

# Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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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 2017

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
  - (iv) These financial statements were authorised for issue by the Council on 11 October 2017. Council has the power to amend and reissue these financial statements.
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## Riverina Water County Council

### General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

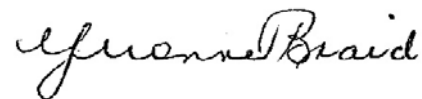
**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 16 August 2017.**



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Clr G Verdon  
Chairperson



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Clr Y Braid  
Councillor



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Mr G Haley  
General Manager



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Ms M Curran  
Responsible accounting officer

# Riverina Water County Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup>			Actual	Actual
2017	\$ '000	Notes	2017	2016
	<b>Income from continuing operations</b>			
	<b>Revenue:</b>			
4,928	Rates and annual charges	3a	5,221	5,100
19,394	User charges and fees	3b	21,412	21,727
200	Interest and investment revenue	3c	522	922
130	Other revenues	3d	567	1,320
207	Grants and contributions provided for operating purposes	3e,f	648	723
2,718	Grants and contributions provided for capital purposes	3e,f	2,392	3,849
	<b>Other income:</b>			
–	Net gains from the disposal of assets	5	78	17
<b>27,577</b>	<b>Total income from continuing operations</b>		<b>30,840</b>	<b>33,658</b>
	<b>Expenses from continuing operations</b>			
7,996	Employee benefits and on-costs	4a	8,127	8,032
885	Borrowing costs	4b	163	162
3,594	Materials and contracts	4c	2,026	1,492
7,100	Depreciation and amortisation	4d	5,979	6,945
2,986	Other expenses	4e	3,239	2,976
<b>22,561</b>	<b>Total expenses from continuing operations</b>		<b>19,534</b>	<b>19,607</b>
<b>5,016</b>	<b>Operating result from continuing operations</b>		<b>11,306</b>	<b>14,051</b>
<b>5,016</b>	<b>Net operating result for the year</b>		<b>11,306</b>	<b>14,051</b>
<b>2,298</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>8,914</b>	<b>10,202</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

# Riverina Water County Council

## Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>11,306</b>	<b>14,051</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	3,815	86,322
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,815</b>	<b>86,322</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>3,815</b>	<b>86,322</b>
<b>Total comprehensive income for the year</b>		<b>15,121</b>	<b>100,373</b>

## Riverina Water County Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	21,246	19,890
Receivables	7	3,160	5,079
Inventories	8	2,383	2,770
<b>Total current assets</b>		<b>26,789</b>	<b>27,739</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	335,702	320,524
Intangible assets	25	3,575	3,500
<b>Total non-current assets</b>		<b>339,277</b>	<b>324,024</b>
<b>TOTAL ASSETS</b>		<b>366,066</b>	<b>351,763</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,449	826
Borrowings	10	1,582	1,499
Provisions	10	3,861	3,803
<b>Total current liabilities</b>		<b>6,892</b>	<b>6,128</b>
<b>Non-current liabilities</b>			
Borrowings	10	10,680	12,262
<b>Total non-current liabilities</b>		<b>10,680</b>	<b>12,262</b>
<b>TOTAL LIABILITIES</b>		<b>17,572</b>	<b>18,390</b>
<b>Net assets</b>		<b>348,494</b>	<b>333,373</b>
<b>EQUITY</b>			
Retained earnings	20	110,199	98,893
Revaluation reserves	20	238,295	234,480
<b>Total equity</b>		<b>348,494</b>	<b>333,373</b>

## Riverina Water County Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		98,893	234,480	–	<b>333,373</b>	<b>333,373</b>	84,842	148,158	–	<b>233,000</b>	<b>233,000</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>98,893</b>	<b>234,480</b>	<b>–</b>	<b>333,373</b>	<b>333,373</b>	<b>84,842</b>	<b>148,158</b>	<b>–</b>	<b>233,000</b>	<b>233,000</b>
<b>c. Net operating result for the year</b>		<b>11,306</b>	<b>–</b>	<b>–</b>	<b>11,306</b>	<b>11,306</b>	14,051	–	–	<b>14,051</b>	<b>14,051</b>
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	3,815	–	<b>3,815</b>	<b>3,815</b>	–	86,322	–	<b>86,322</b>	<b>86,322</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>3,815</b>	<b>–</b>	<b>3,815</b>	<b>3,815</b>	<b>–</b>	<b>86,322</b>	<b>–</b>	<b>86,322</b>	<b>86,322</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>11,306</b>	<b>3,815</b>	<b>–</b>	<b>15,121</b>	<b>15,121</b>	<b>14,051</b>	<b>86,322</b>	<b>–</b>	<b>100,373</b>	<b>100,373</b>
<b>Equity – balance at end of the reporting period</b>		<b>110,199</b>	<b>238,295</b>	<b>–</b>	<b>348,494</b>	<b>348,494</b>	<b>98,893</b>	<b>234,480</b>	<b>–</b>	<b>333,373</b>	<b>333,373</b>

# Riverina Water County Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
4,914	Rates and annual charges		5,224	5,130
19,408	User charges and fees		21,474	22,043
229	Investment and interest revenue received		550	1,090
3,197	Grants and contributions		3,074	4,547
	Bonds, deposits and retention amounts received		39	11
702	Other		4,184	2,292
<b>Payments:</b>				
(7,529)	Employee benefits and on-costs		(8,059)	(8,163)
(4,431)	Materials and contracts		(2,507)	(1,995)
(885)	Borrowing costs		(163)	(162)
(2,986)	Other		(3,697)	(4,707)
<b>12,619</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>20,119</b>	<b>20,086</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
5,136	Sale of investment securities		–	27,500
317	Sale of infrastructure, property, plant and equipment		452	333
<b>Payments:</b>				
(24,431)	Purchase of infrastructure, property, plant and equipment		(17,716)	(35,016)
<b>(18,978)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(17,264)</b>	<b>(7,183)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
8,000	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(1,642)	Repayment of borrowings and advances		(1,499)	(1,411)
<b>6,358</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,499)</b>	<b>(1,411)</b>
<b>(1)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,356</b>	<b>11,492</b>
2,000	Plus: cash and cash equivalents – beginning of year	11a	19,890	8,398
<b>1,999</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>21,246</b>	<b>19,890</b>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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n/a – not applicable

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies

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

#### (a) 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.

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

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

#### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

#### (iii) 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 property, plant and equipment.

#### (iv) 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. Note 27 outlines factors considered by Council in determining fair value.

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

(i) Impairment of Receivables

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

(ii) Infrastructure, Property, Plant and Equipment

Council has made significant judgement about the fair values, condition and useful lives of its assets in Note 9.

#### (v) Changes in accounting policies

Council's accounting policies have been consistently applied to all years presented or when compared with previous financial statements unless otherwise stated (refer note 20(d)).

#### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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.

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

#### (i) Annual charges, grants and contributions

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 charge.

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

#### (ii) User charges and fees

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

#### (iii) Sale of infrastructure, property, plant and equipment

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

#### (iv) Interest

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

#### (v) Rent

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

#### (vii) Other income

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

#### (c) Impairment of assets

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

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.

#### (d) 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.

#### (e) Inventories

##### (i) Stores

Stores are stated at the lower of cost and net realisable value.

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

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

#### (f) Investments and other financial assets

##### 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.

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

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.

#### (i) Loans and receivables

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

#### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially

recognised at fair value and transaction costs are expensed in the income statement.

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

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

#### **Subsequent measurement**

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

#### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

#### **Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

that a prudent person would exercise in investing Council funds.

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

Council's assets have been revalued (every 5 years) to fair value in accordance with mandated policy of the Office of Local Government.

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

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

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle, the latest being 30 June 2016.

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 gain or loss relating to that asset class, the increase is first recognised as gain 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.

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

#### Plant & Equipment

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

#### Buildings

- Buildings : Masonry	50 to 100 years
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#### Water Assets

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

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 2017

### Note 1. Summary of significant accounting policies (continued)

#### (h) 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.

#### (i) 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.

#### (j) 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.

#### (k) Employee benefits

##### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting 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.

##### (ii) 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.

##### (iii) Retirement benefit obligations

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

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

information is not reliably available, 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.

#### **Defined Contribution Plans**

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

#### **(l) 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.

#### **(m) 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.

#### **(n) 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 does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

#### **(o) Rounding of amounts**

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

#### **(p) Comparative figures**

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

#### **(q) Disclaimer**

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

## Riverina Water County Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000    Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)		
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual	
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016	
Water supplies	27,577	30,840	33,658	22,561	19,534	19,607	5,016	11,306	14,051	648	723	366,066	351,763	
Total functions and activities	27,577	30,840	33,658	22,561	19,534	19,607	5,016	11,306	14,051	648	723	366,066	351,763	
General purpose income <sup>1</sup>	–	–	–	–	–	–	–	–	–	–	–	–	–	
Operating result from continuing operations	27,577	30,840	33,658	22,561	19,534	19,607	5,016	11,306	14,051	648	723	366,066	351,763	

#### 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.



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Annual charges</b>			
<b>Ordinary rates</b>			
Nil			
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.501)			
Water supply services - Commercial		485	476
Water supply services - Residential		4,736	4,624
<b>Total annual charges</b>		<b>5,221</b>	<b>5,100</b>
<b><u>TOTAL ANNUAL CHARGES</u></b>		<b><u>5,221</u></b>	<b><u>5,100</u></b>
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)			
Water supply services - Commercial		6,778	6,405
Water supply services - Residential		13,694	14,137
<b>Total user charges</b>		<b>20,472</b>	<b>20,542</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		153	116
Section 603 certificates		147	150
<b>Total fees and charges – statutory/regulatory</b>		<b>300</b>	<b>266</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Leaseback fees – Council vehicles		26	29
Standpipe fees		203	162
Water connection fees		411	728
<b>Total fees and charges – other</b>		<b>640</b>	<b>919</b>
<b><u>TOTAL USER CHARGES AND FEES</u></b>		<b><u>21,412</u></b>	<b><u>21,727</u></b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		104	102
– Interest earned on investments (interest and coupon payment income)		418	820
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>522</u></b>	<b><u>922</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		104	102
General Council cash and investments		418	820
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>522</u></b>	<b><u>922</u></b>
<b>(d) Other revenues</b>			
Reversal of prior period revaluation decrements (Intangible Assets)	25	75	750
Insurance claim recoveries		138	308
Lease rental		22	28
Sales – general		204	228
Sales – scrap material		23	6
Temporary water allocation		105	–
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>567</u></b>	<b><u>1,320</u></b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	205	219	–	–
Diesel and alternative fuels	10	16	–	–
LIRS subsidy	433	488	–	–
<b>Total specific purpose</b>	<b>648</b>	<b>723</b>	<b>–</b>	<b>–</b>
<b>Total grants</b>	<b>648</b>	<b>723</b>	<b>–</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	433	488		–
– State funding	215	235		–
	<b>648</b>	<b>723</b>	<b>–</b>	<b>–</b>
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 64 – water supply contributions	–	–	2,392	3,849
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>2,392</b>	<b>3,849</b>
<b>Other contributions:</b>				
Nil				
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>648</b>	<b>723</b>	<b>2,392</b>	<b>3,849</b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		6,897	7,049
Travel expenses		148	193
Employee leave entitlements (ELE)		1,182	1,275
Superannuation		1,252	1,152
Workers' compensation insurance		120	101
Fringe benefit tax (FBT)		44	57
Payroll tax		466	414
Training costs (other than salaries and wages)		246	162
Uniforms		51	52
Sick leave bonus		276	–
<b>Total employee costs</b>		<b>10,682</b>	<b>10,455</b>
Less: capitalised costs		(2,555)	(2,423)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>8,127</b>	<b>8,032</b>
Number of 'full-time equivalent' employees (FTE) at year end		94	93
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		737	816
<b>Total interest bearing liability costs</b>		<b>737</b>	<b>816</b>
Less: capitalised costs - Water Treatment Plant		(574)	(654)
<b>Total interest bearing liability costs expensed</b>		<b>163</b>	<b>162</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>163</b>	<b>162</b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		269	205
Contractor and consultancy costs		1,700	1,177
Auditors remuneration <sup>(1)</sup>		47	44
Legal expenses:			
– Legal expenses: other		10	66
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>2,026</u></b>	<b><u>1,492</u></b>
<b>Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's External Auditor		28	26
– Other audit and assurance services: Council's Internal Auditor		19	18
<b>Remuneration for audit and other assurance services</b>		<b><u>47</u></b>	<b><u>44</u></b>
<b>Total Auditor remuneration</b>		<b><u>47</u></b>	<b><u>44</u></b>
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		481	457
Office equipment		178	156
Infrastructure:			
– Buildings – non-specialised		47	49
– Buildings – specialised		142	107
– Water supply network		5,131	6,176
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>5,979</u></b>	<b><u>6,945</u></b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		52	39
Bank charges		115	106
Computer software charges		223	160
Members expenses – chairperson's fee		9	9
Members expenses – members fees		51	50
Members expenses (incl. chairperson) – other (excluding fees above)		15	15
Demand management		1	3
Donations, contributions and assistance to other organisations (Section 356)		40	49
Electricity and heating		1,929	1,767
Fair value decrements – I,PP&E	9(a)	–	15
Insurance		160	152
Office expenses (including computer expenses)		102	78
Postage		116	96
Printing and stationery		29	26
Subscriptions and publications		33	42
Telephone and communications		145	113
Rates and User Charges		219	256
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>3,239</u></b>	<b><u>2,976</u></b>

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		452	333
Less: carrying amount of plant and equipment assets sold/written off		(374)	(316)
<b><u>Net gain/(loss) on disposal</u></b>		<b><u>78</u></b>	<b><u>17</u></b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>78</u></b>	<b><u>17</u></b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

		2017	2017	2016	2016
\$ '000	Notes	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		469	–	287	–
Cash-equivalent assets					
– Deposits at call		1	–	1	–
– Short-term deposits		20,776	–	19,602	–
<b>Total cash and cash equivalents</b>		<b>21,246</b>	<b>–</b>	<b>19,890</b>	<b>–</b>
Investments (Note 6b)					
Nil					
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>21,246</b>	<b>–</b>	<b>19,890</b>	<b>–</b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	21,246	–	19,890	–
attributable to:				
External restrictions (refer below)	–	–	–	–
Internal restrictions (refer below)	8,093	–	7,845	–
Unrestricted	13,153	–	12,045	–
	21,246	–	19,890	–

2017 \$ '000		Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions					
Developer contributions – general (D)		–	2,392	(2,392)	–
External restrictions – other		–	2,392	(2,392)	–
Total external restrictions		–	2,392	(2,392)	–
Internal restrictions					
Employees leave entitlement (A)		1,141	17	–	1,158
Asset replacement		1,704	1,797	(1,566)	1,935
Sales fluctuation		5,000	–	–	5,000
Total internal restrictions		7,845	1,814	(1,566)	8,093
TOTAL RESTRICTIONS		7,845	4,206	(3,958)	8,093

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

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



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		755	—	758	—
User charges and fees		1,785	—	1,757	—
Accrued revenues					
Accrued interest on investments		37	—	65	—
Government grants and subsidies		205	—	219	—
Sundry debtors		378	—	2,280	—
<b>Total</b>		<b>3,160</b>	<b>—</b>	<b>5,079</b>	<b>—</b>
<b>Less: provision for impairment</b>					
Nil					
<b>TOTAL NET RECEIVABLES</b>		<b>3,160</b>	<b>—</b>	<b>5,079</b>	<b>—</b>

There are no restrictions applicable to the above assets.

#### Notes on debtors above:

- (i) Annual charges outstanding are secured against the property. Interest was charged on overdue charges at 8.5% (2016 8.5%). Generally all other receivables are non-interest bearing.
- (ii) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		2,383	–	2,770	–
Total inventories at cost		2,383	–	2,770	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		2,383	–	2,770	–

#### (b) Other assets

Nil

#### Externally restricted assets

There are no restrictions applicable to the above assets.

## Riverina Water County Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

Asset class  \$ '000	as at 30/6/2016			Asset movements during the reporting period					as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	28,292	–	28,292	–	9,474	–	–	–	37,766	–	37,766
Plant and equipment	5,741	2,982	2,759	975	–	(373)	(481)	–	5,897	3,017	2,880
Office equipment	844	423	421	128	–	–	(178)	–	950	579	371
<b>Land:</b>											
– Operational land	3,650	–	3,650	64	–	–	–	–	3,714	–	3,714
<b>Infrastructure:</b>											
– Buildings – non-specialised	3,582	437	3,145	195	–	–	(47)	–	3,778	485	3,293
– Buildings – specialised	12,215	787	11,428	69	–	–	(142)	–	12,284	929	11,355
– Water supply network	403,863	133,034	270,829	5,578	1,232	–	(5,131)	3,815	414,489	138,166	276,323
<b><u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</u></b>	<b>458,187</b>	<b>137,663</b>	<b>320,524</b>	<b>7,009</b>	<b>10,706</b>	<b>(373)</b>	<b>(5,979)</b>	<b>3,815</b>	<b>478,878</b>	<b>143,176</b>	<b>335,702</b>

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

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

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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

### Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		97	–	165	–
Accrued expenses:					
– Salaries and wages		183	–	158	–
– Other expenditure accruals		1,081	–	454	–
Security bonds, deposits and retentions		88	–	49	–
<b>Total payables</b>		<b>1,449</b>	<b>–</b>	<b>826</b>	<b>–</b>
<b>Income received in advance</b>					
Nil					
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		1,582	10,680	1,499	12,262
<b>Total borrowings</b>		<b>1,582</b>	<b>10,680</b>	<b>1,499</b>	<b>12,262</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		917	–	916	–
Sick leave		6	–	6	–
Long service leave		2,938	–	2,881	–
<b>Total provisions</b>		<b>3,861</b>	<b>–</b>	<b>3,803</b>	<b>–</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>6,892</b>	<b>10,680</b>	<b>6,128</b>	<b>12,262</b>

#### Liabilities relating to restricted assets

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

<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 15.

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,210	3,187
Payables – security bonds, deposits and retentions	88	49
	<b>3,298</b>	<b>3,236</b>

### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	21,246	19,890
<b>Balance as per the Statement of Cash Flows</b>		<b>21,246</b>	<b>19,890</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>11,306</b>	<b>14,051</b>
Adjust for non-cash items:			
Depreciation and amortisation		5,979	6,945
Net losses/(gains) on disposal of assets		(78)	(17)
Reversal of prior period Intangible Asset revaluation decrements direct to the P&L		(75)	(750)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Write offs relating to the fair valuation of I,PP&E		–	15
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,919	(1,302)
Decrease/(increase) in inventories		387	1,001
Decrease/(increase) in other assets		–	7
Increase/(decrease) in payables		(68)	126
Increase/(decrease) in other accrued expenses payable		652	(140)
Increase/(decrease) in other liabilities		39	11
Increase/(decrease) in employee leave entitlements		58	139
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>20,119</b>	<b>20,086</b>

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<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		90	90
<b>Total financing arrangements</b>		<b>340</b>	<b>340</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		6	13
<b>Total financing arrangements utilised</b>		<b>6</b>	<b>13</b>

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years income.

#### **(e) Bank guarantees**

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) 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		4,232	11,311
Shires Reservoir		82	–
<b>These expenditures are payable as follows:</b>			
Within the next year		4,314	11,311
<b>Total payable</b>		<b>4,314</b>	<b>11,311</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		4,314	3,311
New loans (to be raised)		–	8,000
<b>Total sources of funding</b>		<b>4,314</b>	<b>11,311</b>

#### Details of capital commitments

Contract for the construction of the Wagga Wagga Water treatment plant, project to be finalised during 2017/18 financial year.

Contract for the Shires Reservoir earthworks to be finalised during 2017/18 financial year.

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

Nil

#### (d) Investment property commitments

Nil

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016      2015		Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	8,761	30.96%	32.54%	26.45%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	28,295				
2. Own source operating revenue ratio					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	27,647	90.09%	86.10%	87.79%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	30,687				
3. Unrestricted current ratio					
Current assets less all external restrictions <sup>(2)</sup>	26,789	7.45x	9.59x	15.75x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	3,594				
4. Debt service cover ratio					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	14,903	8.97x	10.53x	6.74x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,662				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	755	12.41%	12.65%	13.65%	<10% Rural
Rates, annual and extra charges collectible	6,083				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	21,246	16.01 mths	14.5 mths	26.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,327				

#### 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.

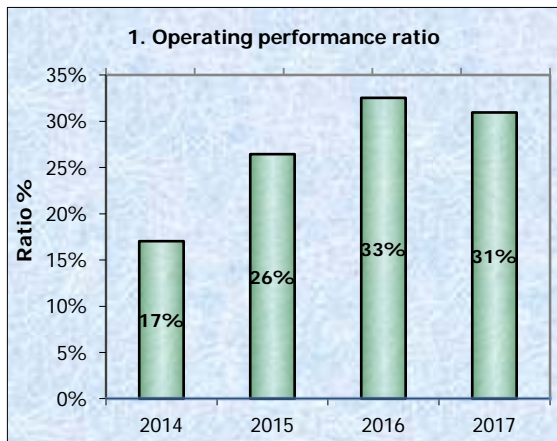
<sup>(3)</sup> Refer to Note 10(a).

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

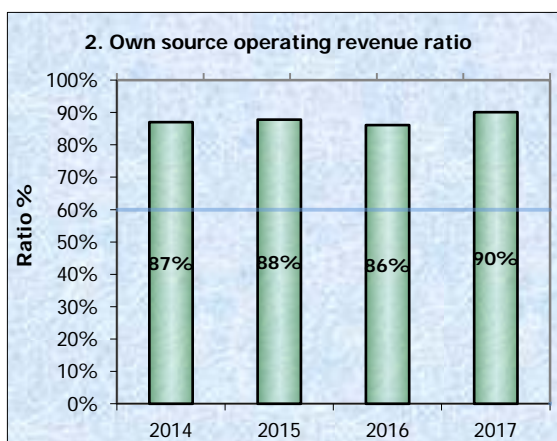
**2016/17 ratio 30.96%**

Extremely dry and hot weather over summer period resulted in higher than anticipated water sales. Operating expenditure lower than budgeted due to borrowing costs being capitalised for the Wagga Water Treatment Plant project, as well as lower than budgeted depreciation following external revaluations performed in 2016.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

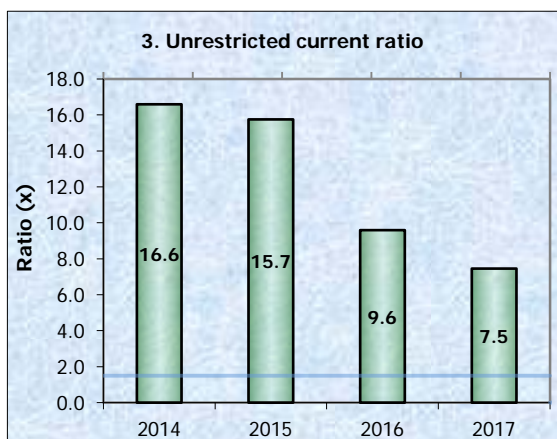
**2016/17 ratio 90.09%**

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 #25

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 2016/17 result**

**2016/17 ratio 7.45x**

A reduction in this ratio during 2016/17 is due to a reduction in accounts receivables owing and an increase in accounts payables due to invoices not yet paid for the Water Treatment Plant Project.

Benchmark: — Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

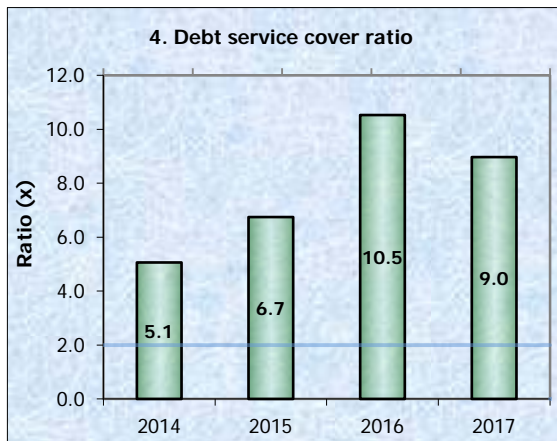
Ratio achieves benchmark  
 Ratio is outside benchmark



# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



Benchmark: — Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

#### 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 2016/17 result

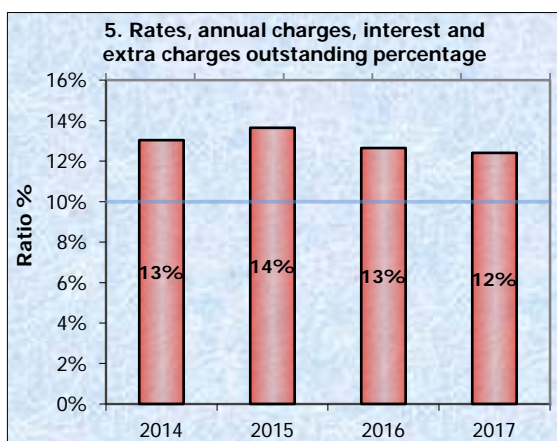
**2016/17 ratio 8.97x**

A slightly lower operating result in 2016/17 compared to 2015/16 has slightly reduced this ratio. Interest being capitalised on the Wagga Water Treatment Plant project has resulted in this ratio being higher than 2014/15 and 2013/14.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

#### 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 2016/17 result

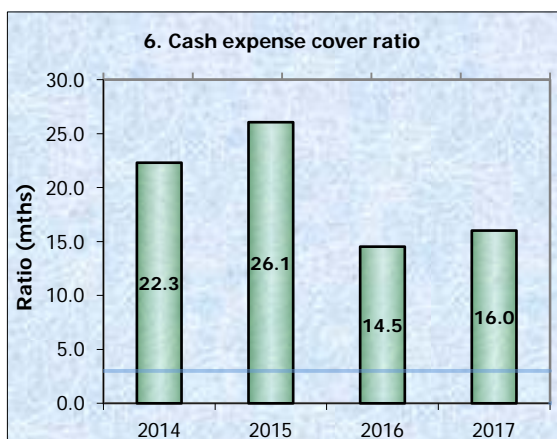
**2016/17 ratio 12.41%**

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 #25

#### 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 2016/17 result

**2016/17 ratio 16.01 mths**

An increase in cash compared to 2015/16 due to high water sales and payments not yet made on the Water Treatment Plant project have resulted in a slight increase to this ratio.



Ratio achieves benchmark

Ratio is outside benchmark

## Riverina Water County Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 14. Investment properties

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	212	212	(212)	(212)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	196	196	(196)	(196)

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 15. 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 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:

		2017 Annual charges	2017 Other receivables	2016 Annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		78%	76%	80%	92%
Overdue		22%	24%	20%	8%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Annual charges</b>	<b>Other receivables</b>	<b>Annual charges</b>	<b>Other receivables</b>
Current	Current	590	1,830	609	4,011
Overdue	0 – 30 days overdue	165	575	149	310
		<b>755</b>	<b>2,405</b>	<b>758</b>	<b>4,321</b>

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 15. Financial risk management (continued)

\$ '000

#### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	88	1,361	–	–	–	–	–	1,449	1,449
Loans and advances	–	2,252	2,250	2,249	2,247	2,245	4,073	15,316	12,262
Total financial liabilities	88	3,613	2,250	2,249	2,247	2,245	4,073	16,765	13,711
2016									
Trade/other payables	49	777	–	–	–	–	–	826	826
Loans and advances	–	2,253	2,252	2,250	2,249	2,247	6,247	17,498	13,761
Total financial liabilities	49	3,030	2,252	2,250	2,249	2,247	6,247	18,324	14,587

Borrowings, structured as variable rate debt, are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,449	0.00%	826	0.00%
Loans and advances – fixed interest rate	11,906	5.50%	13,380	5.50%
Loans and advances – variable interest rate	356	3.67%	381	3.70%
	<u>13,711</u>		<u>14,587</u>	

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

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	2017 Budget	2017 Actual	2017 Variance* -----		
<b>REVENUES</b>					
<b>Annual charges</b>	<b>4,928</b>	<b>5,221</b>	<b>293</b>	<b>6%</b>	<b>F</b>
<b>User charges and fees</b>	<b>19,394</b>	<b>21,412</b>	<b>2,018</b>	<b>10%</b>	<b>F</b>
Extremely dry and hot weather during summer resulted in higher water sales than budgeted.					
<b>Interest and investment revenue</b>	<b>200</b>	<b>522</b>	<b>322</b>	<b>161%</b>	<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.					
<b>Other revenues</b>	<b>130</b>	<b>567</b>	<b>437</b>	<b>336%</b>	<b>F</b>
Higher than budgeted due to insurance rebates and temporary water licence allocation.					
<b>Operating grants and contributions</b>	<b>207</b>	<b>648</b>	<b>441</b>	<b>213%</b>	<b>F</b>
Variance due to LIRS subsidy being budgeted as a capital grant rather than operational.					
<b>Capital grants and contributions</b>	<b>2,718</b>	<b>2,392</b>	<b>(326)</b>	<b>(12%)</b>	<b>U</b>
Variance due to LIRS subsidy being budgeted as a capital grant rather than operational.					
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>78</b>	<b>78</b>	<b>0%</b>	<b>F</b>
Unanticipated gain on vehicle disposals.					

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>7,996</b>	<b>8,127</b>	<b>(131)</b>	<b>(2%) U</b>
<b>Borrowing costs</b>	<b>885</b>	<b>163</b>	<b>722</b>	<b>82% F</b>
Interest related to the Wagga Water Treatment Plant project was capitalised for the year.				
<b>Materials and contracts</b>	<b>3,594</b>	<b>2,026</b>	<b>1,568</b>	<b>44% F</b>
Increased focus on capital works projects has diverted expenditure away from operational.				
<b>Depreciation and amortisation</b>	<b>7,100</b>	<b>5,979</b>	<b>1,121</b>	<b>16% F</b>
Depreciation lower than budgeted due to external asset revaluation being prepared after 2017 budgets were finalised.				
<b>Other expenses</b>	<b>2,986</b>	<b>3,239</b>	<b>(253)</b>	<b>(8%) U</b>

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

<b>Cash flows from operating activities</b>	<b>12,619</b>	<b>20,119</b>	<b>7,500</b>	<b>59.4% F</b>
Higher operating cash flow due to increased water sales due to weather, recovery of prior year accounts receivables.				
<b>Cash flows from investing activities</b>	<b>(18,978)</b>	<b>(17,264)</b>	<b>1,714</b>	<b>(9.0%) F</b>
<b>Cash flows from financing activities</b>	<b>6,358</b>	<b>(1,499)</b>	<b>(7,857)</b>	<b>(123.6%) U</b>
Budgeted borrowings not required due to delay in Water Treatment Plant capital works and better than anticipated water sales.				

## Riverina Water County Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 17. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S64 contributions	—	2,392	—	—	(2,392)	—	—	
<b>Total contributions</b>	<b>—</b>	<b>2,392</b>	<b>—</b>	<b>—</b>	<b>(2,392)</b>	<b>—</b>	<b>—</b>	<b>—</b>

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

The schemes most recent full actuarial review was performed by Mr Richard Boyfield, FIAA on 2 December 2016. It indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans. The expected contributions by Council for the next reporting period is \$302,652.72.

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other guarantees

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



## Riverina Water County Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

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\$ '000

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

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

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

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

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

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

At balance date there is a contingent liability for staff who are entitled to a sick leave to be paid out if they were to retire due to medical grounds. This is an unlikely event. Amount totals \$75,571 (2015/16 \$94,000).

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

##### **1. 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.

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#### Note 19. Interests in other entities

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

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		98,893	84,842
a. Net operating result for the year		11,306	14,051
<b>Balance at end of the reporting period</b>		<b>110,199</b>	<b>98,893</b>

### (b) Revaluation reserves

#### (i) Reserves are represented by:

Infrastructure, property, plant and equipment revaluation reserve	238,295	234,480
<b>Total</b>	<b>238,295</b>	<b>234,480</b>

#### (ii) Reconciliation of movements in reserves:

<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
Opening balance		234,480	148,158
Revaluations for the year	9(a)	3,815	86,322
<b>Balance at end of year</b>		<b>238,295</b>	<b>234,480</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>238,295</b>	<b>234,480</b>

#### (iii) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

### (d) Voluntary changes in accounting policies

#### Note 4a Employee benefits and on-costs

Recognition of Sick Leave Bonus paid July 2017 in respect of 2016/17	146	—
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Due to the immaterial nature of the above change in policy, this change has not been recognised retrospectively as per AASB 101 paragraph 10(f).

## Riverina Water County Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 21. Financial result and financial position by fund

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\$ '000

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Council utilises only a general fund for its operations.

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

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

#### Note 23. Events occurring after the reporting date

---

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 11/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

---

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

## Riverina Water County Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 25. Intangible assets

	Actual 2017	Actual 2016
\$ '000		

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

##### Opening values:

Gross book value (1/7)	3,500	2,750
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>3,500</b>	<b>2,750</b>

##### Movements for the year

– Fair valuation (decrement reversal via Income Statement)	75	750
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##### Closing values:

Gross book value (30/6)	3,575	3,500
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#### TOTAL INTANGIBLE ASSETS – NET BOOK VALUE <sup>1</sup>

<u>3,575</u>	<u>3,500</u>
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##### <sup>1</sup> The net book value of intangible assets represent:

– Water licences	3,575	3,500
	<b>3,575</b>	<b>3,500</b>

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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

# Riverina Water County Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			
2017		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					
Financial 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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

\$ '000

#### (1) All assets and liabilities that have been measured and recognised at fair values (continued)

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

#### (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 2017

### Note 27. 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:

#### Financial assets

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

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

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

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

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

**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 2017

### Note 28. Related party disclosures

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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.

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	427,321
Post-employment benefits	34,155
Other long-term benefits	16,568
<b>Total</b>	<b>478,044</b>

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

Council has determined that those transactions at arm's length between KMP and Council that are 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 Council's do not hold direct control over Riverina Water County Council and transactions between Councils has 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 2017

### Note 29. Financial review

\$ '000

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

<b>Financial performance figures</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Inflows:</b>					
Rates and annual charges revenue	<b>5,221</b>	5,100	5,031	4,288	3,724
User charges revenue	<b>21,412</b>	21,727	20,994	19,391	18,177
Interest and investment revenue (losses)	<b>522</b>	922	1,140	1,106	513
Grants income – operating and capital	<b>648</b>	723	735	894	463
Total income from continuing operations	<b>30,840</b>	33,658	32,169	28,702	25,777
Sale proceeds from I,PP&E	<b>452</b>	333	166	379	507
New loan borrowings and advances	<b>–</b>	–	–	–	15,000
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>8,127</b>	8,032	7,148	7,869	7,433
Borrowing costs	<b>163</b>	162	902	970	402
Materials and contracts expenses	<b>2,026</b>	1,492	3,096	2,548	2,434
Total expenses from continuing operations	<b>19,534</b>	19,607	20,925	21,309	21,771
Total cash purchases of I,PP&E	<b>17,716</b>	35,016	11,870	6,180	5,525
Total loan repayments (incl. finance leases)	<b>1,499</b>	1,411	1,341	1,274	382
Operating surplus/(deficit) (excl. capital income)	<b>8,914</b>	10,202	8,129	4,338	1,159
<b>Financial position figures</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	<b>26,789</b>	27,739	43,453	38,494	31,973
Current liabilities	<b>6,892</b>	6,128	5,904	5,169	4,954
Net current assets	<b>19,897</b>	21,611	37,549	33,325	27,019
Available working capital (Unrestricted net current assets)	<b>15,898</b>	19,068	26,059	16,374	11,426
Cash and investments – unrestricted	<b>13,153</b>	12,045	19,333	10,211	5,419
Cash and investments – internal restrictions	<b>8,093</b>	7,845	16,565	21,607	19,834
Cash and investments – total	<b>21,246</b>	19,890	35,898	31,818	25,271
Total borrowings outstanding (Loans, advances and finance leases)	<b>12,262</b>	13,761	15,172	16,513	17,787
Total value of I,PP&E (excl. land and earthworks)	<b>475,164</b>	454,537	360,265	346,055	336,515
Total accumulated depreciation	<b>143,176</b>	137,663	157,401	150,783	145,282
Indicative remaining useful life (as a % of GBV)	70%	70%	56%	56%	57%

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

# Riverina Water County Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 30. 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 G Haley

**RESPONSIBLE ACCOUNTING OFFICER**

Ms M Curran

**PUBLIC OFFICER**

Mr G Haley

**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 T Koschel (City of Wagga Wagga)

Clr Y Braid (City of Wagga Wagga)

Clr V Keenan (City of Wagga Wagga)

Mr M Eden (Federation Council Administrator)

Clr G Conkey (City of Wagga Wagga)

**Other information**

**ABN:** 52 084 883 210



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Riverina Water County Council

To the Councillors of the Riverina Water County Council

### Opinion

I have audited the accompanying financial statements of Riverina Water County Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, 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 statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statements on 29 September 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.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, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan  
Director, Financial Audit Services

11 October 2017  
SYDNEY

Mr Graeme Haley  
General Manager  
Riverina Water County Council  
PO Box 456  
WAGGA WAGGA NSW 2650

Contact: Lawrissa Chan  
Phone no: 02 9275 7255  
Our ref: D1722272/1822

11 October 2017

Dear Mr Haley

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Riverina Water County Council**

We have audited the general purpose financial statements of the Riverina Water County Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

We have 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 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. 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.

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

We did not identify any significant audit issues and observations during the audit of the Council's financial statements.

## INCOME STATEMENT

### Operating result

	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>	<b>Variance</b> <b>%</b>
<b>Rates and annual charges revenue</b>	<b>5,221</b>	<b>5,100</b>	<b>2.4 ↑</b>
<b>User Charges and Fees</b>	<b>21,412</b>	<b>21,727</b>	<b>1.5 ↓</b>
<b>Grants and contributions revenue</b>	<b>3,040</b>	<b>4,572</b>	<b>33.5 ↓</b>
<b>Operating result for the year</b>	<b>11,306</b>	<b>14,051</b>	<b>19.5 ↓</b>
<b>Net operating result before capital amounts</b>	<b>8,914</b>	<b>10,202</b>	<b>12.6 ↓</b>

The Council's operating result for the year was a surplus of \$11.3 million for the year ended 30 June 2017 (\$14.1 million for the year ended 30 June 2016). The Council budgeted for a surplus of \$5.0 million.

The Council's net operating result before capital contributions was a surplus of \$8.9 million for the year ended 30 June 2017 (\$10.2 million for the year ended 30 June 2016).

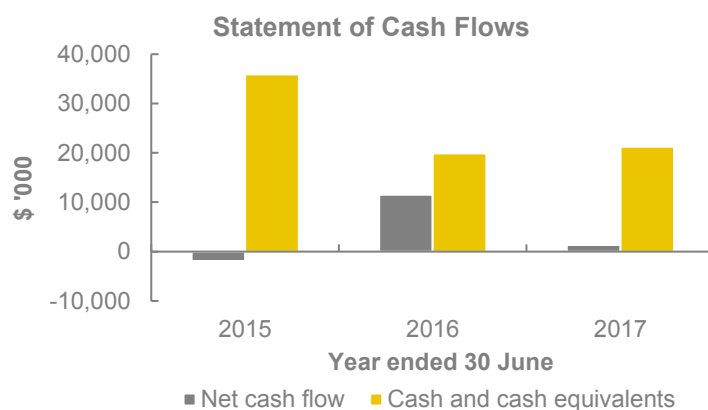
Rates and annual charges have increased by \$0.1 million (2.4 per cent) to \$5.2 million. User charges and fees decreased by \$0.3 million (1.5 per cent) to \$21.4 million. Council resolved not to increase the residential tariff for urban and non-urban usage charges for the 2016-17 financial year.

Grants and contributions revenue decreased by \$1.5 million (33.5 per cent) to \$3.0 million. This is mainly attributed to a decrease in grants and contributions for capital purposes and was the key attribute to the operating result for 2017 being below that reported for 2016.

Council's depreciation and amortisation expense decreased by \$966,000 to \$6.0 million for the year ended 30 June 2017 (\$6.9 million for the year ended 30 June 2016). Council recognised \$37.8 million of capital expenditure as capital works in progress for the year ended 30 June 2017 (\$28.3 million for the year ended 30 June 2016) that are not ready for use and therefore not depreciated. This is mainly attributed to the new water treatment plant being constructed which has not yet been commissioned.

## STATEMENT OF CASH FLOWS

- Council recorded a net increase in cash and cash equivalents of \$1.4 million at 30 June 2017 (net decrease of \$11.5 million at 30 June 2016).
- Net cash provided by operating activities amounted to \$20.1 million. Council recorded cash receipts from rates and annual charges of \$5.2 million and user fees and charge of \$21.4 million. Council recorded \$8.1 million of cash payments for employee benefits and on-costs and \$2.5 million for materials and contracts.
- Net Cash used in investing activities amounted to \$17.3 million. This is largely due to the net cash outflow of \$17.7 million for the purchase of infrastructure, property, plant and equipment during the year including the water treatment plant in progress at 30 June 2017.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	--	--	○ Externally restricted cash and investments are restricted in their use by externally imposed requirements. There was no external restricted cash and investments at 30 June 2017.
Internal restrictions	8,093	7,845	
Unrestricted	13,153	12,045	
<b>Total Cash and investments</b>	<b>21,246</b>	<b>19,890</b>	<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 internally restricted cash balances included an increase of \$248,000 relating to funds for asset replacement.</li> <li>○ Unrestricted cash increased \$1.1 million which is an outcome of higher cash balances held by at 30 June 2017 due to timing of progress payments for the construction of the water treatment plant.</li> </ul>



## Debt

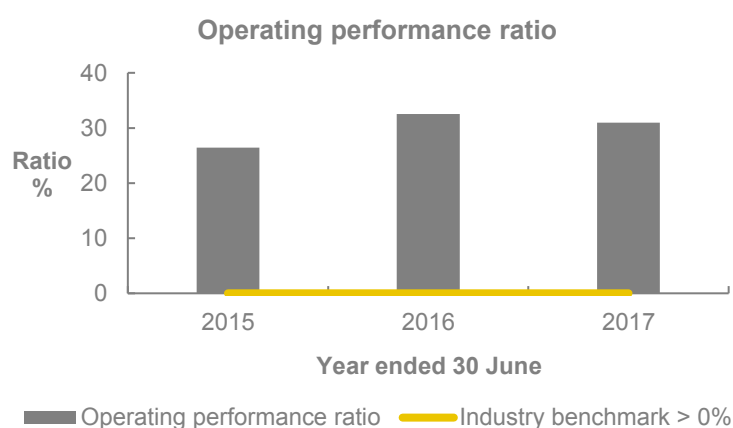
- The Council recognised \$12.3 million in loans at 30 June 2017. The loans are secured over income of Council.
- The Council maintains a bank overdraft facility of \$250,000. As at 30 June 2017, Council had not drawn down on the overdraft facility (2016: \$nil).

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'infrastructure renewals ratio' is defined in Council's Special Schedule 7.

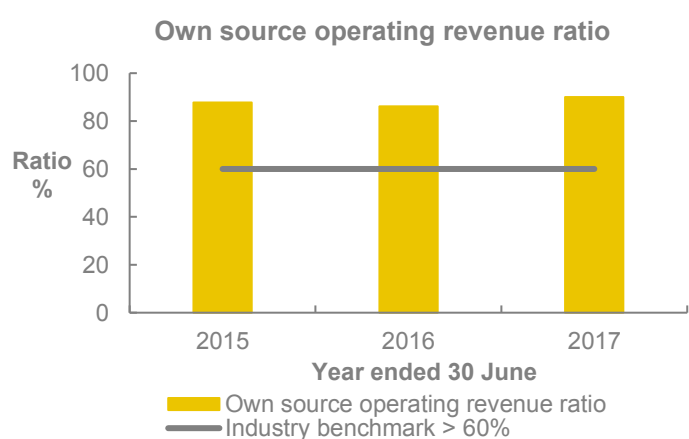
### Operating performance ratio

- 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 zero per cent.
- The operating performance ratio is 30.96 per cent (2016: 32.54 per cent) and remains well above the industry benchmark of 0 per cent.



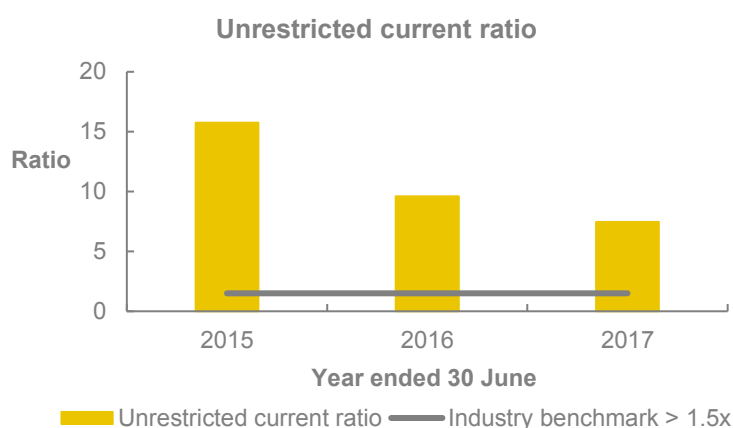
### Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The own source operating revenue ratio increased to 90.09 per cent (2016: 86.10 per cent) due to the increase in rates and annual charges income.
- The ratio remained above the industry benchmark of 60 per cent.



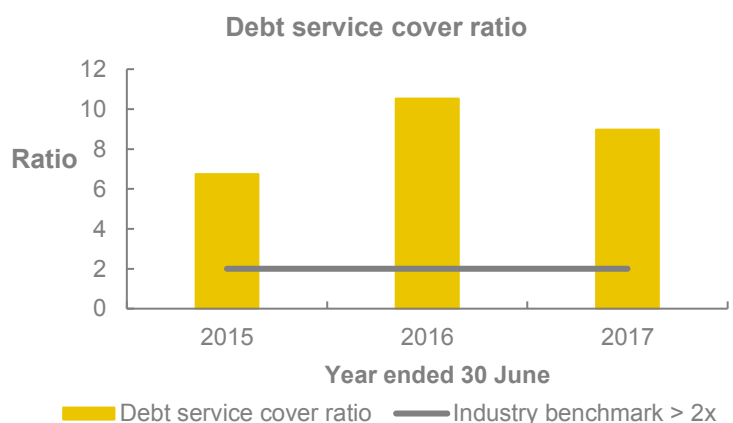
## Unrestricted current ratio

- 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 unrestricted current ratio shows a decrease in Council's liquidity position compared to the prior year.
- Council continues to report a result in excess of the 1.5:1 benchmark. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.



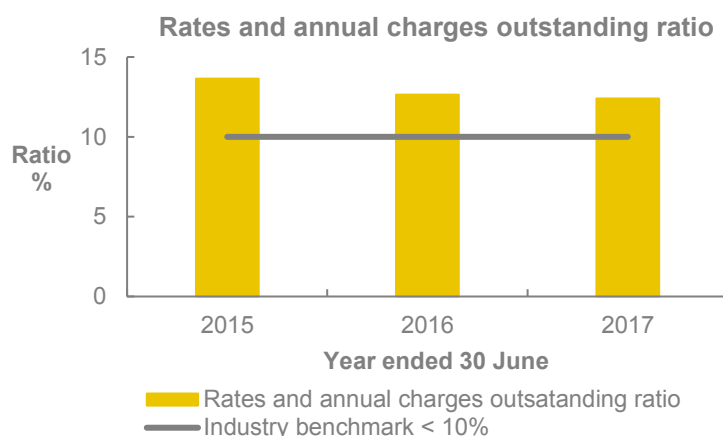
## Debt service cover ratio

- 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.
- This ratio indicates 8.97 times (2016: 10.53 times). The Council has adequate revenue to cover the principal repayments and borrowing costs.



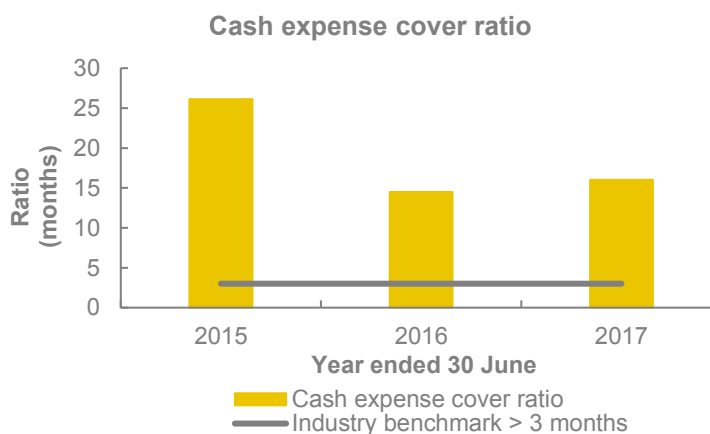
## Rates and annual charges outstanding ratio

- 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 greater than 10 per cent for rural councils.
- The outstanding rates % has remained constant year over year.
- The billing cycle of Water County Councils needs to be considered when assessing this ratio against other Councils.



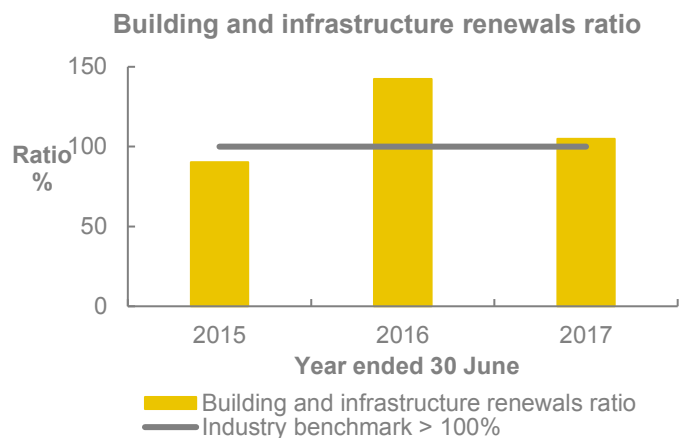
## Cash expense cover ratio

- 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.
- As at 30 June 2017, the Council had the capacity to cover 15 months of cash expenditure without additional cash inflows.



Infrastructure renewals ratio

- The ‘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 per cent.
- This ratio is sourced from information contained in Council’s Special Schedule 7 which has not been audited.
- Council has performed above the ratio for the current and prior period. Asset renewals decreased to \$5.6 million during 2016–17 from \$9.0 million in 2015–16. This decrease is related to the focus on the construction and development of the new water treatment plant of Council during the 2017 year.



OTHER MATTERS

New accounting standards implemented

AASB 124 ‘Related Party Disclosures’	
Effective for annual reporting periods beginning on or 1 July 2016	<p>AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council’s financial statements disclosed the:</p> <ul style="list-style-type: none"><li>• compensation paid to their key management personnel</li><li>• nature of their related party relationships</li><li>• amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).</li></ul>

## Legislative compliance

Our 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

11 October 2017  
SYDNEY

cc: Michele Curran, Manager Corporate Services  
David Maxwell, Chair of Audit and Risk 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 2017

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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 2017

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Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	n/a
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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 2017

### 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.

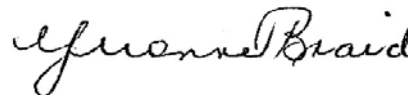
**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 16 August 2017.**




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Clr G Verdon  
Chairperson




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Clr Y Braid  
Councillor




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Mr G Haley  
General Manager




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Ms M Curran  
Responsible accounting officer



# Riverina Water County Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	5,221	5,100
User charges	21,412	21,727
Fees	—	—
Interest	522	922
Grants and contributions provided for non-capital purposes	648	723
Profit from the sale of assets	78	17
Share of profit from equity accounted investment	—	—
Other income	567	1,320
<b>Total income from continuing operations</b>	<b>28,448</b>	<b>29,809</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	8,127	8,032
Borrowing costs	163	162
Materials and contracts	1,757	1,542
Depreciation, amortisation and impairment	5,979	6,945
Water purchase charges	269	206
Calculated taxation equivalents	39	40
Debt guarantee fee (if applicable)	—	—
Other expenses	3,239	2,720
<b>Total expenses from continuing operations</b>	<b>19,573</b>	<b>19,647</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>8,875</b>	<b>10,162</b>
Grants and contributions provided for capital purposes	2,392	3,849
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>11,267</b>	<b>14,011</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>11,267</b>	<b>14,011</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,663)	(3,049)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>8,605</b>	<b>10,962</b>
Plus opening retained profits	98,893	67,519
Plus/less: prior period adjustments - to eliminate tax equiv from Balance Sheet	—	17,323
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	39	40
– Debt guarantee fees	—	—
– Corporate taxation equivalent	2,663	3,049
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>110,199</b>	<b>98,893</b>
<b>Return on capital %</b>	<b>2.7%</b>	<b>3.2%</b>
<b>Subsidy from Council</b>	<b>—</b>	<b>—</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	8,605	10,962
Less: capital grants and contributions (excluding developer contributions)	—	—
<b>Surplus for dividend calculation purposes</b>	<b>8,605</b>	<b>10,962</b>
<b>Potential dividend calculated from surplus</b>	<b>4,302</b>	<b>5,481</b>

## Riverina Water County Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	21,246	19,890
Investments	–	–
Receivables	3,160	5,079
Inventories	2,383	2,770
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>26,789</b>	<b>27,739</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	335,702	320,524
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	3,575	3,500
<b>Total non-current assets</b>	<b>339,277</b>	<b>324,024</b>
<b>TOTAL ASSETS</b>	<b>366,066</b>	<b>351,763</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	1,449	826
Income received in advance	–	–
Borrowings	1,582	1,499
Provisions	3,861	3,803
<b>Total current liabilities</b>	<b>6,892</b>	<b>6,128</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	10,680	12,262
Provisions	–	–
<b>Total non-current liabilities</b>	<b>10,680</b>	<b>12,262</b>
<b>TOTAL LIABILITIES</b>	<b>17,572</b>	<b>18,390</b>
<b>NET ASSETS</b>	<b>348,494</b>	<b>333,373</b>
<b>EQUITY</b>		
Retained earnings	110,199	98,893
Revaluation reserves	238,295	234,480
Other reserves	–	–
Council equity interest	348,494	333,373
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>348,494</b>	<b>333,373</b>

## Riverina Water County Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### 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 2017

#### 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.*

##### 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) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

#### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. 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.

## Riverina Water County Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

In accordance with the Department of Primary Industries Water (DPIW), 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%.

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.

##### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30 June 2017.

##### (iv) Dividends

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

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

## Riverina Water County Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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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 2017 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.

# Riverina Water County Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

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

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

(i)	Calculated tax equivalents	39,000
(ii)	Number of assessments multiplied by \$3/assessment	100,473
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	39,000
(iv)	Amounts actually paid for tax equivalents	–

#### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	4,302,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	965,730
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	28,344,200

2017 Surplus	8,604,500	2016 Surplus	10,962,400	2015 Surplus	8,777,300
		2016 Dividend	–	2015 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	965,730
(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 [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 2017

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

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

2017

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

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	30,345
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	74.82%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	332,452
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	12,165
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	17,715
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.63%
<b>NWI F26</b>	Capital works grants (water) 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 statement**

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

To the Councillors of the Riverina Water County Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Riverina Water County Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council is Water Supply.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their 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 and in particular, the Emphasis of Matter referring to the basis of accounting.

### **Basis for Opinion**

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statements on 29 September 2016.

## **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://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 statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan  
Director, Financial Audit Services

11 October 2017  
SYDNEY

# Riverina Water County Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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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 2017

### Contents

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

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<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	5
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<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		9
<b>Special Schedule 7</b>	Report on Infrastructure Assets	10
<b>Special Schedule 8</b>	Permissible Income Calculation	n/a

<sup>1</sup> Special Schedules are not audited.

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#### 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 2017

\$'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>19,534</b>	<b>28,448</b>	<b>2,392</b>	<b>11,306</b>
<b>Sewerage services</b>	–	–	–	–

## Riverina Water County Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'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>19,534</b>	<b>28,448</b>	<b>2,392</b>	<b>11,306</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>19,534</b>	<b>28,448</b>	<b>2,392</b>	<b>11,306</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 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	1,499	12,262	<b>13,761</b>	–	1,499	–	–	737	1,582	10,680	<b>12,262</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>1,499</b>	<b>12,262</b>	<b>13,761</b>	<b>–</b>	<b>1,499</b>	<b>–</b>	<b>–</b>	<b>737</b>	<b>1,582</b>	<b>10,680</b>	<b>12,262</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>1,499</b>	<b>12,262</b>	<b>13,761</b>	<b>–</b>	<b>1,499</b>	<b>–</b>	<b>–</b>	<b>737</b>	<b>1,582</b>	<b>10,680</b>	<b>12,262</b>

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

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

# Riverina Water County Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,560	1,799
b. Engineering and supervision	3,527	2,940
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	624	768
d. Maintenance expenses	986	982
– Reservoirs		
e. Operation expenses	82	103
f. Maintenance expenses	285	195
– Pumping stations		
g. Operation expenses (excluding energy costs)	14	18
h. Energy costs	1,929	1,767
i. Maintenance expenses	172	226
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	291	365
l. Maintenance expenses	646	571
– Other		
m. Operation expenses	219	359
n. Maintenance expenses	561	473
o. Purchase of water	269	206
<b>3. Depreciation expenses</b>		
a. System assets	5,320	6,332
b. Plant and equipment	659	613
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	163	162
b. Revaluation decrements	–	–
c. Other expenses	1,227	1,728
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>19,534</b>	<b>19,607</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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	4,736	4,624
b. Usage charges	14,076	14,532
<b>7. Non-residential charges</b>		
a. Access (including rates)	485	476
b. Usage charges	6,387	6,060
c. Other charges	390	345
<b>8. Extra charges</b>	105	102
<b>9. Interest income</b>	417	820
<b>10. Other income</b>	1,126	2,110
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	205	219
c. Other grants	443	487
<b>12. Contributions</b>		
a. Developer charges	2,392	3,849
b. Developer provided assets	–	–
c. Other contributions	–	17
<b>13. Total income</b>	<b>30,762</b>	<b>33,641</b>
<b>14. Gain (or loss) on disposal of assets</b>	78	17
<b>15. Operating result</b>	<b>11,306</b>	<b>14,051</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	11,306	14,051

# 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 2017

\$'000	Actuals 2017	Actuals 2016
<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	10,706	24,917
c. Renewals	6,034	9,281
d. Plant and equipment	975	818
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>17,715</b>	<b>35,016</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	452	338
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>452</b>	<b>338</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	29,329	28,925
b. Residential (unoccupied, ie. vacant lot)	1,428	1,371
c. Non-residential (occupied)	2,734	2,733
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	501 ET	576 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 410,653	\$ 448,350

# 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	1,158	–	1,158
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	20,088	–	20,088
<b>26. Receivables</b>			
a. Specific purpose grants	205	–	205
b. Rates and availability charges	755	–	755
c. User charges	1,785	–	1,785
d. Other	415	–	415
<b>27. Inventories</b>	2,383	–	2,383
<b>28. Property, plant and equipment</b>			
a. System assets	–	332,452	332,452
b. Plant and equipment	–	3,250	3,250
<b>29. Other assets</b>	–	3,575	3,575
<b>30. Total assets</b>	<b>26,789</b>	<b>339,277</b>	<b>366,066</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	1,449	–	1,449
<b>33. Borrowings</b>	1,582	10,680	12,262
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	3,861	–	3,861
<b>35. Total liabilities</b>	<b>6,892</b>	<b>10,680</b>	<b>17,572</b>
<b>36. NET ASSETS COMMITTED</b>	<b>19,897</b>	<b>328,597</b>	<b>348,494</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			110,199
<b>38. Asset revaluation reserve</b>			238,295
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>348,494</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			472,031
<b>42. Accumulated current cost</b> depreciation of system assets			(139,579)
<b>43. Written down current cost</b> of system assets			<b>332,452</b>

# Riverina Water County Council

## Notes to Special Schedule 3

for the year ended 30 June 2017

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

(item 1a of Special Schedules 3 and 5) 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 Schedules 3 and 5) 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 Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) 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 Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) 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 Schedules 3 and 5) 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 and item 12a of Special Schedule 5 are 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 and 5 respectively) 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 Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services 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 item 17 for sewerage, 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 2017

\$'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	2016/17 Required maintenance <sup>a</sup>	2016/17 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	1	1	2	277	3,293	3,778	40%	54%	6%	0%	0%
	Buildings – specialised	5	5	2	139	11,355	12,284	55%	12%	31%	2%	0%
	<b>Sub-total</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>416</b>	<b>14,648</b>	<b>16,062</b>	<b>51.6%</b>	<b>21.6%</b>	<b>25.3%</b>	<b>1.5%</b>	<b>0.0%</b>
Water supply network												
	Treatment Plants	8,791	8,791	1,802	1,876	27,710	41,918	0%	17%	38%	45%	0%
	Bores	152	152	961	1,006	6,990	11,546	3%	30%	63%	3%	0%
	Reservoirs	556	556	373	382	43,610	59,657	10%	11%	53%	24%	1%
	Pumping Stations	108	108	486	511	9,208	15,826	9%	9%	68%	7%	7%
	Pipeline	75,536	75,536	1,466	988	188,806	285,542	13%	33%	36%	14%	4%
	<b>Sub-total</b>	<b>85,143</b>	<b>85,143</b>	<b>5,088</b>	<b>4,763</b>	<b>276,323</b>	<b>414,489</b>	<b>10.6%</b>	<b>27.3%</b>	<b>40.6%</b>	<b>18.3%</b>	<b>3.2%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>85,149</b>	<b>85,149</b>	<b>5,092</b>	<b>5,179</b>	<b>290,971</b>	<b>430,551</b>	<b>12.2%</b>	<b>27.1%</b>	<b>40.0%</b>	<b>17.7%</b>	<b>3.1%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

# Riverina Water County Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals <sup>(1)</sup>	5,578	104.85%	142.36%	90.34%
Depreciation, amortisation and impairment	5,320			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	85,149	29.26%	16.64%	33.00%
Net carrying amount of infrastructure assets	290,971			
3. Asset maintenance ratio				
Actual asset maintenance	5,179	1.02	0.94	0.54
Required asset maintenance	5,092			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	85,149	19.78%	14.57%	32.22%
Gross replacement cost	430,551			

### Notes

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

<sup>(1)</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.

# Riverina Water County Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

<p><b>1. Infrastructure renewals ratio</b></p> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 104.85%</b></p> <p>Significant capital projects, including large pipe replacements, have continued in 2016/17, which has resulted in a high ratio for the year.</p>
<p><b>2. Infrastructure backlog ratio</b></p> <p>Benchmark: <span style="color: blue;">—</span> Maximum <math>&lt; 2.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 29.26%</b></p> <p>Additional pipelines have been identified as needing replacement, which has significantly increased the ratio for 2016/17.</p>
<p><b>3. Asset maintenance ratio</b></p> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>&gt; 1.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 1.02 x</b></p> <p>Council has a regular maintenance program which is in place to ensure required maintenance is undertaken.</p>
<p><b>4. Cost to bring assets to agreed service level</b></p>	<p><b>Purpose of agreed service level ratio</b></p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 19.78%</b></p> <p>Additional pipelines being identified as needing replacement increased this ratio for 2016/17. The ratio was reducing over prior years due to the Wagga Water Treatment Plant construction.</p>