</b>   |   |       | <b>8,391</b>   | <b>8,914</b>   |

# Riverina Water County Council

## Statement of Comprehensive Income for the year ended 30 June 2018

| \$ '000  | Notes | 2018          | 2017          |
|--|-------|---------------|---------------|
| <b>Net operating result for the year</b> (as per Income Statement)                     |       | <b>11,710</b> | <b>11,306</b> |
| <b>Other comprehensive income:</b>   |       |               |               |
| Amounts that will not be reclassified subsequently to the operating result             |       |               |               |
| Gain (loss) on revaluation of IPP&E  | 9     | 5,835         | 3,815         |
| Gain (loss) on revaluation of intangible assets  |       | 600           | –             |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>6,435</b>  | <b>3,815</b>  |
| <b>Total other comprehensive income for the year</b>                                   |       | <b>6,435</b>  | <b>3,815</b>  |
| <b>Total comprehensive income for the year</b>   |       | <b>18,145</b> | <b>15,121</b> |

# Riverina Water County Council

## Statement of Financial Position as at 30 June 2018

| \$ '000                                       | Notes | 2018           | 2017           |
|---|-------|----------------|----------------|
| <b>ASSETS</b>                                 |       |                |                |
| <b>Current assets</b>                         |       |                |                |
| Cash and cash equivalents                     | 6a    | 19,135         | 21,246         |
| Investments                                   | 6b    | 7,000          | –              |
| Receivables                                   | 7     | 3,576          | 3,587          |
| Inventories                                   | 8     | 2,334          | 2,383          |
| <b>Total current assets</b>                   |       | <b>32,045</b>  | <b>27,216</b>  |
| <b>Non-current assets</b>                     |       |                |                |
| Infrastructure, property, plant and equipment | 9     | 346,174        | 335,702        |
| Intangible assets                             | 10    | 4,300          | 3,575          |
| <b>Total non-current assets</b>               |       | <b>350,474</b> | <b>339,277</b> |
| <b>TOTAL ASSETS</b>                           |       | <b>382,519</b> | <b>366,493</b> |
| <b>LIABILITIES</b>                            |       |                |                |
| <b>Current liabilities</b>                    |       |                |                |
| Payables                                      | 11    | 1,018          | 1,449          |
| Income received in advance                    | 13    | 462            | 427            |
| Borrowings                                    | 11    | 1,675          | 1,582          |
| Provisions                                    | 12    | 3,713          | 3,861          |
| <b>Total current liabilities</b>              |       | <b>6,868</b>   | <b>7,319</b>   |
| <b>Non-current liabilities</b>                |       |                |                |
| Borrowings                                    | 11    | 9,012          | 10,680         |
| <b>Total non-current liabilities</b>          |       | <b>9,012</b>   | <b>10,680</b>  |
| <b>TOTAL LIABILITIES</b>                      |       | <b>15,880</b>  | <b>17,999</b>  |
| <b>Net assets</b>                             |       | <b>366,639</b> | <b>348,494</b> |
| <b>EQUITY</b>                                 |       |                |                |
| Accumulated surplus                           | 13    | 121,909        | 110,199        |
| Revaluation reserves                          | 13    | 244,730        | 238,295        |
| <b>Total equity</b>                           |       | <b>366,639</b> | <b>348,494</b> |

## Riverina Water County Council

## Statement of Changes in Equity

for the year ended 30 June 2018

| \$ '000  | Notes | 2018                | IPP&E               | Total equity   | 2017                | IPP&E               | Total equity   |
|--|-------|---------------------|---------------------|----------------|---------------------|---------------------|----------------|
|  |       | Accumulated surplus | revaluation reserve |                | Accumulated surplus | revaluation reserve |                |
| <b>Opening balance</b>   |       | 110,199             | 238,295             | <b>348,494</b> | 98,893              | 234,480             | <b>333,373</b> |
| Net operating result for the year as reported in the 2017 financial statements |       | <b>11,710</b>       | –                   | <b>11,710</b>  | 11,306              | –                   | <b>11,306</b>  |
| <b>Net operating result for the year</b>                                       |       | <b>11,710</b>       | –                   | <b>11,710</b>  | <b>11,306</b>       | –                   | <b>11,306</b>  |
| <b>Other comprehensive income</b>  |       |                     |                     |                |                     |                     |                |
| – Gain (loss) on revaluation of IPP&E  | 9     | –                   | 5,835               | <b>5,835</b>   | –                   | 3,815               | <b>3,815</b>   |
| – Gain (loss) on revaluation of intangible assets                              |       | –                   | 600                 | <b>600</b>     | –                   | –                   | –              |
| <b>Other comprehensive income</b>  |       | –                   | <b>6,435</b>        | <b>6,435</b>   | –                   | <b>3,815</b>        | <b>3,815</b>   |
| <b>Total comprehensive income (c&amp;d)</b>                                    |       | <b>11,710</b>       | <b>6,435</b>        | <b>18,145</b>  | <b>11,306</b>       | <b>3,815</b>        | <b>15,121</b>  |
| <b>Equity – balance at end of the reporting period</b>                         |       | <b>121,909</b>      | <b>244,730</b>      | <b>366,639</b> | <b>110,199</b>      | <b>238,295</b>      | <b>348,494</b> |

## Riverina Water County Council

Statement of Cash Flows  
for the year ended 30 June 2018

| Original<br>unaudited<br>budget<br>2018     | \$ '000  | Notes | Actual<br>2018  | Actual<br>2017  |
|---|--|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b> |  |       |                 |                 |
| <u>Receipts:</u>                            |  |       |                 |                 |
| 5,002                                       | Rates and annual charges                                     |       | 5,287           | 5,224           |
| 20,901                                      | User charges and fees  |       | 22,822          | 21,474          |
| 229   | Investment and interest revenue received                     |       | 559             | 550             |
| 2,872                                       | Grants and contributions                                     |       | 3,966           | 3,074           |
| –   | Bonds, deposits and retention amounts received               |       | –               | 39              |
| 1,179                                       | Other  |       | 1,872           | 4,184           |
| <u>Payments:</u>                            |  |       |                 |                 |
| (7,955)                                     | Employee benefits and on-costs                               |       | (8,138)         | (8,059)         |
| (3,418)                                     | Materials and contracts                                      |       | (2,319)         | (2,507)         |
| (745)                                       | Borrowing costs  |       | (653)           | (163)           |
| –   | Bonds, deposits and retention amounts refunded               |       | (13)            | –               |
| (5,015)                                     | Other  |       | (6,108)         | (3,697)         |
| <b>13,050</b>                               | <b>Net cash provided (or used in) operating activities</b>   | 14b   | <b>17,275</b>   | <b>20,119</b>   |
| <b>Cash flows from investing activities</b> |  |       |                 |                 |
| <u>Receipts:</u>                            |  |       |                 |                 |
| –   | Sale of infrastructure, property, plant and equipment        |       | 214             | 452             |
| <u>Payments:</u>                            |  |       |                 |                 |
| –   | Purchase of investment securities                            |       | (7,000)         | –               |
| (23,523)                                    | Purchase of infrastructure, property, plant and equipment    |       | (11,025)        | (17,716)        |
| <b>(23,523)</b>                             | <b>Net cash provided (or used in) investing activities</b>   |       | <b>(17,811)</b> | <b>(17,264)</b> |
| <b>Cash flows from financing activities</b> |  |       |                 |                 |
| <u>Receipts:</u>                            |  |       |                 |                 |
| 6,000                                       | Proceeds from borrowings and advances                        |       | –               | –               |
| <u>Payments:</u>                            |  |       |                 |                 |
| (1,626)                                     | Repayment of borrowings and advances                         |       | (1,575)         | (1,499)         |
| <b>4,374</b>                                | <b>Net cash flow provided (used in) financing activities</b> |       | <b>(1,575)</b>  | <b>(1,499)</b>  |
| <b>(6,099)</b>                              | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>(2,111)</b>  | <b>1,356</b>    |
| 12,283                                      | Plus: cash and cash equivalents – beginning of year          | 14a   | 21,246          | 19,890          |
| <b>6,184</b>                                | <b>Cash and cash equivalents – end of the year</b>           | 14a   | <b>19,135</b>   | <b>21,246</b>   |
| Additional Information:                     |  |       |                 |                 |
|   | plus: Investments on hand – end of year                      | 6b    | 7,000           | –               |
|   | <b>Total cash, cash equivalents and investments</b>          |       | <b>26,135</b>   | <b>21,246</b>   |



# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 21/09/2018.

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

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

#### Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

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

and are clearly marked.

#### (a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 11 (c).

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating specialised assets the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 1. Basis of preparation (continued)

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#### **(b) Historical cost convention**

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

#### **(c) Significant accounting estimates and judgements**

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

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

#### ***Critical accounting estimates and assumptions***

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) employee benefit provisions – refer Note 12.

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

- (iii) Impairment of receivables

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

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

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

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

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

#### **New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Council has not applied any pronouncements before their operative date in the current reporting period beginning 1 July 2017.

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 1. Basis of preparation (continued)

Council's assessment of the impact of the new standards and interpretations is set out below.

#### **Effective for annual reporting periods beginning on or after 1 July 2018**

- AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

The standard is not expected to have a material impact on Council's future financial statements.

#### **Effective for annual reporting periods beginning on or after 1 July 2019**

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*.

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Based on assessments to date, these standards are not expected to have a material impact on Council's overall financial position, financial performance or cashflows.

- AASB 16 *Leases*

Under this standard a lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. Operating lease expenses will decrease and interest and depreciation expense will increase.

Council is currently not party to any leases. This standard is not expected to have impact on Council's future financial statements.

## Riverina Water County Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

| Functions/activities                  | Income, expenses and assets have been directly attributed to the following functions/activities.<br>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 and non-current) |                |
|                                       | 2018   | 2017          | 2018                                | 2017          | 2018  | 2017          | 2018   | 2017       | 2018  | 2017           |
|                                       |  |               |                                     |               |   |               |  |            |   |                |
| Water supplies                        | 32,970   | 30,840        | 21,260                              | 19,534        | 11,710                                      | 11,306        | 602  | 648        | 382,057                                     | 366,066        |
| <b>Total functions and activities</b> | <b>32,970</b>  | <b>30,840</b> | <b>21,260</b>                       | <b>19,534</b> | <b>11,710</b>                               | <b>11,306</b> | <b>602</b>   | <b>648</b> | <b>382,519</b>                              | <b>366,493</b> |

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

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

##### Water supplies

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 3. Income from continuing operations

| \$ '000  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>(a) Rates and annual charges</b>  |                      |                      |
| <b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)   |                      |                      |
| Water supply services – commercial   | 486                  | 485                  |
| Water supply services – residential  | 4,785                | 4,736                |
| <b>Total annual charges</b>  | <b>5,271</b>         | <b>5,221</b>         |
| <b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>   | <b><u>5,271</u></b>  | <b><u>5,221</u></b>  |
| <b>Accounting policy for rates and annual charges</b>  |                      |                      |
| Annual charges are recognised as revenue 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 year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates. |                      |                      |
| <b>(b) User charges and fees</b>   |                      |                      |
| <b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)   |                      |                      |
| Water supply services – commercial   | 7,010                | 6,778                |
| Water supply services – residential  | 14,896               | 13,694               |
| <b>Total specific user charges</b>   | <b>21,906</b>        | <b>20,472</b>        |
| <b>Other user charges and fees</b>   |                      |                      |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>   |                      |                      |
| Private works – section 67   | 5                    | 153                  |
| Section 603 certificates   | 154                  | 147                  |
| <b>Total fees and charges – statutory/regulatory</b>   | <b>159</b>           | <b>300</b>           |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>  |                      |                      |
| Leaseback fees – Council vehicles  | 30                   | 26                   |
| Standpipe fees   | 197                  | 203                  |
| Water connection fees  | 585                  | 411                  |
| <b>Total fees and charges – other</b>  | <b>812</b>           | <b>640</b>           |
| <b><u>TOTAL USER CHARGES AND FEES</u></b>  | <b><u>22,877</u></b> | <b><u>21,412</u></b> |

#### Accounting policy for user charges and fees

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 3. Income from continuing operations (continued)

| \$ '000  | 2018              | 2017              |
|--|-------------------|-------------------|
| <b>(c) Interest and investment revenue (including losses)</b>  |                   |                   |
| <b>Interest</b>  |                   |                   |
| – Overdue rates and annual charges (incl. special purpose rates)                                     | 83                | 104               |
| – Cash and investments   | 512               | 418               |
| <b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>  | <b><u>595</u></b> | <b><u>522</u></b> |
| <b>Interest revenue is attributable to:</b>  |                   |                   |
| <b>Unrestricted investments/financial assets:</b>  |                   |                   |
| Overdue rates and annual charges (general fund)  | 83                | 104               |
| General Council cash and investments   | 512               | 418               |
| <b><u>Total interest and investment revenue recognised</u></b>                                       | <b><u>595</u></b> | <b><u>522</u></b> |
| <b>Accounting policy for interest and investment revenue</b>   |                   |                   |
| Interest income is recognised using the effective interest rate at the date that interest is earned. |                   |                   |
| <b>(d) Other revenues</b>  |                   |                   |
| Insurance claim recoveries   | –                 | 138               |
| Lease rental   | 9                 | 22                |
| Sales – general  | 115               | 204               |
| Sales – scrap material   | 4                 | 23                |
| Temporary water allocation   | 153               | 105               |
| <b><u>TOTAL OTHER REVENUE</u></b>  | <b><u>281</u></b> | <b><u>492</u></b> |

#### Accounting policy for other revenue

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

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

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 3. Income from continuing operations (continued)

| \$ '000  | 2018<br>Operating | 2017<br>Operating | 2018<br>Capital | 2017<br>Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>  |                   |                   |                 |                 |
| <b>Specific purpose</b>  |                   |                   |                 |                 |
| Pensioners' rates subsidies:   |                   |                   |                 |                 |
| – Water  | 200               | 205               | –               | –               |
| Diesel and alternative fuels   | 25                | 10                | –               | –               |
| LIRS subsidy   | 377               | 433               | –               | –               |
| <b>Total specific purpose</b>  | <b>602</b>        | <b>648</b>        | <b>–</b>        | <b>–</b>        |
| <b>Total grants</b>  | <b>602</b>        | <b>648</b>        | <b>–</b>        | <b>–</b>        |
| <b>Grant revenue is attributable to:</b>   |                   |                   |                 |                 |
| – Commonwealth funding   | 225               | 433               | –               | –               |
| – State funding  | 377               | 215               | –               | –               |
|  | <b>602</b>        | <b>648</b>        | <b>–</b>        | <b>–</b>        |
| <b>(f) Contributions</b>   |                   |                   |                 |                 |
| <b>Developer contributions:</b><br><b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b> |                   |                   |                 |                 |
| <b>Cash contributions</b>  |                   |                   |                 |                 |
| S 64 – water supply contributions  | –                 | –                 | 3,319           | 2,392           |
| <b>Total developer contributions</b>   | <b>–</b>          | <b>–</b>          | <b>3,319</b>    | <b>2,392</b>    |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>  | <b>602</b>        | <b>648</b>        | <b>3,319</b>    | <b>2,392</b>    |

#### Accounting policy for contributions

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



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 4. Expenses from continuing operations

| \$ '000  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>(a) Employee benefits and on-costs</b>                    |                     |                     |
| Salaries and wages   | 7,081               | 6,897               |
| Travel expenses  | 161                 | 148                 |
| Employee leave entitlements (ELE)                            | 1,233               | 1,182               |
| Superannuation   | 1,272               | 1,252               |
| Workers' compensation insurance                              | 147                 | 120                 |
| Fringe benefit tax (FBT)                                     | 19                  | 44                  |
| Payroll tax  | 479                 | 466                 |
| Training costs (other than salaries and wages)               | 242                 | 246                 |
| Uniforms   | 57                  | 51                  |
| Sick leave bonus   | 153                 | 276                 |
| <b>Total employee costs</b>                                  | <b>10,844</b>       | <b>10,682</b>       |
| Less: capitalised costs                                      | (2,902)             | (2,555)             |
| <b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>                  | <b><u>7,942</u></b> | <b><u>8,127</u></b> |
| Number of 'full-time equivalent' employees (FTE) at year end | 96                  | 94                  |

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 4. Expenses from continuing operations (continued)

| \$ '000  | Notes | 2018              | 2017              |
|--|-------|-------------------|-------------------|
| <b>(b) Borrowing costs</b>                             |       |                   |                   |
| <b>(i) Interest bearing liability costs</b>            |       |                   |                   |
| Interest on loans                                      |       | 653               | 737               |
| <b>Total interest bearing liability costs</b>          |       | <b>653</b>        | <b>737</b>        |
| Less: capitalised costs – water treatment plant        |       | –                 | (574)             |
| <b>Total interest bearing liability costs expensed</b> |       | <b>653</b>        | <b>163</b>        |
| <b><u>TOTAL BORROWING COSTS EXPENSED</u></b>           |       | <b><u>653</u></b> | <b><u>163</u></b> |

#### Accounting policy for borrowing costs

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

### (c) Materials and contracts

|   |                     |                     |
|---|---------------------|---------------------|
| Raw materials and consumables               | 257                 | 269                 |
| Contractor and consultancy costs            | 1,872               | 1,700               |
| Auditors remuneration <sup>(2)</sup>        | 55                  | 47                  |
| Legal expenses:                             |                     |                     |
| – Legal expenses: other                     | 18                  | 10                  |
| <b><u>TOTAL MATERIALS AND CONTRACTS</u></b> | <b><u>2,202</u></b> | <b><u>2,026</u></b> |

#### Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

#### Auditors of the Council – NSW Auditor-General:

##### Audit and other assurance services

|   |           |           |
|---|-----------|-----------|
| Audit and review of financial statements  | 30        | 28        |
| <b>Total Auditor-General remuneration</b> | <b>30</b> | <b>28</b> |

#### Non NSW Auditor-General audit firms:

##### Audit and other assurance services

|  |           |           |
|--|-----------|-----------|
| Other audit and assurance services: Council's Internal Auditor   | 25        | 19        |
| <b>Total remuneration of non NSW Auditor-General audit firms</b> | <b>25</b> | <b>19</b> |
| <b>Total Auditor remuneration</b>                                | <b>55</b> | <b>47</b> |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 4. Expenses from continuing operations (continued)

| \$ '000   | Notes | 2018         | 2017         |
|---|-------|--------------|--------------|
| <b>(d) Depreciation, amortisation and impairment</b>  |       |              |              |
| <b>Depreciation and amortisation</b>  |       |              |              |
| Plant and equipment   |       | 470          | 481          |
| Office equipment  |       | 157          | 178          |
| <b>Infrastructure:</b>  |       |              |              |
| – Buildings – non-specialised   |       | 50           | 47           |
| – Buildings – specialised   |       | 143          | 142          |
| – Water supply network  |       | 5,246        | 5,131        |
| <b>Total depreciation and amortisation costs</b>  |       | <b>6,066</b> | <b>5,979</b> |
| <b>Impairment / revaluation decrement of IPP&amp;E</b>  |       |              |              |
| Intangible assets   | 10    | (25)         | (75)         |
| <b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>                 |       | <b>(25)</b>  | <b>(75)</b>  |
| <b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b> |       |              |              |
|   |       | <b>6,041</b> | <b>5,904</b> |

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

##### Impairment of non-financial assets

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

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

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 4. Expenses from continuing operations (continued)

| \$ '000  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>(e) Other expenses</b>  |                     |                     |
| Advertising  | 54                  | 52                  |
| Bank charges   | 123                 | 115                 |
| Computer software charges  | 205                 | 223                 |
| Members expenses – chairperson's fee   | 10                  | 9                   |
| Members expenses – members fees  | 52                  | 51                  |
| Members expenses (incl. chairperson) – other (excluding fees above)          | 22                  | 15                  |
| Donations, contributions and assistance to other organisations (Section 356) | 89                  | 40                  |
| Demand management  | 36                  | 1                   |
| Electricity and heating  | 2,971               | 1,929               |
| Insurance  | 146                 | 160                 |
| Office expenses (including computer expenses)                                | 44                  | 102                 |
| Postage  | 121                 | 116                 |
| Printing and stationery  | 30                  | 29                  |
| Rates and user charges   | 225                 | 219                 |
| Subscriptions and publications   | 84                  | 33                  |
| Telephone and communications   | 177                 | 145                 |
| <b><u>TOTAL OTHER EXPENSES</u></b>   | <b><u>4,389</u></b> | <b><u>3,239</u></b> |

#### Accounting policy for other expenses

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

### Note 5. Gains or losses from the disposal of assets

|  |   |            |           |
|--|---|------------|-----------|
| <b>Plant and equipment</b>   | 9 |            |           |
| Proceeds from disposal – plant and equipment                         |   | 214        | 452       |
| Less: carrying amount of plant and equipment assets sold/written off |   | (222)      | (374)     |
| <b>Net gain/(loss) on disposal</b>                                   |   | <b>(8)</b> | <b>78</b> |

#### Accounting policy for disposal of assets

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 6(a). Cash and cash equivalent assets

| \$ '000                                | 2018          | 2017          |
|--|---------------|---------------|
| <b>Cash and cash equivalents</b>       |               |               |
| Cash on hand and at bank               | 1,644         | 469           |
| Cash-equivalent assets                 |               |               |
| – Deposits at call                     | –             | 1             |
| – Short-term deposits                  | 17,491        | 20,776        |
| <b>Total cash and cash equivalents</b> | <b>19,135</b> | <b>21,246</b> |

#### Accounting policy for cash and cash equivalents

For Statement of Cash Flow 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 which are subject to an insignificant risk of changes in value; and bank overdrafts.

### Note 6(b). Investments

| \$ '000   | 2018<br>Current      | 2018<br>Non-current | 2017<br>Current      | 2017<br>Non-current |
|---|----------------------|---------------------|----------------------|---------------------|
| <b>Investments</b>  |                      |                     |                      |                     |
| a. 'Held to maturity'   | 7,000                | –                   | –                    | –                   |
| <b>Total investments</b>  | <b>7,000</b>         | <b>–</b>            | <b>–</b>             | <b>–</b>            |
| <b><u>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS AND INVESTMENTS</u></b> | <b><u>26,135</u></b> | <b><u>–</u></b>     | <b><u>21,246</u></b> | <b><u>–</u></b>     |
| <b>Held to maturity investments</b>                                   |                      |                     |                      |                     |
| Long term deposits  | 7,000                | –                   | –                    | –                   |
| <b>Total</b>  | <b>7,000</b>         | <b>–</b>            | <b>–</b>             | <b>–</b>            |

#### Accounting policy for investments

##### Classification

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

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

| \$ '000                                      | 2018    | 2018        | 2017    | 2017        |
|--|---------|-------------|---------|-------------|
|  | Current | Non-current | Current | Non-current |
| Total cash, cash equivalents and investments | 26,135  | –           | 21,246  | –           |
| attributable to:                             |         |             |         |             |
| Internal restrictions (refer below)          | 8,714   | –           | 8,093   | –           |
| Unrestricted                                 | 17,421  | –           | 13,153  | –           |
|  | 26,135  | –           | 21,246  | –           |

| \$ '000                     | 2018  | 2017  |
|-----------------------------|-------|-------|
|                             |       |       |
| Details of restrictions     |       |       |
| Internal restrictions       |       |       |
| Employees leave entitlement | 1,856 | 1,158 |
| Asset replacement           | 1,858 | 1,935 |
| Sales fluctuation           | 5,000 | 5,000 |
| Total internal restrictions | 8,714 | 8,093 |
| TOTAL RESTRICTIONS          | 8,714 | 8,093 |

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 7. Receivables

| \$ '000                             | 2018                |                 | 2017                |                 |
|-------------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                     | Current             | Non-current     | Current             | Non-current     |
| <b>Purpose</b>                      |                     |                 |                     |                 |
| Rates and annual charges            | 739                 | —               | 755                 | —               |
| User charges and fees               | 2,317               | —               | 2,212               | —               |
| Accrued revenues                    |                     |                 |                     |                 |
| Accrued interest on investments     | 73                  | —               | 37                  | —               |
| Government grants and subsidies     | 200                 | —               | 205                 | —               |
| Sundry debtors                      | 247                 | —               | 378                 | —               |
| <b>Total</b>                        | <b>3,576</b>        | <b>—</b>        | <b>3,587</b>        | <b>—</b>        |
| <b><u>TOTAL NET RECEIVABLES</u></b> | <b><u>3,576</u></b> | <b><u>—</u></b> | <b><u>3,587</u></b> | <b><u>—</u></b> |

There are no restrictions applicable to the above assets.

#### Accounting policy for receivables

##### Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position.

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

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

### Note 8. Inventories and other assets

#### Inventories

##### Inventories at cost

|                                  |                     |                 |                     |                 |
|----------------------------------|---------------------|-----------------|---------------------|-----------------|
| Stores and materials             | 2,334               | —               | 2,383               | —               |
| <b>Total inventories at cost</b> | <b>2,334</b>        | <b>—</b>        | <b>2,383</b>        | <b>—</b>        |
| <b><u>TOTAL INVENTORIES</u></b>  | <b><u>2,334</u></b> | <b><u>—</u></b> | <b><u>2,383</u></b> | <b><u>—</u></b> |

##### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Accounting policy

##### Inventory held for distribution

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

## Riverina Water County Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 9. Infrastructure, property, plant and equipment

| Asset class<br><br>\$ '000                          | as at 30/6/2017             |   |                           | Asset movements during the reporting period |                         |                                   |                         |   | as at 30/6/2018             |   |                           |
|---|-----------------------------|---|---------------------------|---|-------------------------|-----------------------------------|-------------------------|---|-----------------------------|---|---------------------------|
|   |                             |   |                           | Additions<br>renewals                       | Additions<br>new assets | Carrying<br>value<br>of disposals | Depreciation<br>expense | Revaluation<br>increments<br>to equity<br>(ARR) |                             |   |                           |
|   | Gross<br>carrying<br>amount | Accumulated<br>depreciation<br>and impairment | Net<br>carrying<br>amount |   |                         |                                   |                         |   | Gross<br>carrying<br>amount | Accumulated<br>depreciation<br>and impairment | Net<br>carrying<br>amount |
| Capital work in progress                            | 37,766                      | –   | 37,766                    | –   | 2,579                   | –                                 | –                       | –   | 40,345                      | –   | 40,345                    |
| Plant and equipment                                 | 5,897                       | 3,017   | 2,880                     | 626   | –                       | (222)                             | (470)                   | –   | 6,140                       | 3,326   | 2,814                     |
| Office equipment                                    | 950                         | 579   | 371                       | 145   | –                       | –                                 | (157)                   | –   | 1,080                       | 721   | 359                       |
| Land:   |                             |   |                           |   |                         |                                   |                         |   |                             |   |                           |
| – Operational land                                  | 3,714                       | –   | 3,714                     | 702   | –                       | –                                 | –                       | –   | 4,416                       | –   | 4,416                     |
| Infrastructure:                                     |                             |   |                           |   |                         |                                   |                         |   |                             |   |                           |
| – Buildings – non-specialised                       | 3,778                       | 485   | 3,293                     | 6   | –                       | –                                 | (50)                    | –   | 3,784                       | 535   | 3,249                     |
| – Buildings – specialised                           | 12,284                      | 929   | 11,355                    | 40  | –                       | –                                 | (143)                   | –   | 12,324                      | 1,072   | 11,252                    |
| – Water supply network                              | 414,489                     | 138,166                                       | 276,323                   | 4,141                                       | 2,686                   | –                                 | (5,246)                 | 5,835   | 427,149                     | 143,410                                       | 283,739                   |
| TOTAL INFRASTRUCTURE,<br>PROPERTY, PLANT AND EQUIP. | 478,878                     | 143,176                                       | 335,702                   | 5,660                                       | 5,265                   | (222)                             | (6,066)                 | 5,835   | 495,238                     | 149,064                                       | 346,174                   |

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



## Riverina Water County Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment

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

Water network assets are indexed annually between full revaluations in accordance with the latest indices provided in the Crown Lands and Water (CLAW) Reference Rates Manual.

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

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

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

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

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 10. Intangible assets

| \$ '000  | 2018                | 2017                |
|--|---------------------|---------------------|
| Intangible assets represent identifiable non-monetary assets without physical substance. |                     |                     |
| Intangible assets are as follows:  |                     |                     |
| <b>Opening values:</b>   |                     |                     |
| Gross book value (1/7)   | 3,575               | 3,500               |
| <b>Net book value – opening balance</b>  | <b>3,575</b>        | <b>3,500</b>        |
| <b>Movements for the year</b>  |                     |                     |
| – Purchases  | 100                 | –                   |
| – Fair valuation (decrement reversal via Income Statement)                               | 25                  | 75                  |
| – Fair valuation (increment to Equity - Asset Revaluation Reserve)                       | 600                 | –                   |
| <b>Closing values:</b>   |                     |                     |
| Gross book value (30/6)  | 4,300               | 3,575               |
| <b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>                      | <b><u>4,300</u></b> | <b><u>3,575</u></b> |

<sup>1</sup> The net book value of intangible assets represent:

|                  |              |              |
|------------------|--------------|--------------|
| – Water licences | 4,300        | 3,575        |
|                  | <b>4,300</b> | <b>3,575</b> |

### Accounting policy for intangible assets

#### Water Licence Rights

Costs capitalised include external direct costs associated with the purchase of the licence.

These rights are valued each year and any associated impairment or fair revaluation increment are included.

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 11. Payables and borrowings

| \$ '000                                    | 2018         |              | 2017         |               |
|--|--------------|--------------|--------------|---------------|
|  | Current      | Non-current  | Current      | Non-current   |
| <b>Payables</b>                            |              |              |              |               |
| Goods and services – operating expenditure | 151          | –            | 97           | –             |
| Accrued expenses:                          |              |              |              |               |
| – Salaries and wages                       | 180          | –            | 183          | –             |
| – Other expenditure accruals               | 612          | –            | 1,081        | –             |
| Security bonds, deposits and retentions    | 75           | –            | 88           | –             |
| <b>Total payables</b>                      | <b>1,018</b> | <b>–</b>     | <b>1,449</b> | <b>–</b>      |
| <b>Income received in advance</b>          |              |              |              |               |
| Payments received in advance               | 462          | –            | 427          | –             |
| <b>Total income received in advance</b>    | <b>462</b>   | <b>–</b>     | <b>427</b>   | <b>–</b>      |
| <b>Borrowings</b>                          |              |              |              |               |
| Loans – secured <sup>1</sup>               | 1,675        | 9,012        | 1,582        | 10,680        |
| <b>Total borrowings</b>                    | <b>1,675</b> | <b>9,012</b> | <b>1,582</b> | <b>10,680</b> |
| <b>TOTAL PAYABLES AND BORROWINGS</b>       | <b>3,155</b> | <b>9,012</b> | <b>3,458</b> | <b>10,680</b> |

#### (a) Payables and borrowings relating to restricted assets

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

<sup>1</sup> 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 17.

| \$ '000 | 2018 | 2017 |
|---------|------|------|
|---------|------|------|

#### (b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

|  |           |           |
|--|-----------|-----------|
| Payables – security bonds, deposits and retentions | 81        | 88        |
|  | <b>81</b> | <b>88</b> |

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

| Class of borrowings | 2017                         | Non-cash changes |             |                    |                          | 2018                          |
|---------------------|------------------------------|------------------|-------------|--------------------|--------------------------|-------------------------------|
|                     | Opening balance as at 1/7/17 | Cash flows       | Acquisition | Fair value changes | Other non-cash movements | Closing balance as at 30/6/18 |
| Loans – secured     | 12,262                       | (1,575)          | –           | –                  | –                        | 10,687                        |
| <b>TOTAL</b>        | <b>12,262</b>                | <b>(1,575)</b>   | <b>–</b>    | <b>–</b>           | <b>–</b>                 | <b>10,687</b>                 |

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 11. Payables and borrowings (continued)

| \$ '000  | 2018       | 2017       |
|--|------------|------------|
| <b>(d) Financing arrangements</b>  |            |            |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |            |            |
| Bank overdraft facilities <sup>(1)</sup>   | 250        | 250        |
| Credit cards/purchase cards  | 100        | 90         |
| Market Rate Facility   | 500        | 500        |
| <b>Total financing arrangements</b>  | <b>850</b> | <b>840</b> |
| <b>Drawn facilities as at balance date:</b>  |            |            |
| – Credit cards/purchase cards  | 14         | 6          |
| <b>Total drawn financing arrangements</b>  | <b>14</b>  | <b>6</b>   |
| <b>Undrawn facilities as at balance date:</b>  |            |            |
| – Bank overdraft facilities  | 250        | 250        |
| – Credit cards/purchase cards  | 86         | 84         |
| – Market Rate Facility   | 500        | 500        |
| <b>Total undrawn financing arrangements</b>  | <b>836</b> | <b>834</b> |

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

### Accounting policy for payables and borrowings

#### Payables

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

#### Borrowings

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

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

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 12. Provisions

| \$ '000  | 2018                |                 | 2017                |                 |
|--|---------------------|-----------------|---------------------|-----------------|
|  | Current             | Non-current     | Current             | Non-current     |
| <b>Provisions</b>                              |                     |                 |                     |                 |
| <b>Employee benefits:</b>                      |                     |                 |                     |                 |
| Annual leave                                   | 895                 | –               | 917                 | –               |
| Sick leave                                     | 6                   | –               | 6                   | –               |
| Long service leave                             | 2,812               | –               | 2,938               | –               |
| <b>Sub-total – aggregate employee benefits</b> | <b>3,713</b>        | <b>–</b>        | <b>3,861</b>        | <b>–</b>        |
| <b><u>TOTAL PROVISIONS</u></b>                 | <b><u>3,713</u></b> | <b><u>–</u></b> | <b><u>3,861</u></b> | <b><u>–</u></b> |

#### (a) Provisions relating to restricted assets

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

| \$ '000 | 2018 | 2017 |
|---------|------|------|
|---------|------|------|

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

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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 2,927        | 3,210        |
|                                 | <b>2,927</b> | <b>3,210</b> |

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 12. Provisions (continued)

#### Defined Benefit Superannuation Disclosure

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

*(a) Funding arrangements, including methodology to determine rate of contributions and any minimum funding requirements.*

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

|            |                                   |
|------------|-----------------------------------|
| Division B | 1.9 times employee contributions  |
| Division C | 2.5% of salary                    |
| Division D | 1.64 times employee contributions |

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

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

*(b) Extent to which Council may be liable to plan the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*

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

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

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

*(i) wind-up of the plan*

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

*(ii) entity's withdrawal from the plan*

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

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 12. Provisions (continued)

#### Defined Benefit Superannuation Disclosure (continued)

(c) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

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

Council confirms that the plan is a defined benefit plan.

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

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

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

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

The expected contributions by Council to the Fund for the next annual reporting period are \$285,459.12

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

| <i>Employer reserves only*</i> | <i>\$M</i> | <i>Asset Coverage</i> |
|--------------------------------|------------|-----------------------|
| Assets                         | 1,817.8    |                       |
| Past Service Liabilities       | 1,787.5    | 101.7%                |
| Vested Benefits                | 1,778.0    | 102.2%                |

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

## Riverina Water County Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### Defined Benefit Superannuation Disclosure (continued)

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

|   |                |
|---|----------------|
| Investment Return                             | 6.0% per annum |
| Salary inflation (plus promotional increases) | 3.5% per annum |
| Increase in CPI                               | 2.5% per annum |

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

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

Council's participation in the Scheme compared with other entities is about 0.31% based on the Council's current level of annual additional contributions against total contributions. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

#### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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##### 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.



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 14. Statement of cash flows – additional information

| \$ '000   | Notes | 2018          | 2017          |
|---|-------|---------------|---------------|
| <b>(a) Reconciliation of cash assets</b>  |       |               |               |
| Total cash and cash equivalent assets   | 6a    | 19,135        | 21,246        |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>19,135</b> | <b>21,246</b> |
| <b>(b) Reconciliation of net operating result<br/>to cash provided from operating activities</b>        |       |               |               |
| <b>Net operating result from Income Statement</b>   |       | <b>11,710</b> | <b>11,306</b> |
| Adjust for non-cash items:  |       |               |               |
| Depreciation and amortisation   |       | 6,066         | 5,979         |
| Net losses/(gains) on disposal of assets  |       | 8             | (78)          |
| Reversal of prior year IPP&E revaluation decrements / impairment<br>previously costed direct to the P&L |       | (25)          | (75)          |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                           |       |               |               |
| Decrease/(increase) in receivables  |       | 11            | 1,919         |
| Decrease/(increase) in inventories  |       | 49            | 387           |
| Increase/(decrease) in payables   |       | 54            | (68)          |
| Increase/(decrease) in other accrued expenses payable   |       | (472)         | 652           |
| Increase/(decrease) in other liabilities  |       | 22            | 39            |
| Increase/(decrease) in employee leave entitlements  |       | (148)         | 58            |
| <b>Net cash provided from/(used in)<br/>operating activities from the Statement of Cash Flows</b>       |       | <b>17,275</b> | <b>20,119</b> |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 15. Commitments for expenditure

| \$ '000  | 2018         | 2017         |
|--|--------------|--------------|
| <b>Capital commitments (exclusive of GST)</b>  |              |              |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |              |              |
| <b>Property, plant and equipment</b>   |              |              |
| Water Treatment Plant  | 1,692        | 4,232        |
| Shires Reservoir   | 160          | 82           |
| Low Level Reservoir  | 269          | –            |
| <b>Total commitments</b>   | <b>2,121</b> | <b>4,314</b> |
| <b>These expenditures are payable as follows:</b>  |              |              |
| Within the next year   | 2,121        | 4,314        |
| <b>Total payable</b>   | <b>2,121</b> | <b>4,314</b> |
| <b>Sources for funding of capital commitments:</b>   |              |              |
| Unrestricted general funds   | 2,121        | 4,314        |
| <b>Total sources of funding</b>  | <b>2,121</b> | <b>4,314</b> |

#### Details of capital commitments

Contract for the construction of the Wagga Wagga Water treatment plant, project to be finalised during 2018/19 financial year.

Contract for the Shires Reservoir construction to be finalised during 2018/19 financial year.

Contract for the Low Level Reservoir earthworks to be finalised during 2018/19 financial year.

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 16. Contingencies and other liabilities/assets not recognised

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

#### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

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

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

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

##### **(ii) Statewide Limited**

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

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

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

##### **(iii) StateCover Limited**

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

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

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#### **LIABILITIES NOT RECOGNISED (continued):**

##### **1. Guarantees (continued)**

##### **(iii) StateCover Limited (continued)**

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

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

##### **(iv) Other guarantees**

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

##### **2. Other liabilities**

##### **(i) Third party claims**

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

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

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

At balance date there is a contingent liability for staff who are entitled to a sick leave to be paid out if they were to retire due to medical grounds. This is an unlikely event. Amount totals \$64,337 (2016/17 \$75,571).

#### **ASSETS NOT RECOGNISED:**

##### **Guarantees**

##### **(i) Water Treatment Plant Bank Guarantees**

The Council holds bank guarantees totalling \$2.6 million for the contract period from contractors responsible for the construction of the Wagga Water Treatment Plant.

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 17. Financial risk management

\$ '000

#### Risk management

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

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

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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 |
| <b>2018</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 261                      | 261    | (261)                    | (261)  |
| <b>2017</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 212                      | 212    | (212)                    | (212)  |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 17. Financial risk management (continued)

\$ '000

#### (b) Credit risk

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

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

Council manages 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 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 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:

|                                      | 2018<br>Rates and<br>annual<br>charges | 2018<br>Other<br>receivables | 2017<br>Rates and<br>annual<br>charges | 2017<br>Other<br>receivables |
|--------------------------------------|--|------------------------------|--|------------------------------|
| <b>(i) Ageing of receivables – %</b> |  |                              |  |                              |
| Current (not yet overdue)            | 75%                                    | 73%                          | 78%                                    | 76%                          |
| Overdue                              | 25%                                    | 27%                          | 22%                                    | 24%                          |
|                                      | <b>100%</b>                            | <b>100%</b>                  | <b>100%</b>                            | <b>100%</b>                  |

|   | 2018         | 2017         |
|---|--------------|--------------|
| <b>(ii) Ageing of receivables – value</b> |              |              |
| <b>Rates and annual charges</b>           |              |              |
| Current                                   | 556          | 590          |
| Overdue                                   | 183          | 165          |
|   | <b>739</b>   | <b>755</b>   |
| <b>Other receivables</b>                  |              |              |
| Current                                   | 2,197        | 2,257        |
| 0 – 30 days overdue                       | 640          | 575          |
|   | <b>2,837</b> | <b>2,832</b> |

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 17. 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                     | Weighted<br>average<br>interest rate | Subject<br>to no<br>maturity | payable in: |             |           | Total<br>cash<br>outflows | Actual<br>carrying<br>values |
|-----------------------------|--------------------------------------|------------------------------|-------------|-------------|-----------|---------------------------|------------------------------|
|                             |                                      |                              | ≤ 1 Year    | 1 – 5 Years | > 5 Years |                           |                              |
| 2018                        |                                      |                              |             |             |           |                           |                              |
| Trade/other payables        | 0.00%                                | 75                           | 943         | -           | -         | 1,018                     | 1,018                        |
| Loans and advances          | 5.69%                                | -                            | 2,257       | 8,779       | 2,161     | 13,197                    | 10,687                       |
| Total financial liabilities |                                      | 75                           | 3,200       | 8,779       | 2,161     | 14,215                    | 11,705                       |
| 2017                        |                                      |                              |             |             |           |                           |                              |
| Trade/other payables        | 0.00%                                | 88                           | 1,361       | -           | -         | 1,449                     | 1,449                        |
| Loans and advances          | 4.59%                                | -                            | 2,252       | 8,991       | 4,073     | 15,316                    | 12,262                       |
| Total financial liabilities |                                      | 88                           | 3,613       | 8,991       | 4,073     | 16,765                    | 13,711                       |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2017 and is not required to be audited.

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   | 2018<br>Budget | 2018<br>Actual | 2018<br>----- Variance* ----- |      |          |
|---|----------------|----------------|-------------------------------|------|----------|
| <b>REVENUES</b>   |                |                |                               |      |          |
| Rates and annual charges  | 5,016          | 5,271          | 255                           | 5%   | <b>F</b> |
| User charges and fees   | 20,901         | 22,877         | 1,976                         | 9%   | <b>F</b> |
| Interest and investment revenue   | 200            | 595            | 395                           | 198% | <b>F</b> |
| Cash levels are higher than anticipated due to payments for the Water Treatment Plant project being lower than budgeted due to project delays, as well as higher than anticipated water sales. This resulted in increased investment revenue. |                |                |                               |      |          |
| Other revenues  | 125            | 281            | 156                           | 125% | <b>F</b> |
| Higher than budgeted due to a temporary water licence allocation.   |                |                |                               |      |          |
| Operating grants and contributions  | 207            | 602            | 395                           | 191% | <b>F</b> |
| Variance due to LIRS subsidy being budgeted as a capital grant rather than operational.   |                |                |                               |      |          |
| Capital grants and contributions  | 2,662          | 3,319          | 657                           | 25%  | <b>F</b> |
| Variance due to LIRS subsidy being budgeted as a capital grant rather than operational, plus higher than anticipated developer contributions.   |                |                |                               |      |          |
| Reversal of revaluation decrements /<br>impairment of IPP&E previously expensed   | —              | 25             | 25                            | 0%   | <b>F</b> |
| Increase in water licence valuation not included in the budget.   |                |                |                               |      |          |



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 18. Material budget variations (continued)

| \$ '000  | 2018<br>Budget | 2018<br>Actual | 2018<br>----- Variance* ----- |              |
|--|----------------|----------------|-------------------------------|--------------|
| <b>EXPENSES</b>  |                |                |                               |              |
| <b>Employee benefits and on-costs</b>  | <b>8,330</b>   | <b>7,942</b>   | <b>388</b>                    | <b>5% F</b>  |
| <b>Borrowing costs</b>   | <b>745</b>     | <b>653</b>     | <b>92</b>                     | <b>12% F</b> |
| Reduction in borrowing costs due to loans not drawn down due to delay in works on the Water Treatment Plant project.                               |                |                |                               |              |
| <b>Materials and contracts</b>   | <b>3,489</b>   | <b>2,202</b>   | <b>1,287</b>                  | <b>37% F</b> |
| Increased focus on capital works projects has diverted expenditure away from operational.  |                |                |                               |              |
| <b>Depreciation and amortisation</b>   | <b>7,120</b>   | <b>6,066</b>   | <b>1,054</b>                  | <b>15% F</b> |
| Depreciation lower than budgeted due to revaluation of assets in the 2016 year and non commissioning of the new water treatment plant during 2018. |                |                |                               |              |
| <b>Other expenses</b>  | <b>5,015</b>   | <b>4,389</b>   | <b>626</b>                    | <b>12% F</b> |
| Electricity budgeted increases were less than anticipated.   |                |                |                               |              |
| <b>Net losses from disposal of assets</b>  | <b>—</b>       | <b>8</b>       | <b>(8)</b>                    | <b>0% U</b>  |
| Unanticipated loss on vehicle disposal.  |                |                |                               |              |

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

|   |                 |                 |                |                 |
|---|-----------------|-----------------|----------------|-----------------|
| <b>Cash flows from operating activities</b>   | <b>13,050</b>   | <b>17,275</b>   | <b>4,225</b>   | <b>32% F</b>    |
| Higher operating cash flow due to increased water sales due to weather, higher than anticipated developer contributions and increased focus on capital works. |                 |                 |                |                 |
| <b>Cash flows from investing activities</b>   | <b>(23,523)</b> | <b>(17,811)</b> | <b>5,712</b>   | <b>(24%) F</b>  |
| Decreased capital expenditure due to delays in Water Treatment Plant project.   |                 |                 |                |                 |
| <b>Cash flows from financing activities</b>   | <b>4,374</b>    | <b>(1,575)</b>  | <b>(5,949)</b> | <b>(136%) U</b> |
| Loans not drawn down due to delay in works on the Water Treatment plant project.  |                 |                 |                |                 |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 19. 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:

|   |                          | Fair value measurement hierarchy |                               |                                 |         |
|---|--------------------------|----------------------------------|-------------------------------|---------------------------------|---------|
| 2018  |                          | Level 1                          | Level 2                       | Level 3                         | Total   |
|   | Date of latest valuation | Quoted prices in active mkts     | Significant observable inputs | Significant unobservable inputs |         |
| Recurring fair value measurements                   |                          |                                  |                               |                                 |         |
| Intangible assets                                   |                          |                                  |                               |                                 |         |
| High Security Water Licence                         | 30/06/18                 | —                                | 4,300                         | —                               | 4,300   |
| Total financial assets                              |                          | —                                | 4,300                         | —                               | 4,300   |
| Infrastructure, property, plant and equipment       |                          |                                  |                               |                                 |         |
| Water Treatment Plants                              | 30/06/16                 | —                                | —                             | 28,145                          | 28,145  |
| Ground Water Bores                                  | 30/06/16                 | —                                | —                             | 6,972                           | 6,972   |
| Water Pumping Stations                              | 30/06/16                 | —                                | —                             | 8,193                           | 8,193   |
| Water Reservoirs                                    | 30/06/16                 | —                                | —                             | 44,898                          | 44,898  |
| Other Water Assets                                  | 30/06/16                 | —                                | —                             | 937                             | 937     |
| Pipes   | 30/06/16                 | —                                | —                             | 194,594                         | 194,594 |
| Buildings   | 30/06/16                 | —                                | —                             | 14,501                          | 14,501  |
| Land  | 30/06/16                 | —                                | —                             | 4,416                           | 4,416   |
| Plant & Equipment                                   | 30/06/16                 | —                                | 2,814                         | —                               | 2,814   |
| Office Equipment                                    | 30/06/16                 | —                                | 359                           | —                               | 359     |
| Total infrastructure, property, plant and equipment |                          | —                                | 3,173                         | 302,656                         | 305,829 |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 19. Fair value measurement (continued)

\$ '000

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

|   |           | Fair value measurement hierarchy |             |              |         |
|---|-----------|----------------------------------|-------------|--------------|---------|
| 2017  |           | Level 1                          | Level 2     | Level 3      | Total   |
|   | Date      | Quoted                           | Significant | Significant  |         |
|   | of latest | prices in                        | observable  | unobservable |         |
|   | valuation | active mkts                      | inputs      | inputs       |         |
| Recurring fair value measurements                   |           |                                  |             |              |         |
| Intangible assets                                   |           |                                  |             |              |         |
| High Security Water Licence                         | 30/06/17  | —                                | 3,575       | —            | 3,575   |
| Total financial assets                              |           | —                                | 3,575       | —            | 3,575   |
| Infrastructure, property, plant and equipment       |           |                                  |             |              |         |
| Water Treatment Plants                              | 30/06/16  | —                                | —           | 27,710       | 27,710  |
| Ground Water Bores                                  | 30/06/16  | —                                | —           | 6,990        | 6,990   |
| Water Pumping Stations                              | 30/06/16  | —                                | —           | 8,263        | 8,263   |
| Water Reservoirs                                    | 30/06/16  | —                                | —           | 43,610       | 43,610  |
| Other Water Assets                                  | 30/06/16  | —                                | —           | 945          | 945     |
| Pipes   | 30/06/16  | —                                | —           | 188,806      | 188,806 |
| Buildings   | 30/06/16  | —                                | —           | 14,649       | 14,649  |
| Land  | 30/06/16  | —                                | —           | 3,714        | 3,714   |
| Plant & Equipment                                   | 30/06/16  | —                                | 2,879       | —            | 2,879   |
| Office Equipment                                    | 30/06/16  | —                                | 369         | —            | 369     |
| Total infrastructure, property, plant and equipment |           | —                                | 3,248       | 294,687      | 297,935 |

### (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 2018

### Note 19. Fair value measurement (continued)

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\$ '000

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

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

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

#### Intangible assets

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

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

Refer Note 9 for the changes in level 3 fair value asset classes (Infrastructure, Property, Plant & Equipment).

#### (5). 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 2018

### Note 20. Related party transactions

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\$ '000

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#### a. Key management personnel

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

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

| <b>Compensation:</b>     | <b>2018</b>    | <b>2017</b>    |
|--------------------------|----------------|----------------|
| Short-term benefits      | 573,919        | 427,321        |
| Post-employment benefits | 36,249         | 34,155         |
| Other long-term benefits | 17,847         | 16,568         |
| <b>Total</b>             | <b>628,015</b> | <b>478,044</b> |

#### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. supply of water to the residence of KMP) will not be disclosed.

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

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

## Riverina Water County Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

| 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          | —               | 3,319                                  | —        | —                       | (3,319)                 | —                            | —                        |  |
| <b>Total contributions</b> | <b>—</b>        | <b>3,319</b>                           | <b>—</b> | <b>—</b>                | <b>(3,319)</b>          | <b>—</b>                     | <b>—</b>                 | <b>—</b>                                     |

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 22(a). Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2018 | Indicator<br>2018 | Prior periods |           | Benchmark              |
|--|-----------------|-------------------|---------------|-----------|------------------------|
|  |                 |                   | 2017          | 2016      |                        |
| Local government industry indicators – consolidated  |                 |                   |               |           |                        |
| 1. Operating performance ratio   |                 |                   |               |           |                        |
| Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses | 8,374           | 28.27%            | 30.96%        | 32.54%    | > 0.00%                |
| Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions                         | 29,626          |                   |               |           |                        |
| 2. Own source operating revenue ratio  |                 |                   |               |           |                        |
| Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions                             | 29,024          | 88.10%            | 90.09%        | 86.10%    | > 60.00%               |
| Total continuing operating revenue <sup>(1)</sup>  | 32,945          |                   |               |           |                        |
| 3. Unrestricted current ratio  |                 |                   |               |           |                        |
| Current assets less all external restrictions <sup>(2)</sup>   | 32,045          | 9.43x             | 6.77x         | 9.59x     | > 1.5x                 |
| Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>  | 3,398           |                   |               |           |                        |
| 4. Debt service cover ratio  |                 |                   |               |           |                        |
| Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation           | 15,093          | 6.77x             | 8.97x         | 10.53x    | > 2x                   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | 2,228           |                   |               |           |                        |
| 5. Rates, annual charges, interest and extra charges outstanding percentage  |                 |                   |               |           |                        |
| Rates, annual and extra charges outstanding  | 739             | 12.10%            | 12.41%        | 12.65%    | < 10% regional & rural |
| Rates, annual and extra charges collectible  | 6,109           |                   |               |           |                        |
| 6. Cash expense cover ratio  |                 |                   |               |           |                        |
| Current year's cash and cash equivalents plus all term deposits  | 26,135          | 16.68 mths        | 16.0 mths     | 14.5 mths | > 3 mths               |
| Payments from cash flow of operating and financing activities  | 1,567           |                   |               |           |                        |

#### Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Notes 11 and 12.

<sup>(4)</sup> Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

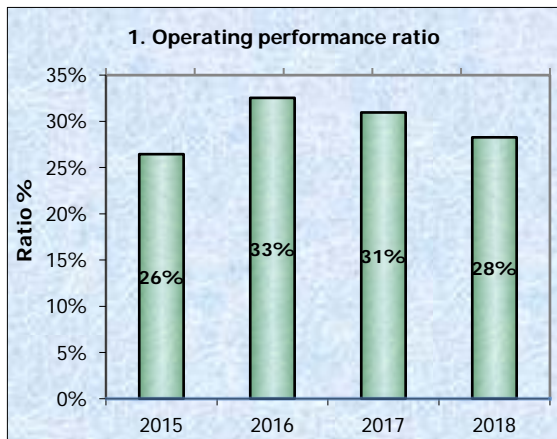
**END OF AUDITED FINANCIAL STATEMENTS**



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 22(b). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 28.27%**

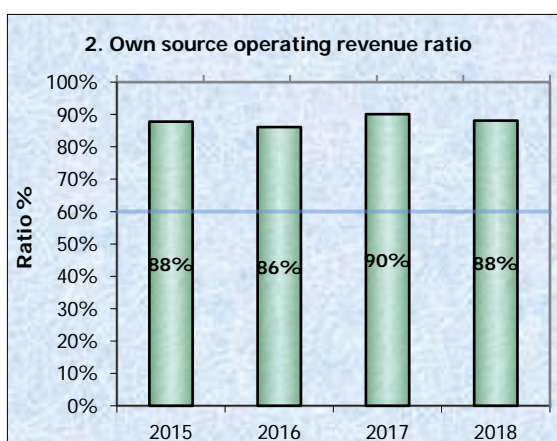
Dry and hot weather over the summer period resulted in higher than anticipated water sales. Operating expenditure lower than forecast due to increased focus on capital works.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**

**2017/18 ratio 88.10%**

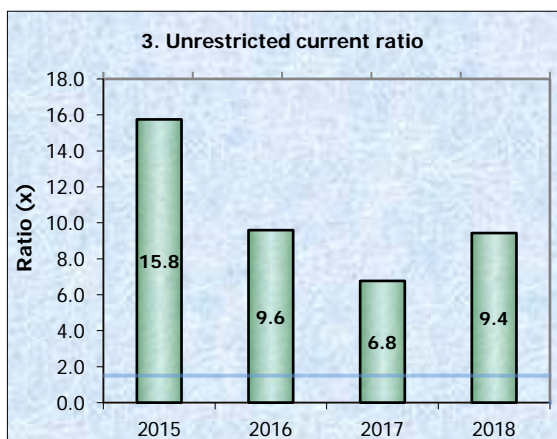
Council primarily relies on water sales income to fund operations, which results in a consistently high ratio.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**

**2017/18 ratio 9.43x**

An increase in this ratio for the current year is due to increased cash holdings. This has occurred due to increased water sales and a delay in the Water Treatment Plant project.

Benchmark: — Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

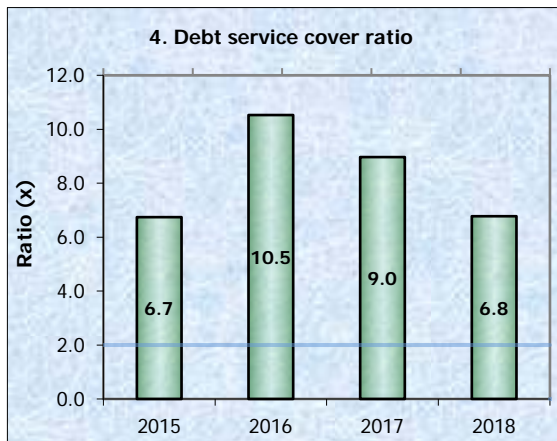
Ratio achieves benchmark

Ratio is outside benchmark

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 22(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

#### Purpose of debt service cover ratio

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

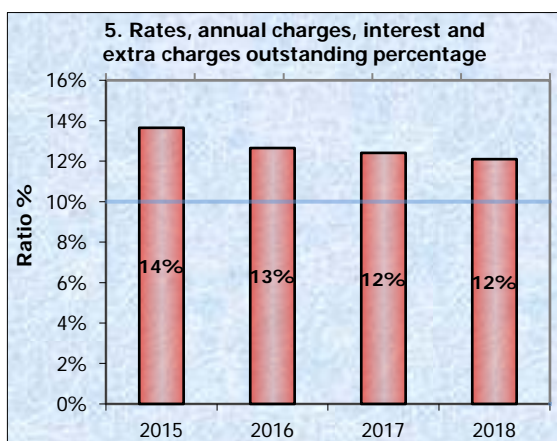
#### Commentary on 2017/18 result

**2017/18 ratio 6.77x**

Ratio has decreased due to borrowing costs relating to the Water Treatment Plant project being capitalised in prior years. As the project is nearing completion, this has not occurred in the current year.

Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

#### 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.

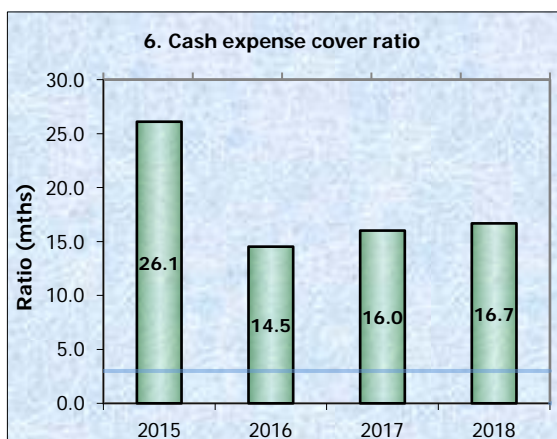
#### Commentary on 2017/18 result

**2017/18 ratio 12.10%**

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.

Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

#### 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 2017/18 result

**2017/18 ratio 16.68 mths**

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

Ratio achieves benchmark

Ratio is outside benchmark

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23. Financial review and commentary

\$ '000

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

|  | Actual<br>2018 | Actual<br>2017 | Actual<br>2016 | Actual<br>2015 | Actual<br>2014 |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Financial performance figures</b>                                 |                |                |                |                |                |
| <b>Inflows:</b>  |                |                |                |                |                |
| Rates and annual charges revenue                                     | 5,271          | 5,221          | 5,100          | 5,031          | 4,288          |
| User charges revenue   | 22,877         | 21,412         | 21,727         | 20,994         | 19,391         |
| Interest and investment revenue (losses)                             | 595            | 522            | 922            | 1,140          | 1,106          |
| Grants income – operating and capital                                | 602            | 648            | 723            | 735            | 894            |
| Total income from continuing operations                              | 32,970         | 30,840         | 33,658         | 32,169         | 28,702         |
| Sale proceeds from IPP&E   | 214            | 452            | 333            | 166            | 379            |
| <b>Outflows:</b>   |                |                |                |                |                |
| Employee benefits and on-cost expenses                               | 7,942          | 8,127          | 8,032          | 7,148          | 7,869          |
| Borrowing costs  | 653            | 163            | 162            | 902            | 970            |
| Materials and contracts expenses                                     | 2,202          | 2,026          | 1,492          | 3,096          | 2,548          |
| Total expenses from continuing operations                            | 21,260         | 19,534         | 19,607         | 20,925         | 21,309         |
| Total cash purchases of IPP&E  | 11,025         | 17,716         | 35,016         | 11,870         | 6,180          |
| Total loan repayments (incl. finance leases)                         | 1,575          | 1,499          | 1,411          | 1,341          | 1,274          |
| Operating surplus/(deficit) (excl. capital income)                   | 8,391          | 8,914          | 10,202         | 8,129          | 4,338          |
| <b>Financial position figures</b>                                    |                |                |                |                |                |
| Current assets   | 32,045         | 27,216         | 27,739         | 43,453         | 38,494         |
| Current liabilities  | 6,868          | 7,319          | 6,128          | 5,904          | 5,169          |
| Net current assets   | 25,177         | 19,897         | 21,611         | 37,549         | 33,325         |
| Available working capital<br>(Unrestricted net current assets)       | 23,338         | 15,898         | 19,068         | 26,059         | 16,374         |
| Cash and investments – unrestricted                                  | 17,421         | 13,153         | 12,045         | 19,333         | 10,211         |
| Cash and investments – internal restrictions                         | 8,714          | 8,093          | 7,845          | 16,565         | 21,607         |
| Cash and investments – total   | 26,135         | 21,246         | 19,890         | 35,898         | 31,818         |
| Total borrowings outstanding<br>(Loans, advances and finance leases) | 10,687         | 12,262         | 13,761         | 15,172         | 16,513         |
| Total value of IPP&E (excl. land and earthwork)                      | 490,822        | 475,164        | 454,537        | 360,265        | 346,055        |
| Total accumulated depreciation                                       | 149,064        | 143,176        | 137,663        | 157,401        | 150,783        |
| Indicative remaining useful life (as a % of GBV)                     | 70%            | 70%            | 70%            | 56%            | 56%            |

**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 2018

### Note 24. Council information and contact details

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#### Principal place of business:

91 Hammond Avenue  
Wagga Wagga NSW 2650

#### Contact details

##### Mailing address:

PO Box 456  
Wagga Wagga NSW 2650

##### Opening hours:

Monday - Friday 8:30am - 4pm

**Telephone:** 02 6922 0608

**Facsimile:** 02 6921 2241

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

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

#### Officers

##### GENERAL MANAGER

Mr A Crakanthorp

##### RESPONSIBLE ACCOUNTING OFFICER

Ms E Tonacia

##### PUBLIC OFFICER

Ms E Tonacia

##### AUDITORS

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

#### Elected members

##### CHAIRPERSON

Clr G Verdon (Lockhart Shire)

##### COUNCILLORS

Clr P Funnell (City of Wagga Wagga)  
Clr T Quinn (Greater Hume Shire)  
Clr D Meyer, OAM (Greater Hume Shire)  
Clr G Conkey, OAM (City of Wagga Wagga)  
Clr T Koschel (City of Wagga Wagga)  
Clr Y Braid, OAM (City of Wagga Wagga)  
Clr V Keenan (City of Wagga Wagga)  
Clr P Bourke (Federation Council)

#### Other information

**ABN:** 52 084 883 210



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the general purpose financial report**

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

To the Councillors of the Riverina Water County Council

### **Opinion**

I have audited the accompanying financial report of Riverina Water County Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan  
Director

21 September 2018  
SYDNEY

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

Contact: Lawrissa Chan  
Phone no: (02) 9275 7255  
Our ref: D1820276/1822

21 September 2018

Dear Mr Crakanthorp

## Report on the Conduct of the Audit for the year ended 30 June 2018 Riverina Water County Council

I have audited the general purpose financial statements of the Riverina Water County Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

### INCOME STATEMENT

#### Operating result

|   | 2018<br>\$'000 | 2017<br>\$'000 | Variance<br>% |
|---|----------------|----------------|---------------|
| Rates and annual charges revenue            | 5,271          | 5,221          | 0.96          |
| User Charges and fees                       | 22,877         | 21,412         | 6.84          |
| Grants and contributions revenue            | 3,921          | 3,040          | 28.98         |
| Operating result for the year               | 11,710         | 11,306         | 3.57          |
| Net operating result before capital amounts | 8,391          | 8,914          | 5.86          |

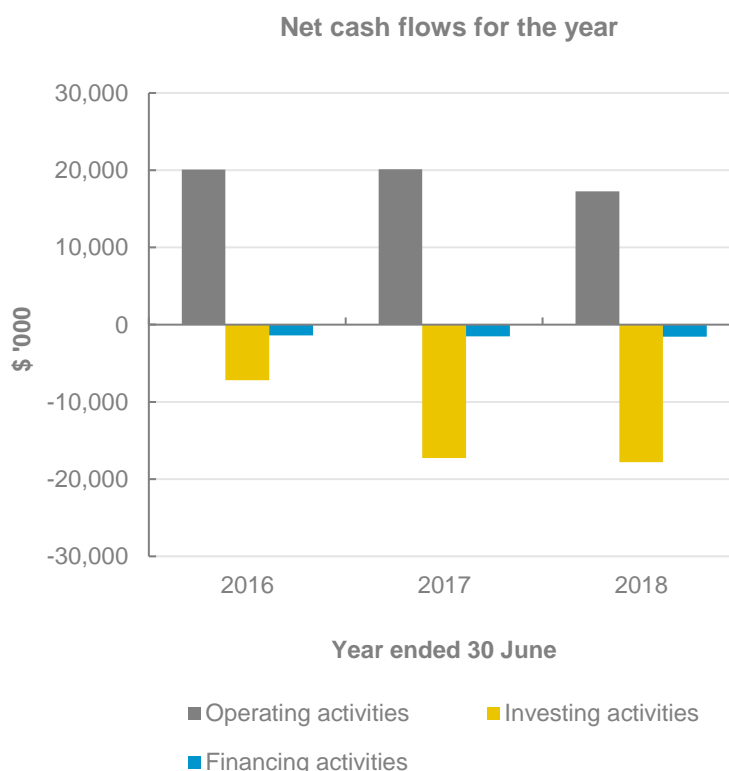


The following comments are made in respect of Council's operating result for the year:

- The Council's operating result for the year was a surplus of \$11.71 million (\$11.31 million for the year ended 30 June 2017). This is mainly attributable to an increase in grants and contributions provided for capital purposes. The Council budgeted for a surplus of \$4.41 million.
- The Council's net operating result before capital grants and contributions was a surplus of \$8.39 million (\$8.91 million for the year ended 30 June 2017). The decrease of \$523k from the 2016–17 result was mainly due to an increase in other expenses.
- User charges and fees increased by \$1.46 million (6.84%) to \$22.88 million. The increase can be attributed to the dry and hot weather over the summer period which resulted in higher water sales.
- Rates and annual charges revenue increased by \$50k (0.96%) to \$5.27 million.
- Grants and contributions revenue increased by \$881k (28.98%) to \$3.92 million due to higher than anticipated section 64 water contributions.
- Council's depreciation and amortisation expense increased by \$87k to \$6.06 million (\$5.98 million for the year ended 30 June 2017).
- Council recognised \$40.34 million as capital works in progress (\$37.76 million for the year ended 30 June 2017) that are not ready for use and is therefore not being depreciated. This is mainly attributed to the construction of the new Water Treatment Plant which is scheduled to be commissioned in the 2018/19 financial year.

## STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$2.11 million at 30 June 2018 (net increase of \$1.35 million at 30 June 2017).
- Net cash provided by operating activities amounted to \$17.28 million. Council recorded cash receipts from rates and annual charges of \$5.29 million and user fees and charge of \$22.82 million. Council recorded \$8.14 million of cash payments for employee benefits and on-costs and \$2.32 million for materials and contracts.
- Net cash used in investing activities amounted to \$17.81 million. This is largely due to the net cash outflow of \$11.03 million for the purchase of infrastructure, property, plant and equipment during the year and the purchase of investment securities of \$7.00 million.



## FINANCIAL POSITION

### Cash and Investments

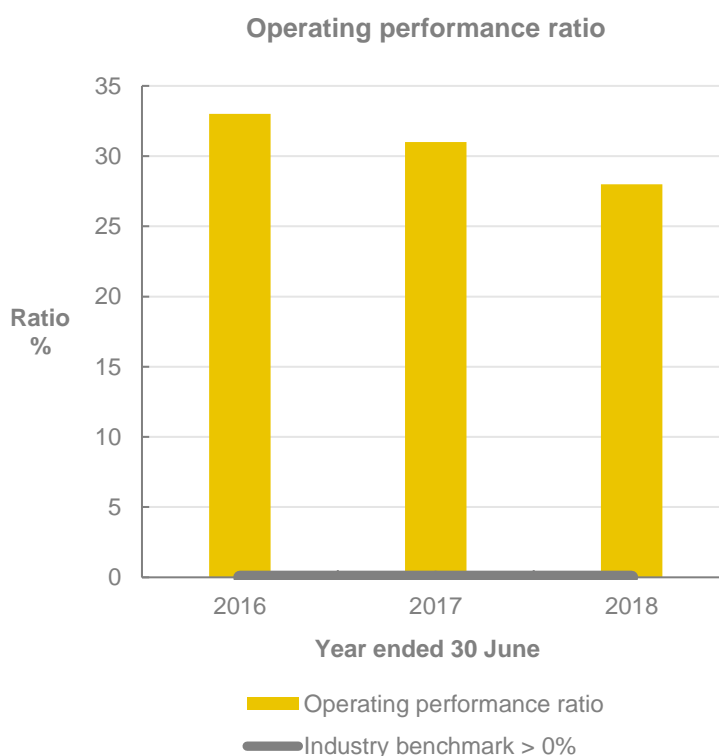
| Cash and Investments        | 2018          | 2017          | Commentary   |
|-----------------------------|---------------|---------------|--|
|                             | \$'000        | \$'000        |  |
| External restrictions       | --            | --            | <ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in the internally restricted cash balance is predominantly due an increase in employee leave entitlements.</li> </ul> |
| Internal restrictions       | 8,714         | 8,093         |  |
| Unrestricted                | 17,421        | 13,153        |  |
| <b>Cash and investments</b> | <b>26,135</b> | <b>21,246</b> | <ul style="list-style-type: none"> <li>Unrestricted cash has increased due to higher than anticipated water sales due to dry weather in 2017–18. Delays in significant capital projects (water treatment plant) has also kept unrestricted cash holdings high.</li> </ul>  |

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 22 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

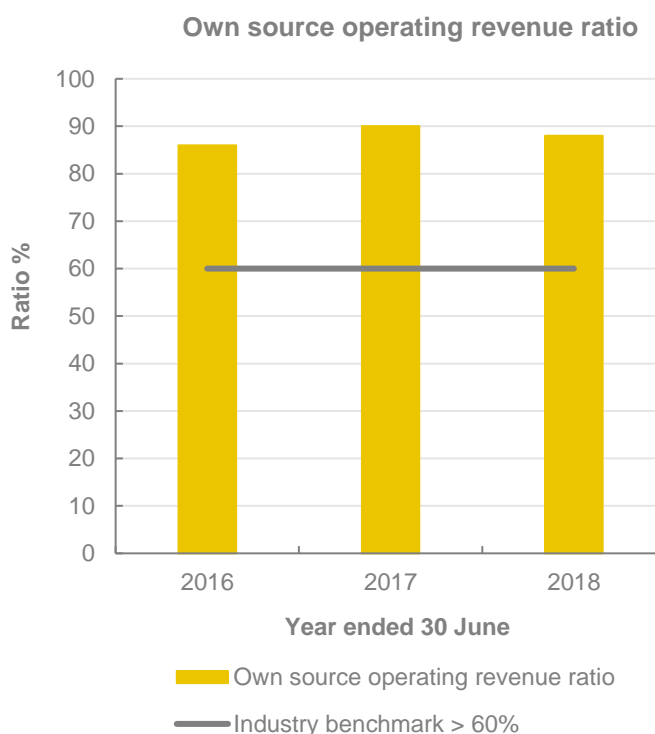
### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than 0%.
- The operating performance ratio of 28.27% is above the industry benchmark of greater than 0%.
- The operating performance ratio decreased to 28.27% (2017: 30.96%) due to an increased focus on capital works.
- The positive operating performance ratio can be attributed to higher than anticipated water sales as a result of dry and hot weather over the summer period.



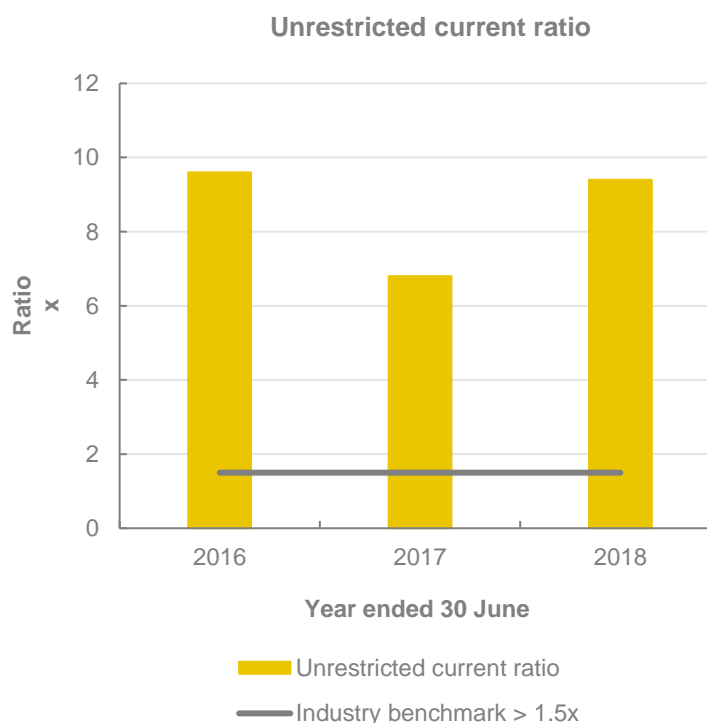
## Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60%.
- The Council's own source operating revenue ratio of 88.10% is above the industry benchmark of 60 per cent.
- The own source operating revenue ratio decreased to 88.10% (2017: 90.09%) due to the relative increase in grants and contributions received during 2017–18.
- Council has met this benchmark as its main source of income is from water sales, rather than reliance on operating grants and contributions.



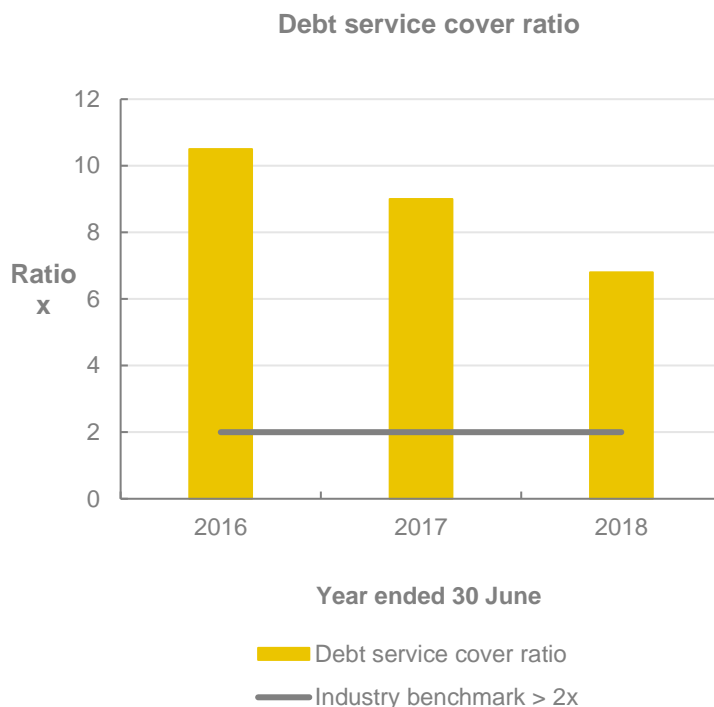
## Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 9.4 times is greater than the industry benchmark minimum of greater than 1.5 times.
- The increase in the ratio compared with prior year is due to an overall increase in cash holdings. This is a result of increased water sales and cash holdings due to the delay in the completion of the Water Treatment Plant project.
- This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



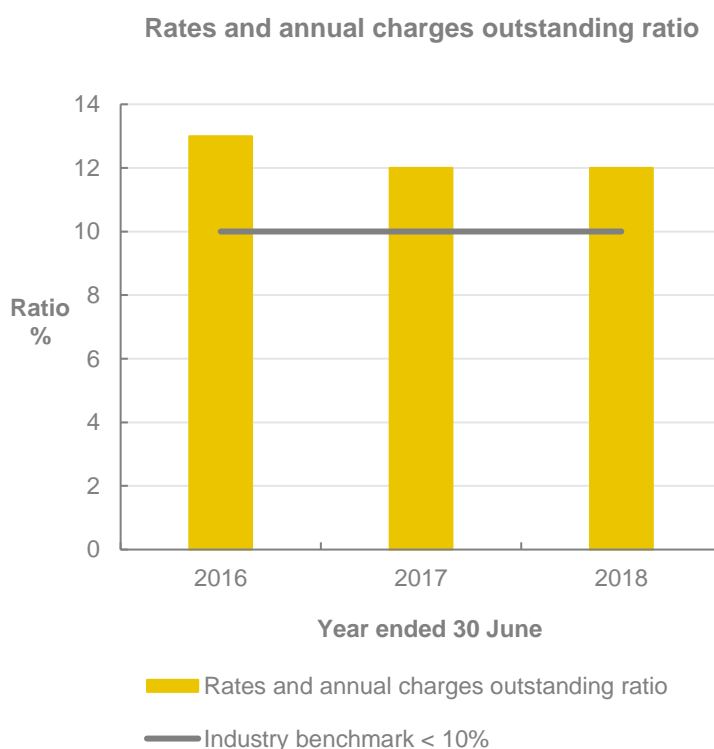
## Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 6.8 times is greater than the industry benchmark of greater than 2 times.
- Council continues to meet this benchmark but has seen a decrease in the ratio compared with prior year. This is due to the borrowing costs of loans attributable to the Water Treatment Plant project being expensed as a result of delays in financing this project during 2017–18. Borrowing costs were capitalised to the asset in prior periods.
- The ratio indicates that Council has 6.8 times in operating cash available to service its debts. Council generates sufficient cash from its operations to fund its debt obligations.



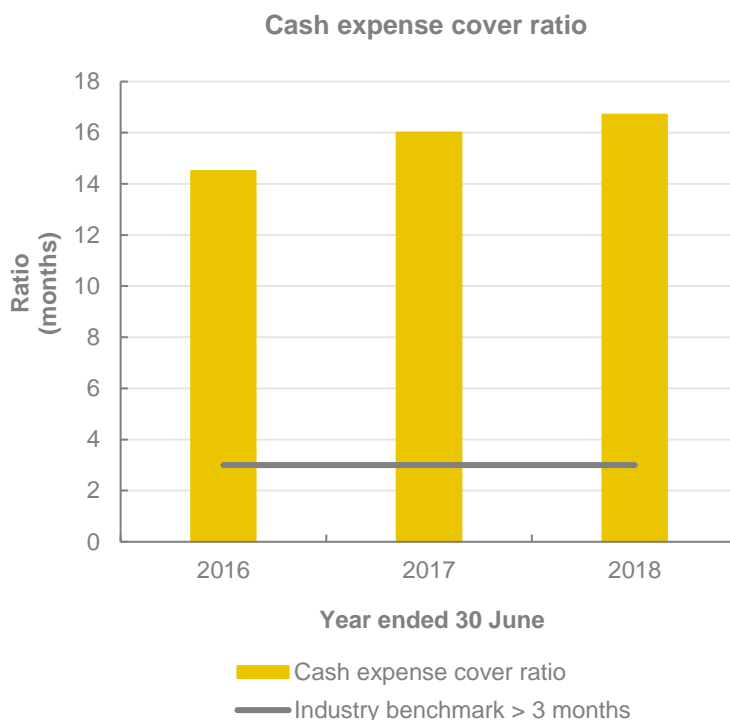
## Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10% for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 12% is outside the industry benchmark of less than 10 per cent for rural councils.
- Council continues to exceed this benchmark and the result remains consistent with the prior periods due to rolling quarterly billing arrangements.
- The billing cycle of water county councils need to be considered when assessing this ratio against other Councils.



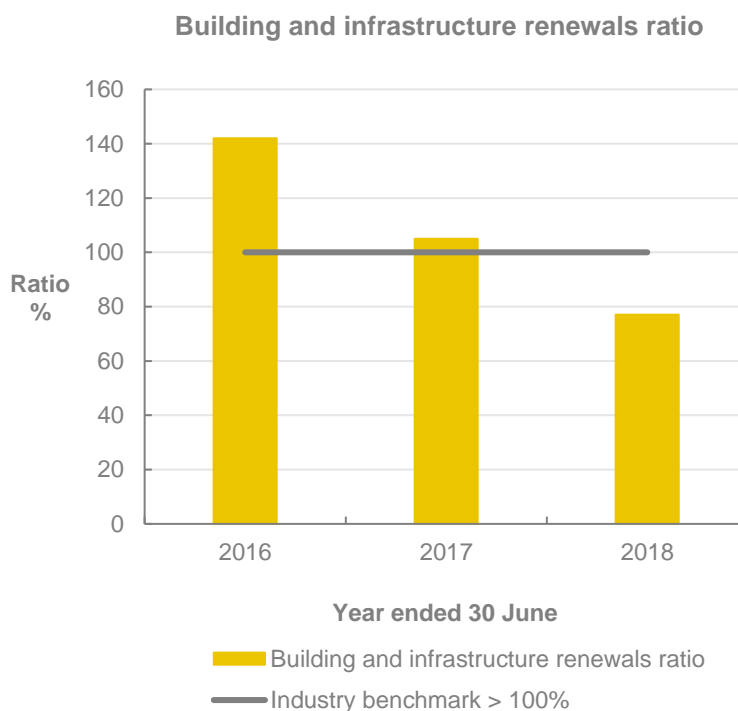
## Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 16.7 months, which is above the industry benchmark of greater than 3 months.
- The cash expense cover ratio increased compared with prior year is due to an overall increase in cash holdings. This is a result of increased water sales and cash holdings due to the delay in the completion of the Water Treatment Plant project.
- This indicates that Council had the capacity to cover 16.7 months of cash expenditure without additional cash inflows at 30 June 2018.



## Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%. This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The ratio of 77% is below the industry benchmark of greater than 100%.
- Council is below the benchmark due to the focus on the development and finalisation of the water treatment plant during the 2018 year.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities. Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 1(a).

#### AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 116 & 136

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard amends AASB 116 and 136 to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities. Instead it is accepted that the recoverable amount of non-cash-generating specialised assets is expected to be materially the same as fair value.

Council's disclosure of the changes in their assets arising from amendments in the standard is disclosed in Note 1(a).

### Legislative compliance

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

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



Lawrissa Chan  
Director, Financial Audit Services

21 September 2018  
SYDNEY

cc: Greg Verdon, Chairperson  
David Maxwell, Chairperson Audit, Risk and Improvement Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Riverina Water County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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



# Riverina Water County Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

| Contents   | Page      |
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| <b>1. Statement by Councillors and Management</b>                | <b>2</b>  |
| <b>2. Special Purpose Financial Statements:</b>                  |           |
| 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       |
| <b>3. Notes to the Special Purpose Financial Statements</b>      | <b>5</b>  |
| <b>4. Auditor's Report</b>                                       | <b>11</b> |

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-



# Riverina Water County Council

## Special Purpose Financial Statements for the year ended 30 June 2018

### 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:**

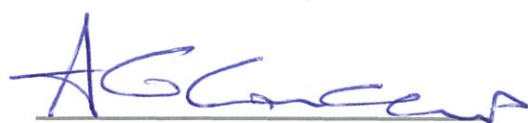
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

**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 22 August 2018.**

  
 Mr G Verdon  
 Chairperson

  
 Mr P Funnell  
 Councillor

  
 Mr A Crakanthorp  
 General Manager

  
 Ms E Tonacia  
 Responsible accounting officer

# Riverina Water County Council

## Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

| \$ '000  | 2018           | 2017           |
|--|----------------|----------------|
| <b>Income from continuing operations</b>                                   |                |                |
| Access charges   | 5,271          | 5,221          |
| User charges   | 22,877         | 21,412         |
| Interest   | 595            | 522            |
| Grants and contributions provided for non-capital purposes                 | 602            | 648            |
| Profit from the sale of assets   | —              | 78             |
| Other income   | 306            | 567            |
| <b>Total income from continuing operations</b>                             | <b>29,651</b>  | <b>28,448</b>  |
| <b>Expenses from continuing operations</b>                                 |                |                |
| Employee benefits and on-costs   | 7,942          | 8,127          |
| Borrowing costs  | 653            | 163            |
| Materials and contracts  | 2,202          | 1,757          |
| Depreciation, amortisation and impairment                                  | 6,066          | 5,979          |
| Water purchase charges   | 255            | 269            |
| Loss on sale of assets   | 8              | —              |
| Calculated taxation equivalents  | 38             | 39             |
| Other expenses   | 4,134          | 3,239          |
| <b>Total expenses from continuing operations</b>                           | <b>21,298</b>  | <b>19,573</b>  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>8,353</b>   | <b>8,875</b>   |
| Grants and contributions provided for capital purposes                     | 3,319          | 2,392          |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>11,672</b>  | <b>11,267</b>  |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>11,672</b>  | <b>11,267</b>  |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (2,506)        | (2,663)        |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>9,166</b>   | <b>8,605</b>   |
| Plus opening retained profits  | 110,199        | 98,893         |
| Plus adjustments for amounts unpaid:                                       |                |                |
| – Taxation equivalent payments   | 38             | 39             |
| – Corporate taxation equivalent  | 2,506          | 2,663          |
| <b>Closing retained profits</b>  | <b>121,909</b> | <b>110,199</b> |
| <b>Return on capital %</b>   | <b>2.6%</b>    | <b>2.7%</b>    |
| <b>Subsidy from Council</b>  | <b>98</b>      | <b>—</b>       |
| <b>Calculation of dividend payable:</b>                                    |                |                |
| Surplus (deficit) after tax  | 9,166          | 8,605          |
| Less: capital grants and contributions (excluding developer contributions) | 1,191          | —              |
| <b>Surplus for dividend calculation purposes</b>                           | <b>10,357</b>  | <b>8,605</b>   |
| <b>Potential dividend calculated from surplus</b>                          | <b>5,179</b>   | <b>4,302</b>   |

## Riverina Water County Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2018

| \$ '000                                       | 2018           | 2017           |
|---|----------------|----------------|
| <b>ASSETS</b>                                 |                |                |
| <b>Current assets</b>                         |                |                |
| Cash and cash equivalents                     | 19,135         | 21,246         |
| Investments                                   | 7,000          | –              |
| Receivables                                   | 3,576          | 3,587          |
| Inventories                                   | 2,334          | 2,383          |
| <b>Total current assets</b>                   | <b>32,045</b>  | <b>27,216</b>  |
| <b>Non-current assets</b>                     |                |                |
| Infrastructure, property, plant and equipment | 346,174        | 335,702        |
| Intangible assets                             | 4,300          | 3,575          |
| <b>Total non-current assets</b>               | <b>350,474</b> | <b>339,277</b> |
| <b>TOTAL ASSETS</b>                           | <b>382,519</b> | <b>366,493</b> |
| <b>LIABILITIES</b>                            |                |                |
| <b>Current liabilities</b>                    |                |                |
| Payables                                      | 1,018          | 1,449          |
| Income received in advance                    | 462            | 427            |
| Borrowings                                    | 1,675          | 1,582          |
| Provisions                                    | 3,713          | 3,861          |
| <b>Total current liabilities</b>              | <b>6,868</b>   | <b>7,319</b>   |
| <b>Non-current liabilities</b>                |                |                |
| Borrowings                                    | 9,012          | 10,680         |
| <b>Total non-current liabilities</b>          | <b>9,012</b>   | <b>10,680</b>  |
| <b>TOTAL LIABILITIES</b>                      | <b>15,880</b>  | <b>17,999</b>  |
| <b>NET ASSETS</b>                             | <b>366,639</b> | <b>348,494</b> |
| <b>EQUITY</b>                                 |                |                |
| Accumulated surplus                           | 121,909        | 110,199        |
| Revaluation reserves                          | 244,730        | 238,295        |
| <b>TOTAL EQUITY</b>                           | <b>366,639</b> | <b>348,494</b> |

## Riverina Water County Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### 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 2018

#### Note 1. Significant accounting policies

---

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

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

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

## Riverina Water County Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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##### 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, except for Note 2 (Water Supply Best-Practice Management Disclosures).

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

##### Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water 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 to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

## Riverina Water County Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date.

#### *(ii) Return on investments (rate of return)*

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

#### *(iii) Dividends*

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

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

# Riverina Water County Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

#### 1. Calculation and payment of tax-equivalents

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

|       |  |         |
|-------|--|---------|
| (i)   | Calculated tax equivalents                                   | 38,000  |
| (ii)  | Number of assessments multiplied by \$3/assessment           | 101,574 |
| (iii) | Amounts payable for tax equivalents [lesser of (i) and (ii)] | 38,000  |
| (iv)  | Amounts actually paid for tax equivalents                    |         |

#### 2. Dividend from surplus

|       |  |            |
|-------|--|------------|
| (i)   | 50% of surplus before dividends<br>[calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]                     | 5,178,550  |
| (ii)  | Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment  | 977,740    |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016 | 29,924,000 |

|              |            |               |           |               |            |
|--------------|------------|---------------|-----------|---------------|------------|
| 2018 Surplus | 10,357,100 | 2017 Surplus  | 8,604,500 | 2016 Surplus  | 10,962,400 |
|              |            | 2017 Dividend | —         | 2016 Dividend | —          |

|      |   |         |
|------|---|---------|
| (iv) | Maximum dividend from surplus [least of (i), (ii) and (iii) above]                            | 977,740 |
| (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? <sup>a</sup> | 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<br>[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 2018

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

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

2018

#### National Water Initiative (NWI) financial performance indicators

|                |   |        |         |
|----------------|---|--------|---------|
| <b>NWI F1</b>  | Total revenue (water)<br>Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9)<br>– Aboriginal Communities W&S Program income (w10a)  | \$'000 | 32,458  |
| <b>NWI F4</b>  | Revenue from residential usage charges (water)<br>Income from residential usage charges (w6b) x 100 divided by the sum of<br>[income from residential usage charges (w6a) + income from residential<br>access charges (w6b)]  | %      | 75.69%  |
| <b>NWI F9</b>  | Written down replacement cost of fixed assets (water)<br>Written down current cost of system assets (w47)   | \$'000 | 343,001 |
| <b>NWI F11</b> | Operating cost (OMA) (water)<br>Management expenses (w1) + operational and maintenance expenses (w2)  | \$'000 | 14,338  |
| <b>NWI F14</b> | Capital expenditure (water)<br>Acquisition of fixed assets (w16)  | \$'000 | 10,925  |
| <b>NWI F17</b> | Economic real rate of return (water)<br>[total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) –<br>operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by<br>[written down current cost of system assets (w47) + plant and equipment (w33b)] | %      | 3.48%   |
| <b>NWI F26</b> | Capital works grants (water)<br>Grants for the acquisition of assets (w11a)   | \$'000 | –       |

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  - 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 AUDITOR'S REPORT**

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

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

To the Councillors of the Riverina Water County Council

### **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Riverina Water County Council's (the Council) Declared Business Activity, which comprise the Income Statement of the Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of the Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

The Declared Business Activity of the Council is Water Supply.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial 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 LG Code. As a result, the financial report may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements.

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

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact. I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Lawrissa Chan  
Director, Financial Audit Services

21 September 2018  
SYDNEY

# Riverina Water County Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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



# Riverina Water County Council

## Special Schedules

for the year ended 30 June 2018

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### Special Schedules <sup>1</sup>

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| <b>Special Schedule 1</b>          | Net Cost of Services                                 | 2   |
| <b>Special Schedule 2</b>          | Permissible income for general rates                 | n/a |
| <b>Special Schedule 2</b>          | Independent Auditors Report                          | n/a |
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

### 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 2018

\$'000

| Function or activity                                   | Expenses from continuing operations | Income from continuing operations |              | Net cost of services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
|  |                                     | Non-capital                       | Capital      |                      |
| <b>Governance</b>                                      | —                                   | —                                 | —            | —                    |
| <b>Administration</b>                                  | —                                   | —                                 | —            | —                    |
| <b>Public order and safety</b>                         |                                     |                                   |              |                      |
| Fire service levy, fire protection, emergency services | —                                   | —                                 | —            | —                    |
| Beach control  | —                                   | —                                 | —            | —                    |
| Enforcement of local government regulations            | —                                   | —                                 | —            | —                    |
| Animal control   | —                                   | —                                 | —            | —                    |
| Other  | —                                   | —                                 | —            | —                    |
| <b>Total public order and safety</b>                   | —                                   | —                                 | —            | —                    |
| <b>Health</b>  | —                                   | —                                 | —            | —                    |
| <b>Environment</b>                                     |                                     |                                   |              |                      |
| Noxious plants and insect/vermin control               | —                                   | —                                 | —            | —                    |
| Other environmental protection                         | —                                   | —                                 | —            | —                    |
| Solid waste management                                 | —                                   | —                                 | —            | —                    |
| Street cleaning  | —                                   | —                                 | —            | —                    |
| Drainage   | —                                   | —                                 | —            | —                    |
| Stormwater management                                  | —                                   | —                                 | —            | —                    |
| <b>Total environment</b>                               | —                                   | —                                 | —            | —                    |
| <b>Community services and education</b>                |                                     |                                   |              |                      |
| Administration and education                           | —                                   | —                                 | —            | —                    |
| Social protection (welfare)                            | —                                   | —                                 | —            | —                    |
| Aged persons and disabled                              | —                                   | —                                 | —            | —                    |
| Children's services                                    | —                                   | —                                 | —            | —                    |
| <b>Total community services and education</b>          | —                                   | —                                 | —            | —                    |
| <b>Housing and community amenities</b>                 |                                     |                                   |              |                      |
| Public cemeteries                                      | —                                   | —                                 | —            | —                    |
| Public conveniences                                    | —                                   | —                                 | —            | —                    |
| Street lighting  | —                                   | —                                 | —            | —                    |
| Town planning  | —                                   | —                                 | —            | —                    |
| Other community amenities                              | —                                   | —                                 | —            | —                    |
| <b>Total housing and community amenities</b>           | —                                   | —                                 | —            | —                    |
| <b>Water supplies</b>                                  | <b>21,260</b>                       | <b>29,651</b>                     | <b>3,319</b> | <b>11,710</b>        |
| <b>Sewerage services</b>                               | —                                   | —                                 | —            | —                    |

## Riverina Water County Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

| Function or activity  | Expenses from continuing operations | Income from continuing operations |              | Net cost of services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
|   |                                     | Non-capital                       | Capital      |                      |
| <b>Recreation and culture</b>   |                                     |                                   |              |                      |
| 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  | —                                   | —                                 | —            | —                    |
| <b>Total recreation and culture</b>   | —                                   | —                                 | —            | —                    |
| <b>Fuel and energy</b>  | —                                   | —                                 | —            | —                    |
| <b>Agriculture</b>  | —                                   | —                                 | —            | —                    |
| <b>Mining, manufacturing and construction</b>                                     |                                     |                                   |              |                      |
| Building control  | —                                   | —                                 | —            | —                    |
| Other mining, manufacturing and construction                                      | —                                   | —                                 | —            | —                    |
| <b>Total mining, manufacturing and const.</b>                                     | —                                   | —                                 | —            | —                    |
| <b>Transport and communication</b>  |                                     |                                   |              |                      |
| 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   | —                                   | —                                 | —            | —                    |
| <b>Total transport and communication</b>  | —                                   | —                                 | —            | —                    |
| <b>Economic affairs</b>   |                                     |                                   |              |                      |
| Camping areas and caravan parks   | —                                   | —                                 | —            | —                    |
| Other economic affairs  | —                                   | —                                 | —            | —                    |
| <b>Total economic affairs</b>   | —                                   | —                                 | —            | —                    |
| <b>Totals – functions</b>   | <b>21,260</b>                       | <b>29,651</b>                     | <b>3,319</b> | <b>11,710</b>        |
| <b>General purpose revenues <sup>(1)</sup></b>                                    |                                     | —                                 |              | —                    |
| <b>Share of interests – joint ventures and associates using the equity method</b> | —                                   | —                                 |              | —                    |
| <b>NET OPERATING RESULT <sup>(2)</sup></b>  | <b>21,260</b>                       | <b>29,651</b>                     | <b>3,319</b> | <b>11,710</b>        |

(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 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

| \$'000   | 2018          | 2017          |
|--|---------------|---------------|
| <b>A Expenses and income</b>                         |               |               |
| <b>Expenses</b>                                      |               |               |
| <b>1. Management expenses</b>                        |               |               |
| a. Administration                                    | 2,654         | 2,560         |
| b. Engineering and supervision                       | 4,170         | 3,527         |
| <b>2. Operation and maintenance expenses</b>         |               |               |
| – dams and weirs                                     |               |               |
| a. Operation expenses                                | –             | –             |
| b. Maintenance expenses                              | –             | –             |
| – Mains  |               |               |
| c. Operation expenses                                | 504           | 624           |
| d. Maintenance expenses                              | 1,293         | 986           |
| – Reservoirs   |               |               |
| e. Operation expenses                                | 113           | 82            |
| f. Maintenance expenses                              | 266           | 285           |
| – Pumping stations                                   |               |               |
| g. Operation expenses (excluding energy costs)       | 57            | 14            |
| h. Energy costs                                      | 2,971         | 1,929         |
| i. Maintenance expenses                              | 100           | 172           |
| – Treatment  |               |               |
| j. Operation expenses (excluding chemical costs)     | –             | –             |
| k. Chemical costs                                    | 348           | 291           |
| l. Maintenance expenses                              | 616           | 646           |
| – Other  |               |               |
| m. Operation expenses                                | 350           | 219           |
| n. Maintenance expenses                              | 639           | 561           |
| o. Purchase of water                                 | 257           | 269           |
| <b>3. Depreciation expenses</b>                      |               |               |
| a. System assets                                     | 5,439         | 5,320         |
| b. Plant and equipment                               | 627           | 659           |
| <b>4. Miscellaneous expenses</b>                     |               |               |
| a. Interest expenses                                 | 653           | 163           |
| b. Revaluation decrements                            | –             | –             |
| c. Other expenses                                    | 195           | 1,227         |
| d. Impairment – system assets                        | –             | –             |
| e. Impairment – plant and equipment                  | –             | –             |
| f. Aboriginal Communities Water and Sewerage Program | –             | –             |
| g. Tax equivalents dividends (actually paid)         | –             | –             |
| <b>5. Total expenses</b>                             | <b>21,252</b> | <b>19,534</b> |

# 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 2018

| \$'000   | 2018          | 2017          |
|--|---------------|---------------|
| <b>Income</b>  |               |               |
| <b>6. Residential charges</b>  |               |               |
| a. Access (including rates)  | 4,785         | 4,736         |
| b. Usage charges   | 14,896        | 14,076        |
| <b>7. Non-residential charges</b>                                    |               |               |
| a. Access (including rates)  | 486           | 485           |
| b. Usage charges   | 6,497         | 6,387         |
| c. Other charges   | 513           | 390           |
| <b>8. Extra charges</b>  | 83            | 105           |
| <b>9. Interest income</b>  | 512           | 417           |
| <b>10. Other income</b>  | 1,277         | 1,126         |
| <b>10a. Aboriginal Communities Water and Sewerage Program</b>        | –             | –             |
| <b>11. Grants</b>  |               |               |
| a. Grants for acquisition of assets                                  | –             | –             |
| b. Grants for pensioner rebates                                      | 200           | 205           |
| c. Other grants  | 402           | 443           |
| <b>12. Contributions</b>   |               |               |
| a. Developer charges   | 3,319         | 2,392         |
| b. Developer provided assets   | –             | –             |
| c. Other contributions   | –             | –             |
| <b>13. Total income</b>  | <b>32,970</b> | <b>30,762</b> |
| <b>14. Gain (or loss) on disposal of assets</b>                      | (8)           | 78            |
| <b>15. Operating result</b>  | <b>11,710</b> | <b>11,306</b> |
| <b>15a. Operating result (less grants for acquisition of assets)</b> | 11,710        | 11,306        |

# 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 2018

| \$'000   | 2018          | 2017          |
|--|---------------|---------------|
| <b>B Capital transactions</b>                                      |               |               |
| <b>Non-operating expenditures</b>                                  |               |               |
| <b>16. Acquisition of fixed assets</b>                             |               |               |
| a. New assets for improved standards                               | –             | –             |
| b. New assets for growth   | 5,265         | 10,706        |
| c. Renewals  | 4,889         | 6,034         |
| d. Plant and equipment   | 771           | 975           |
| <b>17. Repayment of debt</b>                                       | 1,575         | –             |
| <b>18. Totals</b>  | <b>12,500</b> | <b>17,715</b> |
| <b>Non-operating funds employed</b>                                |               |               |
| <b>19. Proceeds from disposal of assets</b>                        | 217           | 452           |
| <b>20. Borrowing utilised</b>                                      | –             | –             |
| <b>21. Totals</b>  | <b>217</b>    | <b>452</b>    |
| <b>C Rates and charges</b>   |               |               |
| <b>22. Number of assessments</b>                                   |               |               |
| a. Residential (occupied)  | 29,712        | 29,329        |
| b. Residential (unoccupied, ie. vacant lot)                        | 1,403         | 1,428         |
| c. Non-residential (occupied)                                      | 2,743         | 2,734         |
| d. Non-residential (unoccupied, ie. vacant lot)                    | –             | –             |
| <b>23. Number of ETs for which developer charges were received</b> | 648 ET        | 501 ET        |
| <b>24. Total amount of pensioner rebates (actual dollars)</b>      | \$ 200,069    | \$ 410,653    |

# 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 2018

| \$'000  | Current       | Non-current    | Total          |
|---|---------------|----------------|----------------|
| <b>ASSETS</b>   |               |                |                |
| <b>25. Cash and investments</b>                                   |               |                |                |
| a. Developer charges  | –             | –              | –              |
| b. Special purpose grants   | –             | –              | –              |
| c. Accrued leave  | 1,856         | –              | 1,856          |
| d. Unexpended loans   | –             | –              | –              |
| e. Sinking fund   | –             | –              | –              |
| f. Other  | 24,279        | –              | 24,279         |
| <b>26. Receivables</b>  |               |                |                |
| a. Specific purpose grants  | 143           | –              | 143            |
| b. Rates and availability charges                                 | 739           | –              | 739            |
| c. User charges   | 2,318         | –              | 2,318          |
| d. Other  | 376           | –              | 376            |
| <b>27. Inventories</b>  | 2,334         | –              | 2,334          |
| <b>28. Property, plant and equipment</b>                          |               |                |                |
| a. System assets  | –             | 343,001        | 343,001        |
| b. Plant and equipment  | –             | 3,173          | 3,173          |
| <b>29. Other assets</b>   | –             | 4,300          | 4,300          |
| <b>30. Total assets</b>   | <b>32,045</b> | <b>350,474</b> | <b>382,519</b> |
| <b>LIABILITIES</b>  |               |                |                |
| <b>31. Bank overdraft</b>   | –             | –              | –              |
| <b>32. Creditors</b>  | 1,480         | –              | 1,480          |
| <b>33. Borrowings</b>   | 1,675         | 9,012          | 10,687         |
| <b>34. Provisions</b>   |               |                |                |
| a. Tax equivalents  | –             | –              | –              |
| b. Dividend   | –             | –              | –              |
| c. Other  | 3,713         | –              | 3,713          |
| <b>35. Total liabilities</b>                                      | <b>6,868</b>  | <b>9,012</b>   | <b>15,880</b>  |
| <b>36. NET ASSETS COMMITTED</b>                                   | <b>25,177</b> | <b>341,462</b> | <b>366,639</b> |
| <b>EQUITY</b>   |               |                |                |
| <b>37. Accumulated surplus</b>                                    |               |                | 121,909        |
| <b>38. Asset revaluation reserve</b>                              |               |                | 244,730        |
| <b>39. Other reserves</b>   |               |                | –              |
| <b>40. TOTAL EQUITY</b>   |               |                | <b>366,639</b> |
| <b>Note to system assets:</b>                                     |               |                |                |
| <b>41. Current replacement cost</b> of system assets              |               |                | 488,018        |
| <b>42. Accumulated current cost</b> depreciation of system assets |               |                | (145,017)      |
| <b>43. Written down current cost</b> of system assets             |               |                | <b>343,001</b> |

# Riverina Water County Council

## Notes to Special Schedule 3

for the year ended 30 June 2018

### Administration <sup>(1)</sup>

(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 <sup>(1)</sup>

(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 and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 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** <sup>(2)</sup> (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** (items 10 and 11 of Special Schedule 3) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedule 3) including capital contributions for water supply received by Council under Section 565 of the *Local Government Act*.

### Notes:

<sup>(1)</sup> 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).

<sup>(2)</sup> 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 2018

\$'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 | 2017/18 Required maintenance <sup>a</sup> | 2017/18 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |              |             |
|----------------------|-----------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
|                      |                             |   |   |   |                            |                     |                              | 1   | 2            | 3            | 4            | 5           |
| Buildings            |                             |   |   |   |                            |                     |                              |   |              |              |              |             |
|                      | Buildings – non-specialised | –   | –   | 223                                       | 217                        | 3,249               | 3,784                        | 40%   | 54%          | 6%           | 0%           | 0%          |
|                      | Buildings – specialised     | –   | –   | 140                                       | 124                        | 11,252              | 12,324                       | 55%   | 12%          | 31%          | 2%           | 0%          |
|                      | <b>Sub-total</b>            | <b>–</b>  | <b>–</b>  | <b>363</b>                                | <b>341</b>                 | <b>14,501</b>       | <b>16,108</b>                | <b>51.5%</b>  | <b>21.9%</b> | <b>25.1%</b> | <b>1.5%</b>  | <b>0.0%</b> |
| Water supply network |                             |   |   |   |                            |                     |                              |   |              |              |              |             |
|                      | Treatment Plants            | 2,552   | 2,552   | 680                                       | 616                        | 28,145              | 42,898                       | 0%  | 17%          | 38%          | 45%          | 0%          |
|                      | Bores                       | 266   | 266   | 170                                       | 112                        | 6,972               | 11,863                       | 3%  | 30%          | 63%          | 4%           | 0%          |
|                      | Reservoirs                  | 1,085   | 1,085   | 215                                       | 266                        | 44,898              | 61,574                       | 10%   | 11%          | 54%          | 24%          | 1%          |
|                      | Pumping Stations            | 252   | 252   | 170                                       | 100                        | 9,130               | 16,252                       | 9%  | 9%           | 68%          | 7%           | 7%          |
|                      | Pipeline                    | 17,674  | 17,674  | 1,065                                     | 1,293                      | 194,594             | 294,562                      | 25%   | 37%          | 32%          | 6%           | 0%          |
|                      | <b>Sub-total</b>            | <b>21,829</b>   | <b>21,829</b>   | <b>2,300</b>                              | <b>2,387</b>               | <b>283,739</b>      | <b>427,149</b>               | <b>19.1%</b>  | <b>30.0%</b> | <b>38.0%</b> | <b>12.5%</b> | <b>0.4%</b> |
|                      | <b>TOTAL – ALL ASSETS</b>   | <b>21,829</b>   | <b>21,829</b>   | <b>2,663</b>                              | <b>2,728</b>               | <b>298,240</b>      | <b>443,257</b>               | <b>20.3%</b>  | <b>29.7%</b> | <b>37.5%</b> | <b>12.1%</b> | <b>0.4%</b> |

## Notes:

<sup>a</sup> Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

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

## Riverina Water County Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

|  | Amounts<br>2018 | Indicator<br>2018 | Prior periods |         | Benchmark |
|--|-----------------|-------------------|---------------|---------|-----------|
|  |                 |                   | 2017          | 2016    |           |
| Infrastructure asset performance indicators * consolidated               |                 |                   |               |         |           |
| 1. Buildings and infrastructure renewals ratio <sup>(1)</sup>            |                 |                   |               |         |           |
| Asset renewals <sup>(2)</sup>  | 4,187           | 76.98%            | 104.85%       | 142.36% | >= 100%   |
| Depreciation, amortisation and impairment                                | 5,439           |                   |               |         |           |
| 2. Infrastructure backlog ratio <sup>(1)</sup>                           |                 |                   |               |         |           |
| Estimated cost to bring assets to a satisfactory standard                | 21,829          | 7.32%             | 29.26%        | 16.64%  | < 2.00%   |
| Net carrying amount of infrastructure assets                             | 298,240         |                   |               |         |           |
| 3. Asset maintenance ratio   |                 |                   |               |         |           |
| Actual asset maintenance   | 2,728           | 102.44%           | 101.71%       | 93.76%  | > 100%    |
| Required asset maintenance   | 2,663           |                   |               |         |           |
| 4. Cost to bring assets to agreed service level                          |                 |                   |               |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | 21,829          | 4.92%             | 19.78%        | 14.57%  |           |
| Gross replacement cost   | 443,257         |                   |               |         |           |

## Notes

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

<sup>(1)</sup> Excludes Work In Progress (WIP)

<sup>(2)</sup> 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.