

Murrumbidgee Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Council Vision - A community built by an innovative mindset,
delivering appropriate and reliable services.

Our Purpose - To deliver quality services, creating a friendly,
welcoming and engaged community.



Murrumbidgee Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

35 Jerilderie Street
Jerilderie NSW 2716

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

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

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

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

Murrumbidgee Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Murrumbidgee Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 14 December 2018.



Ruth McRae

Mayor

14 December 2018



Robert Black

Councillor

14 December 2018



John Scarce

General Manager

14 December 2018



Vicki Sutton

Responsible Accounting Officer

14 December 2018

Murrumbidgee Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
5,355	Rates and annual charges	3a	5,269	5,305
3,325	User charges and fees	3b	2,443	3,240
571	Interest and investment revenue	3c	591	823
413	Other revenues	3d	331	619
6,932	Grants and contributions provided for operating purposes	3e,f	7,093	14,677
2,949	Grants and contributions provided for capital purposes	3e,f	1,754	12,234
Other income:				
27	Net gains from the disposal of assets	5	499	38
19,572	Total income from continuing operations		17,980	36,936
Expenses from continuing operations				
6,528	Employee benefits and on-costs	4a	7,372	7,555
32	Borrowing costs	4b	39	53
3,129	Materials and contracts	4c	3,579	5,481
4,832	Depreciation and amortisation	4d	6,134	5,282
1,752	Other expenses	4e	2,147	2,258
–	Revaluation decrement / impairment of IPP&E	4d	5,243	2,690
16,273	Total expenses from continuing operations		24,514	23,319
3,299	Operating result from continuing operations		(6,534)	13,617
3,299	Net operating result for the year		(6,534)	13,617
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	269,454
3,299	Net result for the year		(6,534)	283,071
3,299	Net result attributable to Council		(6,534)	283,071
Net operating result for the year before grants and contributions provided for capital purposes				
350			(8,288)	1,383

Murrumbidgee Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		(6,534)	283,071
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	4,243	–
Total items which will not be reclassified subsequently to the operating result		4,243	–
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		4,243	–
Total comprehensive income for the year		(2,291)	283,071
Total comprehensive income attributable to Council		(2,291)	283,071

Murrumbidgee Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	20,673	12,167
Investments	6b	5,120	17,449
Receivables	7	2,472	2,377
Inventories	8	1,728	1,263
Other	8	35	3
Total current assets		30,028	33,259
Non-current assets			
Receivables	7	7	–
Inventories	8	700	1,016
Infrastructure, property, plant and equipment	9	253,793	253,508
Intangible assets	10	313	313
Total non-current assets		254,813	254,837
TOTAL ASSETS		284,841	288,096
LIABILITIES			
Current liabilities			
Payables	11	972	1,664
Borrowings	11	100	82
Provisions	12	2,814	3,035
Total current liabilities		3,886	4,781
Non-current liabilities			
Borrowings	11	89	189
Provisions	12	86	55
Total non-current liabilities		175	244
TOTAL LIABILITIES		4,061	5,025
Net assets		280,780	283,071
EQUITY			
Accumulated surplus	13	276,537	283,071
Revaluation reserves	13	4,243	–
Total equity		280,780	283,071

Murrumbidgee Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	13/5/16	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		to 30/6/17	revaluation reserve	
					Accumulated surplus		
Opening balance		283,071	–	283,071	–	–	–
Net result for the year		(6,534)	–	(6,534)	283,071	–	283,071
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	4,243	4,243	–	–	–
Other comprehensive income		–	4,243	4,243	–	–	–
Total comprehensive income		(6,534)	4,243	(2,291)	283,071	–	283,071
Equity – balance at end of the reporting period		276,537	4,243	280,780	283,071	–	283,071

Murrumbidgee Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
5,355	Rates and annual charges		5,244	5,992
3,259	User charges and fees		1,217	3,081
571	Investment and interest revenue received		603	780
9,881	Grants and contributions		9,467	27,084
–	Bonds, deposits and retention amounts received		–	59
479	Other		2,177	1,657
Payments:				
(6,528)	Employee benefits and on-costs		(7,650)	(7,289)
(3,129)	Materials and contracts		(4,755)	(5,068)
(32)	Borrowing costs		(40)	(57)
–	Bonds, deposits and retention amounts refunded		(61)	–
(1,752)	Other		(3,003)	(3,537)
8,104	Net cash provided (or used in) operating activities	14b	3,199	22,702
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		14,949	437
770	Sale of real estate assets		456	34
296	Sale of infrastructure, property, plant and equipment		790	310
Payments:				
–	Purchase of investment securities		(2,620)	(17,449)
(9,802)	Purchase of infrastructure, property, plant and equipment		(8,031)	(8,618)
–	Purchase of real estate assets		(145)	(310)
–	Deferred debtors and advances made		(10)	–
(8,736)	Net cash provided (or used in) investing activities		5,389	(25,596)
Cash flows from financing activities				
Receipts:				
354	Proceeds from borrowings and advances		–	–
Payments:				
(147)	Repayment of borrowings and advances		(82)	(153)
207	Net cash flow provided (used in) financing activities		(82)	(153)
(425)	Net increase/(decrease) in cash and cash equivalents		8,506	(3,047)
23,500	Plus: cash and cash equivalents – beginning of year	14a	12,167	–
–	Plus: cash transferred on amalgamation of councils		–	15,214
23,075	Cash and cash equivalents – end of the year	14a	20,673	12,167
Additional Information:				
	plus: Investments on hand – end of year	6b	5,120	17,449
	Total cash, cash equivalents and investments		25,793	29,616

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 14/12/2018.

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

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.

Basis of preparation

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

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

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

The impact adopting this standard has had no impact on the reporting of Council's financial position or performance.

Note 21 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Coleambally Town Improvement
- Darlington Point Town Improvement
- Coleambally Water Supply Fund
- Darlington Point Water Supply Fund
- Jerilderie Water Supply Fund
- Coleambally Sewerage Fund
- Darlington Point Sewerage Fund
- Jerilderie Sewerage Fund

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

- Balmeringa Management Committee
- Central Coree Sports Complex Management Committee
- Yamma Recreation Reserve Management Committee
- Jerilderie Tidy Town Committee
- Coleambally Townlife Committee
- Darlington Point Townlife Committee

(b) The Trust Fund

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Wallis Estate
- Sundry Trust Deposits

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

- AASB 9 Financial Instruments

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

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

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

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

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Based on assessments to date, these standards may affect the timing of the recognition of some grants. However, the standards are not expected to have a material impact on Council's overall financial position, financial performance or cash flows.

- AASB 16 Leases

Council is currently a party to leases for printers/photocopiers that are not recognised in the Statement of Financial Position.

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).							
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations	Total assets held (current and non-current)
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2018
Governance and Administration	9,427	25,972	8,426	7,124	1,001	18,848	4,182	33,702
Public Order and Safety	167	410	511	620	(344)	(210)	164	1,844
Health	12	11	39	41	(27)	(30)	–	909
Environmental Protection	1,088	1,789	1,052	884	36	905	774	15,031
Community Services and Education	337	362	497	569	(160)	(207)	242	1,039
Housing and Community Amenities	178	173	827	682	(649)	(509)	45	3,017
Recreation and Cultural	410	424	1,666	1,864	(1,256)	(1,440)	362	14,235
Mining, Manufacturing and Construction	56	89	85	82	(29)	7	–	195
Transport and Communications	2,987	3,428	8,184	4,631	(5,197)	(1,203)	2,048	186,693
Economic Affairs	1,736	2,613	1,549	2,531	187	82	2	2,745
Water Supply	996	986	1,025	2,567	(29)	(1,581)	12	11,226
Sewerage Services	586	679	653	1,724	(67)	(1,045)	11	14,205
Total functions and activities	17,980	36,936	24,514	23,319	(6,534)	13,617	7,842	284,841

Murrumbidgee Council

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

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:

Governance and Administration

Governance and administration functions of Council, Council depot and general purpose revenue.

Public Order and Safety

Animal control, fire and emergency services.

Health

Health, food control and medical services.

Environmental Protection

Noxious plants, environmental protection, solid waste management, street cleaning, drainage and stormwater management.

Community Services and Education

Community services administration, aged and disabled services and children's services.

Housing and Community Amenities

Public cemeteries, public conveniences, street lighting, town planning and other community amenities.

Recreation and Cultural

Public libraries, museum, community centres and halls, other cultural activities, sports grounds and venues, swimming pools, parks and gardens, other sport and recreation.

Mining, Manufacturing and Construction

Building control, quarries and gravel pits.

Transport and Communications

Roads, bridges, footpaths, car parks, aerodrome, tree maintenance and radio communications.

Economic Affairs

Caravan parks, industrial development and promotion, real estate development, saleyards, tourism and area promotion, share farming, private works including State Road maintenance contracts and other business activities.

Water Supply

Provision of water supply to towns.

Sewerage Services

Provision of sewerage services to towns.

Murrumbidgee Council

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

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	277	264
Farmland	3,564	3,516
Business	101	97
Total ordinary rates	3,942	3,877
Special rates		
Town improvement	48	47
Total special rates	48	47
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	261	281
Stormwater management services	10	10
Water supply services	498	525
Sewerage services	482	534
Waste management services (non-domestic)	28	31
Total annual charges	1,279	1,381
TOTAL RATES AND ANNUAL CHARGES	5,269	5,305

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

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Murrumbidgee Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Water supply services	444	385
Sewerage services	17	18
Waste management services (non-domestic)	4	5
Total specific user charges	465	408
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	9	24
Building services – other	20	13
Planning and building regulation	32	14
Private works – section 67	550	503
Regulatory/ statutory fees	32	44
Registration fees	5	–
Section 149 certificates (EPA Act)	10	11
Section 603 certificates	5	5
Total fees and charges – statutory/regulatory	663	614
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Community centres	1	2
Fire and emergency services levy (FESL) implementation	10	–
Leaseback fees – Council vehicles	29	16
Park rents	1	2
RMS (formerly RTA) charges (state roads not controlled by Council)	991	1,909
Saleyards	15	9
Waste disposal tipping fees	5	4
Water connection fees	4	3
Cemetery	42	51
Community care services	90	100
Swimming pool	12	12
Other	115	110
Total fees and charges – other	1,315	2,218
TOTAL USER CHARGES AND FEES	2,443	3,240

Accounting policy for user charges and fees

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

Murrumbidgee Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	39	40
– Cash and investments	552	783
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>591</u>	<u>823</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	23	27
General Council cash and investments	460	637
Restricted investments/funds – external:		
Water fund operations	38	54
Sewerage fund operations	70	105
<u>Total interest and investment revenue recognised</u>	<u>591</u>	<u>823</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	182	171
Fines	1	1
Legal fees recovery – rates and charges (extra charges)	–	1
Commissions and agency fees	16	19
Diesel rebate	58	67
Insurance claim recoveries	–	268
Insurance incentives	21	39
Insurance rebates	14	18
Miscellaneous sales	1	1
Lease rentals	8	8
Licences and permits	1	–
Other	29	26
<u>TOTAL OTHER REVENUE</u>	<u>331</u>	<u>619</u>

Accounting policy for other revenue

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

Fines are recognised as revenue when the penalty has been paid.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Murrumbidgee Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	2,022	4,056	–	–
Payment in advance – future year allocation				
Financial assistance	2,134	2,091	–	–
Other				
Pensioners' rates subsidies – general component	18	19	–	–
Total general purpose	4,174	6,166	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	16	–	–
– Sewerage	11	12	–	–
– Domestic waste management	14	14	–	–
Economic development	2	20	–	–
Employment and training programs	8	3	–	–
Environmental protection	46	17	630	1,388
Heritage and cultural	–	–	90	9
Library	41	41	–	–
Noxious weeds	84	40	–	–
NSW rural fire services	156	215	8	112
Recreation and culture	–	3	–	–
Street lighting	45	43	–	–
Transport (roads to recovery)	1,439	1,463	–	–
Transport (other roads and bridges funding)	–	455	609	526
Other – New Council Implementation Fund	–	5,000	–	–
Other – Stronger Communities Fund	–	–	–	10,000
Community services	241	255	–	–
Stronger Country Communities	–	–	231	–
Other	1	79	–	–
Total specific purpose	2,100	7,676	1,568	12,035
Total grants	6,274	13,842	1,568	12,035
Grant revenue is attributable to:				
– Commonwealth funding	5,775	7,800	–	10
– State funding	499	6,042	1,568	12,025
	6,274	13,842	1,568	12,035

Murrumbidgee Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		–	–	6	–
Total developer contributions – cash		–	–	6	–
Total developer contributions	22	–	–	6	–
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		819	832	120	152
Tourism		–	–	–	47
Communications Tower		–	–	60	–
Other		–	3	–	–
Total other contributions – cash		819	835	180	199
Total other contributions		819	835	180	199
Total contributions		819	835	186	199
TOTAL GRANTS AND CONTRIBUTIONS		7,093	14,677	1,754	12,234

Accounting policy for contributions

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

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

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

Murrumbidgee Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	3,647	107
Add: operating grants recognised in the current period but not yet spent	524	3,623
Less: operating grants recognised in a previous reporting period now spent	(2,913)	(83)
Unexpended and held as restricted assets (operating grants)	1,258	3,647
Capital grants		
Unexpended at the close of the previous reporting period	9,197	22
Add: capital grants recognised in the current period but not yet spent	223	9,181
Less: capital grants recognised in a previous reporting period now spent	(1,256)	(6)
Unexpended and held as restricted assets (capital grants)	8,164	9,197
Contributions		
Unexpended at the close of the previous reporting period	426	253
Add: contributions recognised in the current period but not yet spent	488	173
Less: contributions recognised in a previous reporting period now spent	(426)	–
Unexpended and held as restricted assets (contributions)	488	426

Murrumbidgee Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	5,659	5,999
Travel expenses	190	143
Employee leave entitlements (ELE)	887	987
Superannuation	667	738
Workers' compensation insurance	276	299
Fringe benefit tax (FBT)	49	46
Training costs (other than salaries and wages)	72	76
Protective clothing	17	48
Other	23	39
Total employee costs	7,840	8,375
Less: capitalised costs	(468)	(820)
TOTAL EMPLOYEE COSTS EXPENSED	7,372	7,555
Number of 'full-time equivalent' employees (FTE) at year end	82	86
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	88	90

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

	2018	13/5/16 to 30/6/17
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	19	31
Total interest bearing liability costs expensed	19	31
(ii) Other borrowing costs		
Discount adjustments relating to movements in ELE provisions	20	22
Total other borrowing costs	20	22
TOTAL BORROWING COSTS EXPENSED	39	53

Accounting policy for borrowing costs

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

Murrumbidgee Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	4,404	6,442
Contractor and consultancy costs	2,224	4,092
– Waste collection	94	–
Auditors remuneration ⁽²⁾	64	57
Legal expenses:		
– Legal expenses: planning and development	8	5
– Legal expenses: debt recovery	–	4
– Legal expenses: other	21	34
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	9	7
Total materials and contracts	6,824	10,641
Less: capitalised costs	(3,245)	(5,160)
TOTAL MATERIALS AND CONTRACTS	3,579	5,481

Operating leases

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

1. Operating lease payments are attributable to:

Printers	9	7
	9	7

2. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Council.

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	64	57
Remuneration for audit and other assurance services	64	57
Total Auditor-General remuneration	64	57
Total Auditor remuneration	64	57

Murrumbidgee Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,033	1,147
Office equipment		114	89
Furniture and fittings		14	14
Land improvements (depreciable)		298	289
Infrastructure:			
– Buildings – non-specialised		165	166
– Buildings – specialised		516	349
– Other structures		20	2
– Roads		3,220	2,452
– Bridges		79	85
– Footpaths		66	71
– Other road assets		40	69
– Stormwater drainage		138	117
– Water supply network		271	280
– Sewerage network		265	263
– Swimming pools		34	39
– Other open space/recreational assets		34	28
Other assets:			
– Library books		8	11
Total gross depreciation and amortisation costs		6,315	5,471
Less: capitalised costs		(181)	(189)
Total depreciation and amortisation costs		6,134	5,282

Murrumbidgee Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – specialised		2,476	–
– Roads		2,488	–
– Bridges		279	–
– Water supply network		–	1,629
– Sewerage network		–	1,061
Total IPP&E impairment / revaluation decrement costs		5,243	2,690
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>11,377</u>	<u>7,972</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Impairment of financial assets

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	16	24
Bank charges	10	10
Contributions/levies to other levels of government		
– NSW - SES	7	8
– NSW fire brigade levy	19	18
– NSW rural fire service levy	267	297
– Mobile book library contribution	69	76
Councillor expenses – mayoral fee	25	30
Councillor expenses – councillors' fees	95	59
Councillors' expenses (incl. mayor) – other (excluding fees above)	50	58
Donations, contributions and assistance to other organisations (Section 356)	578	596
Election expenses	44	–
Electricity and heating	329	337
Fire control expenses	78	68
Insurance	294	379
Street lighting	94	92
Subscriptions and publications	11	9
Telephone and communications	105	125
Valuation fees	16	13
Subscriptions other	11	16
Rent	9	10
Subscriptions – shires association	20	33
<u>TOTAL OTHER EXPENSES</u>	<u>2,147</u>	<u>2,258</u>

Accounting policy for other expenses

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

Murrumbidgee Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Plant and equipment	9		
Proceeds from disposal – plant and equipment		790	310
Less: carrying amount of plant and equipment assets sold/written off		(488)	(270)
Net gain/(loss) on disposal		302	40
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(124)	(36)
Net gain/(loss) on disposal		(124)	(36)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		456	34
Less: carrying amount of real estate assets sold/written off		(135)	–
Net gain/(loss) on disposal		321	34
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		14,949	437
Less: carrying amount of financial assets sold/redeemed/matured		(14,949)	(437)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		499	38

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	2,550	1,602
Cash-equivalent assets		
– Short-term deposits	18,123	10,565
Total cash and cash equivalents	20,673	12,167

Accounting policy for cash and cash equivalents

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

Murrumbidgee Council

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	5,120	—	17,449	—
Total investments	5,120	—	17,449	—
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>25,793</u>	<u>—</u>	<u>29,616</u>	<u>—</u>
Held to maturity investments				
Long-term deposits	5,120	—	17,449	—
Total	5,120	—	17,449	—

Accounting policy for investments

Classification

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

Held to maturity investments

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

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

Murrumbidgee Council

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

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	25,793	–	29,616	–
attributable to:				
External restrictions (refer below)	15,800	–	18,986	–
Internal restrictions (refer below)	8,378	–	6,293	–
Unrestricted	1,615	–	4,337	–
	25,793	–	29,616	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Other	27	18
External restrictions – included in liabilities	27	18

External restrictions – other

Developer contributions – general	6	–
RMS contributions	482	426
Specific purpose unexpended grants	9,422	12,844
Water supplies	1,745	1,587
Sewerage services	3,612	3,575
Domestic waste management	74	104
Other special levies	432	432

External restrictions – other

External restrictions – other	15,773	18,968
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Total external restrictions	15,800	18,986
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Internal restrictions

Plant and vehicle replacement	1,609	1,422
Infrastructure replacement	2,862	3,172
Employees leave entitlement	1,620	1,460
Carry over works	102	204
Deposits, retentions and bonds	16	–
SES	15	15
Local environmental plan	20	20
Financial Assistance Grant advance payment	2,134	–

Total internal restrictions	8,378	6,293
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TOTAL RESTRICTIONS	24,178	25,279
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Murrumbidgee Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	436	–	411	–
Interest and extra charges	53	–	52	–
User charges and fees	1,605	–	343	–
Private works	58	–	66	–
Contributions to works	–	–	37	–
Accrued revenues				
– Interest on investments	71	–	84	–
Deferred debtors	3	7	–	–
Government grants and subsidies	173	–	786	–
Net GST receivable	84	–	228	–
Other debtors – insurance recovery	–	–	268	–
Other debtors	19	–	132	–
Total	2,502	7	2,407	–
Less: provision for impairment				
User charges and fees	(18)	–	(18)	–
Other debtors	(12)	–	(12)	–
Total provision for impairment – receivables	(30)	–	(30)	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,472</u>	<u>7</u>	<u>2,377</u>	<u>–</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	97	–	89	–
– Other	154	–	105	–
Sewerage services				
– Rates and availability charges	100	–	83	–
– Other	23	–	13	–
Total external restrictions	374	–	290	–
Unrestricted receivables	2,098	7	2,087	–
TOTAL NET RECEIVABLES	<u>2,472</u>	<u>7</u>	<u>2,377</u>	<u>–</u>

	2018	13/5/16 to 30/6/17
Movement in provision for impairment of receivables		
Balance at the beginning of the year	30	60
– amounts already provided for and written off this year	–	(30)
Balance at the end of the year	30	30

Murrumbidgee Council

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

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Murrumbidgee Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	1,302	700	976	1,016
Stores and materials	426	—	287	—
Total inventories at cost	1,728	700	1,263	1,016
<u>TOTAL INVENTORIES</u>	<u>1,728</u>	<u>700</u>	<u>1,263</u>	<u>1,016</u>
(b) Other assets				
Prepayments	34	—	—	—
Work in progress	1	—	3	—
<u>TOTAL OTHER ASSETS</u>	<u>35</u>	<u>—</u>	<u>3</u>	<u>—</u>
Externally restricted assets				
Water				
Stores and materials	25	—	28	—
Total water	25	—	28	—
Total externally restricted assets	25	—	28	
Total unrestricted assets	1,738	700	1,238	1,016
TOTAL INVENTORIES AND OTHER ASSETS	<u>1,763</u>	<u>700</u>	<u>1,266</u>	<u>1,016</u>

Murrumbidgee Council

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

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

(i) Other disclosures

(a) Details for real estate development

Residential		1,002	471	721	780
Industrial/commercial		300	229	255	236
Total real estate for resale		1,302	700	976	1,016

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		315	620	570	926
Development costs		987	80	406	90
Total costs		1,302	700	976	1,016
Total real estate for resale		1,302	700	976	1,016

Movements:

Real estate assets at beginning of the year		976	1,016	666	1,016
– Purchases and other costs		461	(316)	310	–
– WDV of sales (expense)	5	(135)	–	–	–
Total real estate for resale		1,302	700	976	1,016

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2018	2017
Real estate for resale	675	587
	675	587

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Inventory held for distribution

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

Real estate held for resale/capitalisation of borrowing costs

Real estate held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of real estate held for resale are those costs that would have been avoided if expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in I/S)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	2,436	–	2,436	–	776	–	–	–	(1,604)	–	–	1,608	–	1,608
Plant and equipment	12,244	7,213	5,031	–	1,655	(488)	(1,033)	–	35	–	–	12,214	7,014	5,200
Office equipment	741	436	305	–	116	–	(114)	–	–	–	–	857	550	307
Furniture and fittings	344	261	83	–	8	–	(14)	–	–	–	–	351	274	77
Land:														
– Operational land	2,403	–	2,403	–	–	–	–	–	–	–	311	2,714	–	2,714
– Community land	1,588	–	1,588	–	–	–	–	–	–	–	111	1,699	–	1,699
Land improvements – depreciable	10,073	2,444	7,629	22	983	(24)	(298)	–	–	–	992	11,324	2,020	9,304
Infrastructure:														
– Buildings – non-specialised	7,241	2,500	4,741	–	352	–	(165)	–	–	–	302	7,911	2,681	5,230
– Buildings – specialised	27,323	8,410	18,913	131	75	–	(516)	(2,476)	–	–	–	28,260	12,133	16,127
– Other structures	55	12	43	–	686	–	(20)	–	–	–	–	741	32	709
– Roads	141,420	27,571	113,849	1,314	1,643	(75)	(3,220)	(2,488)	781	–	–	163,862	52,058	111,804
– Bridges	6,444	3,433	3,011	–	–	–	(79)	(279)	–	–	–	6,649	3,996	2,653
– Footpaths	3,575	742	2,833	–	28	–	(66)	–	14	–	47	3,724	868	2,856
– Other road assets	4,850	1,401	3,449	–	44	–	(40)	–	–	(2,335)	58	2,091	915	1,176
– Bulk earthworks (non-depreciable)	62,808	–	62,808	–	98	–	–	–	58	–	978	63,942	–	63,942
– Stormwater drainage	9,420	4,038	5,382	15	41	(12)	(138)	–	329	2,335	737	13,123	4,434	8,689
– Water supply network	16,601	8,510	8,091	–	95	–	(271)	–	127	–	170	17,175	8,963	8,212
– Sewerage network	18,821	9,239	9,582	–	4	–	(265)	–	260	–	204	19,487	9,702	9,785
– Swimming pools	1,705	1,015	690	–	–	–	(34)	–	–	–	157	1,761	948	813
– Other open space/recreational assets	1,111	491	620	76	50	(13)	(34)	–	–	–	176	1,248	373	875
Other assets:														
– Library books	147	126	21	–	–	–	(8)	–	–	–	–	147	134	13
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	331,350	77,842	253,508	1,558	6,654	(612)	(6,315)	(5,243)	–	–	4,243	360,888	107,095	253,793

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 10	Playground equipment	20 to 50
Office furniture	5 to 20	Benches, seats etc.	40 to 50
Computer equipment	5 to 10		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	20 to 75
Other plant and equipment	5 to 20	Buildings: other	20 to 63
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	80 to 100
Bores	5 to 40	Culverts	50 to 80
Reticulation pipes: PVC	50 to 100	Flood control structures	100
Reticulation pipes: other	15 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	18 to 25	Bulk earthworks	infinite
Sealed roads: structure	100	Swimming pools	25 to 60
Unsealed roads	15 to 20	Other open space/recreational assets	25 to 60
Bridge: concrete	100		
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise only the land and buildings assets of the rural fire service.

Murrumbidgee Council

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

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	313	313
Net book value – opening balance	313	313
Closing values:		
Gross book value (30/6)	313	313
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>313</u>	<u>313</u>

¹ The net book value of intangible assets represent:

Water licences	313	313
	313	313

Accounting policy for intangible assets

Water Licences

Council holds a number of high and general security water licences which it recognises as an intangible asset. The water licences are individually tradeable on the open water licence sales market. The licences were obtained principally through land acquisitions where the water licence was attached to the land.

The water licences are now individually separated from the land and can be sold on a permanent or temporary transfer basis.

At present Council only trades the water entitlement associated with the water licences on a temporary basis. Income received from the sales of water entitlements are disclosed as other revenue.

No amortisation costs are applicable, as high and general security water licences have an indefinite life.

Water licences purchased are initially recorded at cost and are valued at least every 5 years based on market evidence. Water licences are tested for impairment annually based on market sales evidence. If the the recoverable amount is less than carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as impairment loss.

Murrumbidgee Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	828	–	1,387	–
Accrued expenses:				
– Borrowings	1	–	2	–
– Salaries and wages	50	–	107	–
– Other expenditure accruals	–	–	33	–
Advances	32	–	33	–
Security bonds, deposits and retentions	16	–	77	–
Other	45	–	25	–
Total payables	972	–	1,664	–
Borrowings				
Loans – secured ¹	100	89	82	189
Total borrowings	100	89	82	189
TOTAL PAYABLES AND BORROWINGS	1,072	89	1,746	189

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Other	27	–	18	–
Payables and borrowings relating to externally restricted assets	27	–	18	–
Total payables and borrowings relating to restricted assets	27	–	18	–
Total payables and borrowings relating to unrestricted assets	1,045	89	1,728	189
TOTAL PAYABLES AND BORROWINGS	1,072	89	1,746	189

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

Murrumbidgee Council

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

Note 11. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	271	(82)	–	–	–	189
TOTAL	271	(82)	–	–	–	189

(c) Financing arrangements

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

	2018	2017
Credit cards/purchase cards	68	66
Total financing arrangements	68	66
Drawn facilities as at balance date:		
– Credit cards/purchase cards	7	6
Total drawn financing arrangements	7	6
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	61	60
Total undrawn financing arrangements	61	60

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Murrumbidgee Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	837	–	876	–
Long service leave	1,942	85	2,119	54
ELE on-costs	35	1	40	1
<u>TOTAL PROVISIONS</u>	<u>2,814</u>	<u>86</u>	<u>3,035</u>	<u>55</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Internally restricted assets				
Employees leave entitlements	1,620	–	1,460	–
Provisions relating to internally restricted assets	1,620	–	1,460	–
Total provisions relating to restricted assets	1,620	–	1,460	–
Total provisions relating to unrestricted assets	1,194	86	1,575	55
<u>TOTAL PROVISIONS</u>	<u>2,814</u>	<u>86</u>	<u>3,035</u>	<u>55</u>

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

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

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

Provisions – employees benefits	1,539	1,565
	<u>1,539</u>	<u>1,565</u>

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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.

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

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.

Murrumbidgee Council

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	20,673	12,167
Balance as per the Statement of Cash Flows		20,673	12,167
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(6,534)	13,617
Adjust for non-cash items:			
Depreciation and amortisation		6,134	5,282
Net losses/(gains) on disposal of assets		(499)	(38)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		5,243	2,690
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(92)	312
Increase/(decrease) in provision for doubtful debts		–	(30)
Decrease/(increase) in inventories		(139)	(5)
Decrease/(increase) in other assets		(32)	127
Increase/(decrease) in payables		(559)	418
Increase/(decrease) in accrued interest payable		(1)	(4)
Increase/(decrease) in other accrued expenses payable		(90)	(59)
Increase/(decrease) in other liabilities		(42)	69
Increase/(decrease) in employee leave entitlements		(190)	323
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		3,199	22,702

Murrumbidgee Council

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

Note 15. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2018	2018
		Net profit	Net assets
1. Western Riverina Libraries	Provision of library services to member local government areas	14,407	439,298

Reasons for non-recognition

Council holds an 18.51% share of equity in the Western Riverina Libraries which it does not consider material and hence is not recognised in these statements.

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	471	–
Total commitments	471	–
These expenditures are payable as follows:		
Within the next year	471	–
Total payable	471	–
Sources for funding of capital commitments:		
Unrestricted general funds	471	–
Total sources of funding	471	–

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	9	10
Later than one year and not later than 5 years	7	16
Total non-cancellable operating lease commitments	16	26

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

Council has leases on a number of printer/copiers.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

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

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

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

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

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

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 51,543.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 45,419.

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

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around .04% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 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.

Murrumbidgee Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Tips and quarries restoration

Council operates a number of tips and quarries which will require rehabilitation and restoration at some future date. As at 30 June 2018 Council is unable to reliably estimate the financial cost of such work.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Murrumbidgee Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Western Riverina Libraries

Council is a member of the Western Riverina Libraries and has a 1/5th proportion of voting power of the organisation. Council's share in the assets, liabilities and outputs of the organisation is based on the proportional population share and is considered immaterial in amount. Refer note 15.

Murrumbidgee Council

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

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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
2018				
Possible impact of a 1% movement in interest rates	258	258	(258)	(258)
13/5/16 to 30/6/17				
Possible impact of a 1% movement in interest rates	121	121	(121)	(121)

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	96%	0%	88%
Overdue	100%	4%	100%	12%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
< 1 year overdue			347	264
1 – 2 years overdue			40	75
2 – 5 years overdue			42	53
> 5 years overdue			7	19
			436	411
Other receivables				
Current			1,988	1,757
0 – 30 days overdue			–	168
31 – 60 days overdue			2	5
61 – 90 days overdue			5	34
> 91 days overdue			78	32
			2,073	1,996

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	16	956	-	-	972	972
Loans and advances	7.97%	-	101	106	-	207	189
Total financial liabilities		16	1,057	106	-	1,179	1,161
2017							
Trade/other payables	0.00%	77	1,601	-	-	1,678	1,664
Loans and advances	7.98%	-	101	209	-	310	271
Total financial liabilities		77	1,702	209	-	1,988	1,935

Murrumbidgee Council

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

Note 19. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	5,355	5,269	(86)	(2%)	U
User charges and fees	3,325	2,443	(882)	(27%)	U
Council had budgeted for private works income that was not realised.					
Interest and investment revenue	571	591	20	4%	F
Other revenues	413	331	(82)	(20%)	U
Revenue from diesel fuel rebate was \$49,000 less than budget and property rental \$14,000 less than budget.					
Operating grants and contributions	6,932	7,093	161	2%	F
Capital grants and contributions	2,949	1,754	(1,195)	(41%)	U
Council had budgeted to receive capital contributions of \$1,625,000 for works on Carrathool Bridge, Conargo Road and Boyd Street however council was not engaged to carry out the works.					
Net gains from disposal of assets	27	499	472	1748%	F
Council sold a number of blocks of land which returned a profit, there were also significant gains on the sale of plant and equipment.					

Murrumbidgee Council

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

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
EXPENSES				
Employee benefits and on-costs	6,528	7,372	(844)	(13%) U
Employee costs were higher than budget due to additional staff employed in the project management office for the council merger implementation.				
Borrowing costs	32	39	(7)	(22%) U
Borrowing costs were more than budget due to variations in the discount on employee leave entitlements.				
Materials and contracts	3,129	3,579	(450)	(14%) U
Council had significant costs associated with the merger implementation.				
Depreciation and amortisation	4,832	6,134	(1,302)	(27%) U
Depreciation on a number of asset classes, including roads and buildings, increased following the asset revaluation on 1 July 2017. Additional depreciation was also recorded for plant & equipment and land improvements following the completion of the flood levee at Darlington Point.				
Other expenses	1,752	2,147	(395)	(23%) U
As part of the merger, council was required to allocate funds to community based projects which increased the donation expense.				
Revaluation decrement / impairment of IPP&E	–	5,243	(5,243)	0% U
The revaluation on 1 July 2017 resulted in significant revaluation decrements in specialised buildings, roads and bridges asset classes.				

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

Cash flows from operating activities	8,104	3,199	(4,905)	(60.5%) U
Receivables for user fees and charges increased significantly due to works on state roads being carried out near year end and therefore the invoices were issued to the RMS after 30 June. Employee, material costs and other expenses were also up as a result of the merger implementation.				
Cash flows from investing activities	(8,736)	5,389	14,125	(161.7%) F
When investments fell due council reinvested the funds for shorter terms therefore the funds are now held as cash and cash equivalents.				
Cash flows from financing activities	207	(82)	(289)	(139.6%) U
Council had proposed to borrow \$354,000 however the loan was not taken up.				

Murrumbidgee Council

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

Note 20. 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

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 that have been measured and recognised at fair values:

2018		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	5,200	—	5,200
Office equipment	30/06/18	—	307	—	307
Furniture & fittings	30/06/18	—	77	—	77
Library books	30/06/18	—	13	—	13
Operational land	1/07/17	—	—	2,714	2,714
Community land	1/07/17	—	—	1,699	1,699
Land improvements – depreciable	1/07/17	—	—	9,304	9,304
Buildings – non specialised	1/07/17	—	5,230	—	5,230
Buildings – specialised	1/07/17	—	—	16,127	16,127
Other structures	1/07/17	—	—	709	709
Roads	1/07/17	—	—	111,804	111,804
Bridges	1/07/17	—	—	2,653	2,653
Footpaths	1/07/17	—	—	2,856	2,856
Other road assets	1/07/17	—	—	1,176	1,176
Bulk earthworks (non depreciable)	1/07/17	—	—	63,942	63,942
Stormwater drainage	1/07/17	—	—	8,689	8,689
Water supply network	30/06/17	—	—	8,212	8,212
Sewerage network	30/06/17	—	—	9,785	9,785
Swimming pools	1/07/17	—	—	813	813
Other open space/recreational	1/07/17	—	—	875	875
Total infrastructure, property, plant and equipment		—	10,827	241,358	252,185
Intangible assets					
Water licences	30/06/18	—	313	—	313
Total intangible assets		—	313	—	313

Murrumbidgee Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	13/05/16	—	5,031	—	5,031
Office equipment	13/05/16	—	305	—	305
Furniture & fittings	13/05/16	—	83	—	83
Library books	13/05/16	—	21	—	21
Operational land	13/05/16	—	—	2,403	2,403
Community land	13/05/16	—	—	1,588	1,588
Land improvements – depreciable	13/05/16	—	—	7,629	7,629
Buildings – non specialised	13/05/16	—	4,741	—	4,741
Buildings – specialised	13/05/16	—	—	18,913	18,913
Other structures	13/05/16	—	—	43	43
Roads	13/05/16	—	—	113,849	113,849
Bridges	13/05/16	—	—	3,011	3,011
Footpaths	13/05/16	—	—	2,833	2,833
Other road assets	13/05/16	—	—	3,449	3,449
Bulk earthworks (non depreciable)	13/05/16	—	—	62,808	62,808
Stormwater drainage	13/05/16	—	—	5,382	5,382
Water supply network	30/06/17	—	—	8,091	8,091
Sewerage network	30/06/17	—	—	9,582	9,582
Swimming pools	13/05/16	—	—	690	690
Other open space/recreational	13/05/16	—	—	620	620
Total infrastructure, property, plant and equipment		—	10,181	240,891	251,072
Intangible assets					
Water licences	13/05/16	—	313	—	313
Total intangible assets		—	313	—	313

(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.

Murrumbidgee Council

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

Note 20. Fair value measurement (continued)

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. 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 inputs are as follows:

Infrastructure, property, plant and equipment

Plant and equipment, office equipment, furniture and fittings and library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

Plant & equipment	-	Grader, trucks, rollers, tractors, motor vehicles and etc.
Office equipment	-	Computers, copiers, tablets, phones and etc.
Furniture & fittings	-	Chairs, desks, cupboards, cabinets and etc.
Library books	-	Books and other audio visual media

There has been no change to the valuation process during the reporting period.

Non specialised buildings were valued by JRA (a division of Technology One) as at 1/7/17. The carrying amount of these assets is assumed to approximate market value due to the nature of the items, being substantially residential housing, which provides for regard to supply and demand conditions for this category of property.

The revaluation process identified variations in anticipated useful life of the buildings with a small upward movement in the fair value of these assets.

Intangible assets

Water licences are valued at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value, based on water pricing and licence types.

There has been no change to the valuation process during the reporting period.

Murrumbidgee Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

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

	I,PP&E	Total
Balance on transfer from former Councils	244,809	244,809
Transfers from/(to) level 2 FV hierarchy	(3,238)	(3,238)
Purchases (GBV)	6,091	6,091
Disposals (WDV)	(37)	(37)
Depreciation and impairment	(6,734)	(6,734)
Closing balance – 30/6/17	240,891	240,891
Purchases (GBV)	6,874	6,874
Disposals (WDV)	(124)	(124)
Depreciation and impairment	(10,224)	(10,224)
FV gains – other comprehensive income	3,941	3,941
Closing balance – 30/6/18	241,358	241,358

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Operational land	2,714	Land Values	NSW Valuer General's Valuations
Community Land	1,699	Land Values	NSW Valuer General's Valuations
Land Improvements	9,304	Depreciated Replacement Cost	Pattern of consumption, asset condition
Buildings Specialised	16,127	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other Structures	709	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Roads	111,804	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Bridges	2,653	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Footpaths	2,856	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other road assets	1,176	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Bulk Earthworks	63,942	Gross Replacement Cost	Asset condition, consumption rate, useful life
Stormwater Drainage	8,689	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Water Supply Network	8,212	Depreciated Replacement Cost	Asset condition, components, consumption rate, useful life
Sewerage Network	9,785	Depreciated Replacement Cost	Asset condition, components, consumption rate, useful life
Swimming Pools	813	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other open space/recreational assets	875	Depreciated Replacement Cost	Asset condition, consumption rate, useful life

Murrumbidgee Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

b. The valuation process for level 3 fair value measurements

The valuation processes used have been described above.

Management determines the valuation process and who will undertake the work.

Movements in valuations are reviewed by Council's asset and finance staff.

All valuations were completed by Technology One (formerly JRA) with the exception of Operational and Community Land which were valued using NSW Valuer General's Valuations.

(7). Highest and best use

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$ '000

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:

Compensation:	2018
Short-term benefits	989
Post-employment benefits	99
Other long-term benefits	146
Termination benefits	158
Total	1,392

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	\$ '000	\$ '000		\$ '000	\$ '000
2018					
Employee expenses relating to close family members of KMP.	440	-	Local Government (State) Award	-	-
Related Parties, which are Suppliers of Council, supplying goods and services, such as plumbing works and veterinary services, procured utilising Council's procedures & plans for procurement.	24	-	30 days payment	-	-

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 levies – under a plan	–	6	–	–	–	–	6	–
Total S7.11 and S7.12 revenue under plans	–	6	–	–	–	–	6	–
Total contributions	–	6	–	–	–	–	6	–

S7.12 LEVIES – UNDER A PLAN

MURRUMBIDGEE COUNCIL DEVELOPER CONTRIBUTION PLAN

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					
Community facilities	–	6	–	–	–	–	6	–
Total	–	6	–	–	–	–	6	–

Murrumbidgee Council

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

Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	552	521	4,196
User charges and fees	461	20	1,962
Interest and investment revenue	38	70	487
Other revenues	1	4	326
Grants and contributions provided for operating purposes	12	11	7,070
Grants and contributions provided for capital purposes	–	–	1,754
Other income			
Net gains from disposal of assets	–	–	499
Total income from continuing operations	1,064	626	16,294
Expenses from continuing operations			
Employee benefits and on-costs	181	109	7,082
Borrowing costs	–	–	43
Materials and contracts	282	152	3,145
Depreciation and amortisation	275	271	5,588
Other expenses	292	121	1,734
Revaluation decrement / impairment of IPP&E	–	–	5,243
Total expenses from continuing operations	1,030	653	22,835
Operating result from continuing operations	34	(27)	(6,541)
Net operating result for the year	34	(27)	(6,541)
Net result attributable to each council fund	34	(27)	(6,541)
Net operating result for the year before grants and contributions provided for capital purposes	34	(27)	(8,295)

¹ General fund refers to all Council's activities other than Water and Sewer.

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

Murrumbidgee Council

Notes to the Financial Statements
as at 30 June 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,745	3,612	15,316
Investments	–	–	5,120
Receivables	252	123	2,097
Inventories	25	–	1,703
Other	–	46	35
Total current assets	2,022	3,781	24,271
Non-current assets			
Receivables	–	–	7
Inventories	–	–	700
Infrastructure, property, plant and equipment	8,994	10,305	234,494
Intangible assets	210	–	103
Other	–	119	–
Total non-current assets	9,204	10,424	235,304
TOTAL ASSETS	11,226	14,205	259,575
LIABILITIES			
Current liabilities			
Payables	–	–	972
Borrowings	–	–	146
Provisions	–	–	2,814
Total current liabilities	–	–	3,932
Non-current liabilities			
Borrowings	–	–	208
Provisions	–	–	86
Total non-current liabilities	–	–	294
TOTAL LIABILITIES	–	–	4,226
Net assets	11,226	14,205	255,349
EQUITY			
Accumulated surplus	11,046	13,999	251,492
Revaluation reserves	180	206	3,857
Total equity	11,226	14,205	255,349

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Murrumbidgee Council

Notes to the Financial Statements

as at 30 June 2018

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

Details of individual internal loans for the year ended 30 June 2018

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref	Council ID / Ref
Borrower (by purpose)	Library Construction	Real Estate Dev
Lender (by purpose)	Sewer Fund	Sewer Fund
Date of minister's approval	11/09/2018	4/09/2013
Date raised	31/03/2009	1/04/2014
Term (years)	10	10
Dates of maturity	31/03/2019	1/04/2024
Rate of interest	variable	variable
Amount originally raised	285,000	250,000
Total repaid during year (principal and interest)	29,352	28,626
Principal outstanding at end of year	21,375	143,749

Murrumbidgee Council

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

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

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(3,544)	-22.53%	5.45%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	15,727			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	8,634	49.39%	27.07%	> 60.00%
Total continuing operating revenue ⁽¹⁾	17,481			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	13,154	5.67x	4.18x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	2,320			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	2,629	21.73x	45.49x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	121			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	489	8.47%	7.13%	< 10% regional & rural
Rates, annual and extra charges collectible	5,771			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	25,793	19.85 mths	22.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	1,299			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-25.30%	17.59%	3.20%	-158.94%	-4.31%	-150.78%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	44.12%	23.57%	98.87%	98.34%	98.24%	98.30%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	5.67x	4.18x	No liabilities	No liabilities	No liabilities	No liabilities	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	17.16x	42.79x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.94%	5.42%	16.74%	15.84%	18.36%	14.77%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.97	18.18	27.74	1,588.00	113.47	1,788.00	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

END OF AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Murrumbidgee Council

To the Councillors of the Murrumbidgee Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan
Director

21 December 2018
SYDNEY

Cr Ruth McRae
Mayor
Murrumbidgee Council
PO Box 96
JERILDERIE NSW 2716

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D18301920/1764

21 December 2018

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 Murrumbidgee Council

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

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

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

INCOME STATEMENT

Operating result

	2018 \$m	2017* \$m	Variance %
Rates and annual charges revenue	5.3	5.3	0.7
User charges and fees	2.4	3.2	24.6
Grants and contributions revenue	8.8	26.9	67.1
Materials and contracts	3.6	5.5	34.3
Operating result for the year	(6.5)	13.6	148

Operating result cont'd

	2018 \$m	2017* \$m	Variance %
Net operating result before capital amounts	(8.3)	1.4	699

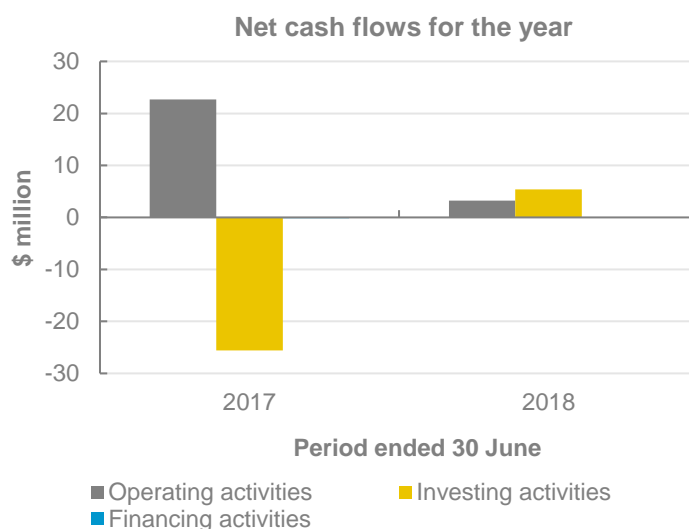
* The initial reporting period of Council was from 13 May 2016 to 30 June 2017.

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

- Rates and annual charges revenue was \$5.3 million (\$5.3 million for the period ended 30 June 2017). The decrease of 0.7 per cent is due to the Council having a longer reporting period in FY17 from 13 May 2016 to 30 June 2017. Otherwise, there was a permissible rate increase of 1.5 per cent granted by the Minister for Local Government.
- User charges and fees revenue was \$2.4 million (\$3.2 million for the period ended 30 June 2017). The movement is mainly attributable to the reduction in RMS income.
- Grants and contributions revenue was \$8.8 million (\$26.9 million for the period ended 30 June 2017). The movement is mainly due to merger funding provided in the prior year as a result of the amalgamation of the former Councils. This includes the Stronger Communities (\$10 million) and merger implementation funding (\$5 million). There was also a reduction in financial assistance grants of \$2 million.
- Materials and contracts was \$3.6 million (\$5.5 million for the period ended 30 June 2017). The movement is mainly due to a reduction in contractor and consultancy costs of \$1.8 million from the prior year relating to the merger.
- Council's operating result was a \$6.5 million deficit (\$13.6 million surplus for the period ended 30 June 2017). The decrease is mainly attributed to the \$15 million merger funding received by the newly amalgamated Council in the previous financial period. The Council budgeted for a surplus of \$3.3 million.
- The Council's net operating result before capital grants and contributions was a deficit of \$8.3 million (\$1.4 million deficit for the period ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$20.7 million at 30 June 2018 (\$12.2 million for the period ended 30 June 2017). There was a net increase in cash and cash equivalents of \$8.5 million for the period ended 30 June 2018.
- Net cash provided by operating activities has decreased by \$19.5 million. This is mainly due to the decrease in cash receipts from grants and contributions of \$17.6 million and user charges and fees of \$1.9 million.
- Net cash provided by investing activities has increased by \$31 million due to sales of investment securities of \$15.0 million and a \$14.8 million reduction in the purchase of investment securities.
- Net cash used in financing activities of \$82 thousand has remained relatively consistent from the previous financial period (2017: \$153 thousand).



FINANCIAL POSITION

Cash and investments

Cash and investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	15,800	18,986	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in external restrictions is primarily due to the reduction of unexpended specific purpose grants of \$3.4 million.
Internal restrictions	8,378	6,293	
Unrestricted	1,615	4,337	
Cash and investments	25,793	29,616	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internal restrictions is due to the Financial Assistance Grant payment in advance of \$2.1 million. Unrestricted cash and investments was \$1.6 million which is available to provide liquidity for day-to-day operations of the Council. This has reduced from \$4.3 million as at 30 June 2017 due to more cash being internally restricted.

Debt

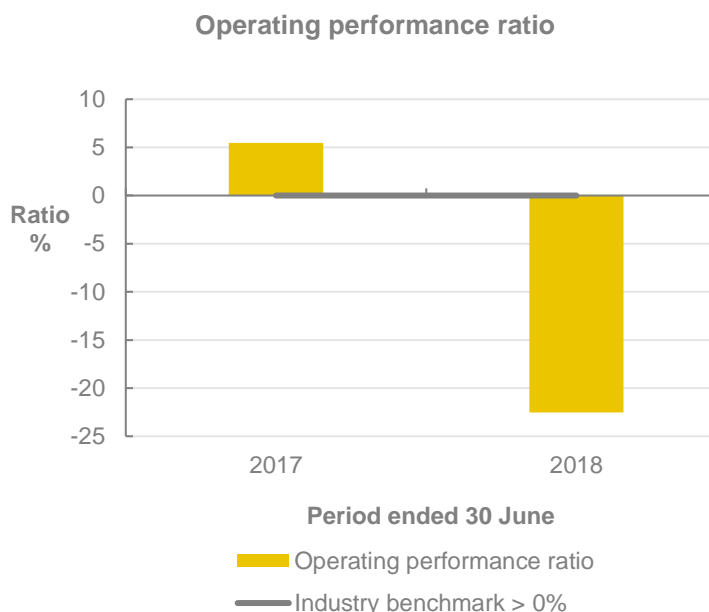
- Council has \$189 thousand of borrowings as at 30 June 2018 (2017: \$271 thousand).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24(a) of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

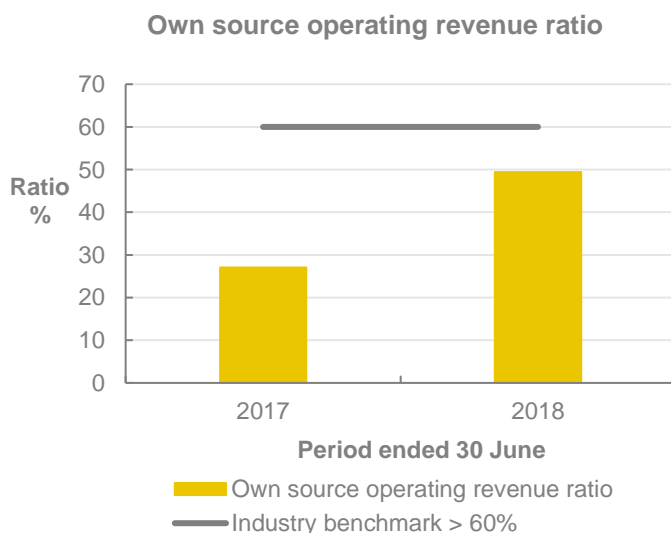
Operating performance ratio

- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero percent.
- The operating performance ratio of (22.53%) is below the industry benchmark of greater than zero percent.
- The operating performance ratio of (22.53%) (2017: 5.45%) has decreased due to the reduction in operational grant income. In the prior period, \$5 million of merger implementation grant funding was received. There has also been a reduction in Financial Assistance Grants received of \$1.99 million.



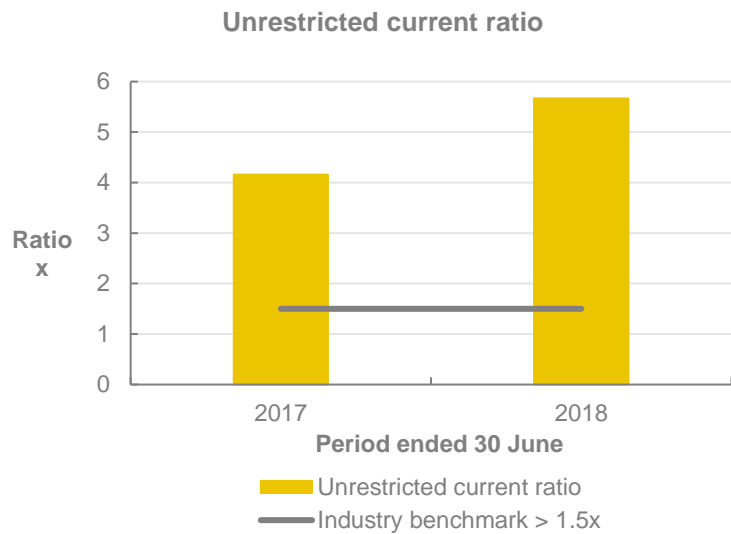
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60%.
- The Council's own source operating revenue ratio of 49.39% is below the industry benchmark of 60%. This indicates that the Council is reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased to 49.39% (2017: 27.07%) as there was less funding received from grants and contributions in the current year.



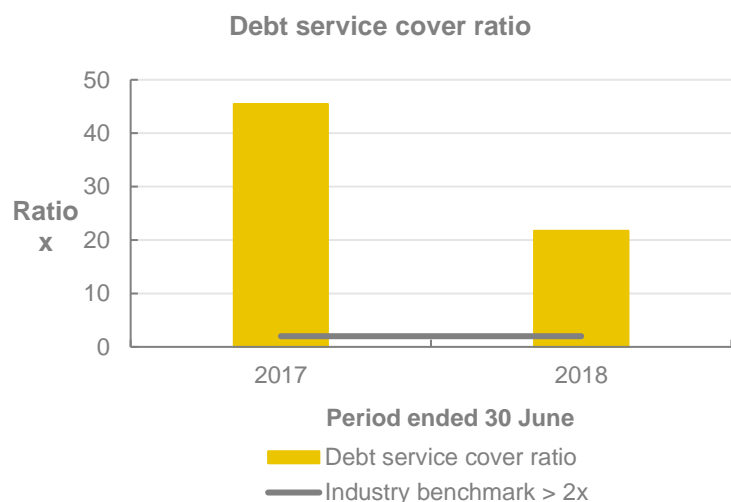
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 5.67 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio of 5.67 times (2017: 4.18 times) has increased due to the reduction in current liabilities.



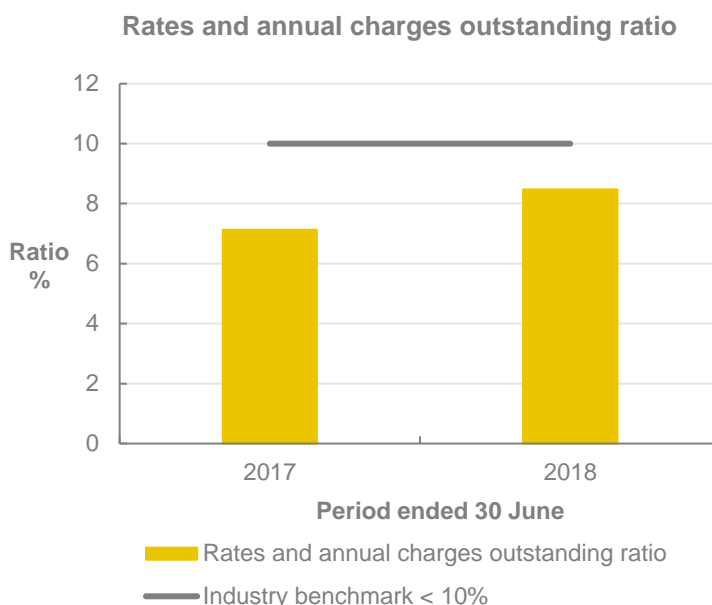
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 21.73 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- The Council's debt service cover ratio of 21.73 times (2017: 45.49 times) has decreased due to the decrease in the operating result before capital amounts.



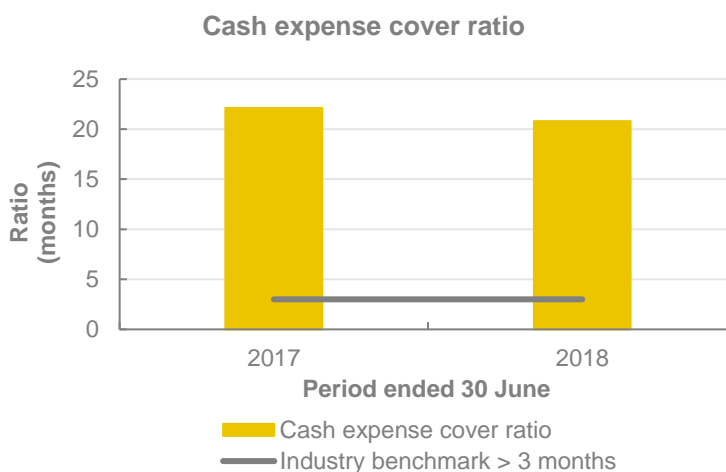
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10% for regional and rural Councils.
- The Council's rates and annual charges outstanding ratio of 8.47% has achieved the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has remained steady compared with the prior year.



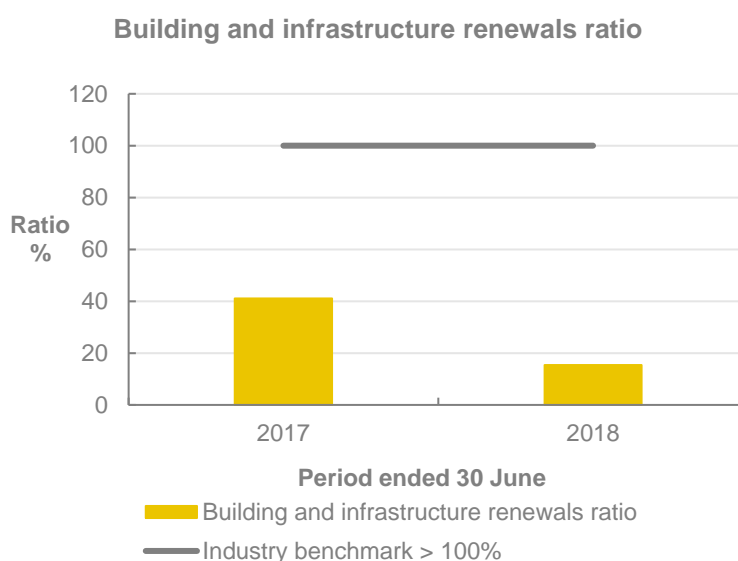
Cash expense cover ratio

- The 'cash expense cover ratio' indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 19.85 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 19.85 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The cash expense cover ratio decreased to 19.85 months (2017: 22.10 months) due to the reduction in cash, cash equivalents and investments held of \$3.8 million.



Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%. This ratio is sourced from Council's Special Schedule 7 which has not been audited.
- The Council's building and infrastructure renewals ratio of 15.44% is below the industry benchmark of greater than 100%. Council needs to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.
- The Council's building and infrastructure renewals ratio of 15.44% is not consistent with the prior period (2017: 41.04%) due to the revaluation decrements for specialised buildings, roads and bridges of \$5.2 million in the current year.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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:

- compensation paid to their key management personnel;
- nature of their related party relationships; and
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

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

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11(b).

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

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash generating, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

cc: John Scarce, General Manager
Vicki Sutton, Manager Corporate & Finance
David Maxwell, Internal Audit, Risk and Improvement Committee Chair
Tim Hurst, Chief Executive of the Office of Local Government

Murrumbidgee Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Council Vision - A community built by an innovative mindset,
delivering appropriate and reliable services.

Our Purpose - To deliver quality services, creating a friendly,
welcoming and engaged community.



Murrumbidgee Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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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).
-

Murrumbidgee Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 14 December 2018.



Ruth McRae

Mayor

14 December 2018



Robert Black

Councillor

14 December 2018



John Scarce

General Manager

14 December 2018



Vicki Sutton

Responsible Accounting Officer

14 December 2018

Murrumbidgee Council

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

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	552	555
User charges	456	393
Fees	5	4
Interest	38	54
Grants and contributions provided for non-capital purposes	12	17
Other income	1	–
Total income from continuing operations	1,064	1,023
Expenses from continuing operations		
Employee benefits and on-costs	181	156
Materials and contracts	282	283
Depreciation, amortisation and impairment	275	1,914
Water purchase charges	9	11
Other expenses	283	285
Total expenses from continuing operations	1,030	2,649
Surplus (deficit) from continuing operations before capital amounts	34	(1,626)
Surplus (deficit) from continuing operations after capital amounts	34	(1,626)
Surplus (deficit) from all operations before tax	34	(1,626)
Less: corporate taxation equivalent (30%) [based on result before capital]	(10)	–
SURPLUS (DEFICIT) AFTER TAX	24	(1,626)
Plus opening retained profits	11,012	12,638
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	10	–
Closing retained profits	11,046	11,012
Return on capital %	0.4%	-18.1%
Subsidy from Council	203	1,840
Calculation of dividend payable:		
Surplus (deficit) after tax	24	(1,626)
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	24	–
Potential dividend calculated from surplus	12	–

Murrumbidgee Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	521	556
User charges	20	16
Liquid trade waste charges	—	7
Interest	70	112
Grants and contributions provided for non-capital purposes	11	12
Other income	4	2
Total income from continuing operations	626	705
Expenses from continuing operations		
Employee benefits and on-costs	109	127
Materials and contracts	152	165
Depreciation, amortisation and impairment	271	1,329
Other expenses	121	147
Total expenses from continuing operations	653	1,768
Surplus (deficit) from continuing operations before capital amounts	(27)	(1,063)
Surplus (deficit) from continuing operations after capital amounts	(27)	(1,063)
Surplus (deficit) from all operations before tax	(27)	(1,063)
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	(27)	(1,063)
Plus opening retained profits	14,026	15,089
Closing retained profits	13,999	14,026
Return on capital %	-0.3%	-10.5%
Subsidy from Council	298	1,304
Calculation of dividend payable:		
Surplus (deficit) after tax	(27)	(1,063)
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Murrumbidgee Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	1,745	1,587
Receivables	252	194
Inventories	25	28
Total current assets	2,022	1,809
Non-current assets		
Infrastructure, property, plant and equipment	8,994	8,993
Intangible assets	210	210
Total non-current assets	9,204	9,203
TOTAL ASSETS	11,226	11,012
TOTAL LIABILITIES	–	–
NET ASSETS	11,226	11,012
EQUITY		
Accumulated surplus	11,046	11,012
Revaluation reserves	180	–
TOTAL EQUITY	11,226	11,012

Murrumbidgee Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,612	3,575
Receivables	123	97
Other	46	54
Total current Assets	3,781	3,726
Non-current assets		
Infrastructure, property, plant and equipment	10,305	10,135
Other	119	165
Total non-current assets	10,424	10,300
TOTAL ASSETS	14,205	14,026
TOTAL LIABILITIES	–	–
NET ASSETS	14,205	14,026
EQUITY		
Accumulated surplus	13,999	14,026
Revaluation reserves	206	–
TOTAL EQUITY	14,205	14,026

Murrumbidgee Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Murrumbidgee Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

a. Murrumbidgee Council Water Funds

Comprising the whole of the water supply operations and net assets servicing the Council area.

Murrumbidgee Council

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

Note 1. Significant accounting policies (continued)

b. Murrumbidgee Council Sewerage Funds

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the Council area.

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 Crown Lands and Water (CLAW), 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.

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

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

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

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

Income tax

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

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

Murrumbidgee Council

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

Note 1. Significant accounting policies (continued)

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. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Murrumbidgee Council

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

Note 1. Significant accounting policies (continued)

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Murrumbidgee Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	4,182
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(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]	11,900
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	41,820
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	(1,535,700)

2018 Surplus	23,800	2017 Surplus	(1,626,000)	2016 Surplus	66,500
		2017 Dividend	–	2016 Dividend	–

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	NO
(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]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	NO
(iv)	Sound drought management implemented	NO
(v)	Complete performance reporting form (by 15 September each year)	NO
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Murrumbidgee Council

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

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,036
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	45.20%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	8,212
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	741
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	97
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.22%
NWI F26	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

Murrumbidgee Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="3,717"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value="–"/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="–"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="37,170"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	<input type="text" value="(1,112,000)"/>

2018 Surplus	<input type="text" value="(27,000)"/>	2017 Surplus	<input type="text" value="(1,063,000)"/>	2016 Surplus	<input type="text" value="(22,000)"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="n/a"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="text" value="YES"/>

3. Required outcomes for 4 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)	<input type="text" value="NO"/>
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="YES"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="YES"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="YES"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="NO"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="NO"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

Murrumbidgee Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	562
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	9,785
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	379
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	235
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.85%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,598
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.44%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	332
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.35%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Murrumbidgee Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	-21.06%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		(68)
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		(92)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	7
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	23
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Murrumbidgee Council

To the Councillors of the Murrumbidgee Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Murrumbidgee Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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 are:

- Water Supply
- Sewage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial 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 Information

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

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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 best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan
Director, Financial Audit Services

21 December 2018
SYDNEY

Murrumbidgee Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

Council Vision - A community built by an innovative mindset,
delivering appropriate and reliable services.

Our Purpose - To deliver quality services, creating a friendly,
welcoming and engaged community.



Murrumbidgee Council

Special Schedules for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Murrumbidgee Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	228	–	–	(228)
Administration	8,198	768	60	(7,370)
Public order and safety				
Fire service levy, fire protection, emergency services	472	156	8	(308)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	39	3	–	(36)
Other	–	–	–	–
Total public order and safety	511	159	8	(344)
Health	39	12	–	(27)
Environment				
Noxious plants and insect/vermin control	162	84	–	(78)
Other environmental protection	195	47	630	482
Solid waste management	344	317	–	(27)
Street cleaning	28	–	–	(28)
Drainage	–	–	–	–
Stormwater management	323	10	–	(313)
Total environment	1,052	458	630	36
Community services and education				
Administration and education	11	4	–	(7)
Social protection (welfare)	1	–	–	(1)
Aged persons and disabled	475	332	–	(143)
Children's services	10	1	–	(9)
Total community services and education	497	337	–	(160)
Housing and community amenities				
Public cemeteries	90	42	–	(48)
Public conveniences	93	–	–	(93)
Street lighting	97	45	–	(52)
Town planning	230	69	–	(161)
Other community amenities	317	16	6	(295)
Total housing and community amenities	827	172	6	(649)
Water supplies	1,025	996	–	(29)
Sewerage services	653	586	–	(67)

Murrumbidgee Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	275	44	–	(231)
Museums	101	–	90	(11)
Art galleries	–	–	–	–
Community centres and halls	182	10	–	(172)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	32	–	–	(32)
Sporting grounds and venues	356	6	231	(119)
Swimming pools	252	12	–	(240)
Parks and gardens (lakes)	415	–	–	(415)
Other sport and recreation	53	17	–	(36)
Total recreation and culture	1,666	89	321	(1,256)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	42	34	–	(8)
Other mining, manufacturing and construction	43	22	–	(21)
Total mining, manufacturing and const.	85	56	–	(29)
Transport and communication				
Urban roads (UR) – local	463	–	–	(463)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,299	1,439	601	(259)
Sealed rural roads (SRR) – regional	828	819	120	111
Unsealed rural roads (URR) – local	4,348	–	–	(4,348)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	5	–	–	(5)
Bridges on SRR – local	75	–	–	(75)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	77	–	8	(69)
Aerodromes	32	–	–	(32)
Other transport and communication	57	–	–	(57)
Total transport and communication	8,184	2,258	729	(5,197)
Economic affairs				
Camping areas and caravan parks	23	8	–	(15)
Other economic affairs	1,526	1,728	–	202
Total economic affairs	1,549	1,736	–	187
Totals – functions	24,514	7,627	1,754	(15,133)
General purpose revenues ⁽¹⁾		8,599		8,599
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	24,514	16,226	1,754	(6,534)

(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

Murrumbidgee Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18
		Former Jerilderie Shire Council	Former Murrumbidgee Shire Council	Murrumbidgee Council	Former Murrumbidgee Shire Council	Murrumbidgee Council
Notional general income calculation ⁽¹⁾						
Last year notional general income yield	a	2,066	1,987	4,053	1,955	3,991
Plus or minus adjustments ⁽²⁾	b	11	22	33	–	–
Notional general income	c = (a + b)	2,077	2,009	4,086	1,955	3,991
Permissible income calculation						
Special variation percentage ⁽³⁾	d					
Or rate peg percentage	e	2.30%	2.30%	2.30%	1.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f					
Less expiring special variation amount	g	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	–
Or plus rate peg amount	i = c x e	48	46	94	29	60
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–
Sub-total	k = (c + g + h + i + j)	2,125	2,055	4,180	1,984	4,051
Plus (or minus) last year's carry forward total	l	1	(3)	(2)	–	–
Less valuation objections claimed in the previous year	m	–	–	–	–	–
Sub-total	n = (l + m)	1	(3)	(2)	–	–
Total permissible income	o = k + n	2,125	2,053	4,178	1,984	4,051
Less notional general income yield	p	2,125	2,052	4,177	1,987	4,053
Catch-up or (excess) result	q = o – p	–	1	1	(3)	(2)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–
Carry forward to next year	t = q + r – s	–	1	1	(3)	(2)

Murrumbidgee Council

Special Schedule 2 – Permissible income for general rates (continued) for the year ended 30 June 2019

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a return (FDR) to administer this process.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Murrumbidgee Council

To the Councillors of Murrumbidgee Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Murrumbidgee Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Lawrissa Chan
Director, Financial Audit Services

21 December 2018
SYDNEY

Murrumbidgee Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income Expenses		
1. Management expenses		
a. Administration	59	48
b. Engineering and supervision	167	197
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	3	4
d. Maintenance expenses	88	102
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	21	25
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	133	114
i. Maintenance expenses	27	24
– Treatment		
j. Operation expenses (excluding chemical costs)	2	2
k. Chemical costs	65	55
l. Maintenance expenses	76	95
– Other		
m. Operation expenses	–	3
n. Maintenance expenses	93	45
o. Purchase of water	7	9
3. Depreciation expenses		
a. System assets	271	281
b. Plant and equipment	4	5
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	1,629
c. Other expenses	14	9
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,030	2,647

Murrumbidgee Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges		
a. Access (including rates)	451	445
b. Usage charges	372	296
7. Non-residential charges		
a. Access (including rates)	101	108
b. Usage charges	85	98
8. Extra charges	10	7
9. Interest income	28	47
10. Other income	5	5
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	12	17
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	1,064	1,023
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	34	(1,624)
15a. Operating result (less grants for acquisition of assets)	34	(1,624)

Murrumbidgee Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
B Capital transactions Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	86	–
b. New assets for growth	11	40
c. Renewals	–	2
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	97	42
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,113	1,108
b. Residential (unoccupied, ie. vacant lot)	107	74
c. Non-residential (occupied)	145	143
d. Non-residential (unoccupied, ie. vacant lot)	29	30
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 21,058	\$ 21,150

Murrumbidgee Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,745	–	1,745
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	97	–	97
c. User charges	151	–	151
d. Other	3	–	3
27. Inventories	25	–	25
28. Property, plant and equipment			
a. System assets	–	8,212	8,212
b. Plant and equipment	–	783	783
29. Other assets	–	210	210
30. Total assets	2,021	9,205	11,226
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	2,021	9,205	11,226
EQUITY			
37. Accumulated surplus			11,046
38. Asset revaluation reserve			180
39. Other reserves			–
40. TOTAL EQUITY			11,226
Note to system assets:			
41. Current replacement cost of system assets			17,175
42. Accumulated current cost depreciation of system assets			(8,963)
43. Written down current cost of system assets			8,212

Murrumbidgee Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income Expenses		
1. Management expenses		
a. Administration	21	17
b. Engineering and supervision	114	108
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	21	22
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	21	32
e. Maintenance expenses	79	96
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	21	23
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	71	82
– Other		
l. Operation expenses	11	8
m. Maintenance expenses	20	31
3. Depreciation expenses		
a. System assets	265	263
b. Plant and equipment	6	6
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	1,061
c. Other expenses	3	19
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	653	1,768

Murrumbidgee Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges (including rates)	456	485
7. Non-residential charges		
a. Access (including rates)	63	71
b. Usage charges	14	15
8. Trade waste charges		
a. Annual fees	2	3
b. Usage charges	6	5
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	6	6
10. Interest income	64	106
11. Other income	4	2
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	11	12
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	626	705
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	(27)	(1,063)
16a. Operating result (less grants for acquisition of assets)	(27)	(1,063)

Murrumbidgee Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	235	297
c. Renewals	–	–
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	235	297
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,020	1,018
b. Residential (unoccupied, ie. vacant lot)	65	55
c. Non-residential (occupied)	144	143
d. Non-residential (unoccupied, ie. vacant lot)	10	10
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 20,533	\$ 22,189

Murrumbidgee Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	3,612	—	3,612
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	100	—	100
c. User charges	—	—	—
d. Other	23	—	23
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	9,785	9,785
b. Plant and equipment	—	520	520
30. Other assets	46	119	165
31. Total assets	3,781	10,424	14,205
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	3,781	10,424	14,205
EQUITY			
38. Accumulated surplus			13,999
39. Asset revaluation reserve			206
40. Other reserves			—
41. TOTAL EQUITY			14,205
Note to system assets:			
42. Current replacement cost of system assets			19,487
43. Accumulated current cost depreciation of system assets			(9,702)
44. Written down current cost of system assets			9,785

Murrumbidgee Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 ⁽²⁾ (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 ⁽²⁾ (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:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

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

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	–	–	–	–	5,230	7,911	9%	68%	21%	2%	0%
	Buildings – specialised	–	–	212	290	16,127	28,260	9%	68%	21%	2%	0%
	Sub-total	–	–	212	290	21,357	36,171	9.0%	68.0%	21.0%	2.0%	0.0%
Other structures												
	Other structures	–	–	–	–	709	741	93%	0%	7%	0%	0%
	Sub-total	–	–	–	–	709	741	93.0%	0.0%	7.0%	0.0%	0.0%
Roads												
	Roads	–	–	1,450	1,803	111,804	163,862	4%	84%	11%	1%	0%
	Bridges	–	–	–	–	2,653	6,649	8%	40%	52%	0%	0%
	Footpaths	–	–	–	–	2,856	3,724	85%	2%	13%	0%	0%
	Other road assets	–	–	–	–	1,176	2,091	4%	0%	96%	0%	0%
	Bulk earthworks	–	–	–	–	63,942	63,942	100%	0%	0%	0%	0%
	Sub-total	–	–	1,450	1,803	182,431	240,268	30.9%	58.4%	10.0%	0.7%	0.0%
Water supply network												
	Water supply network	–	–	425	613	8,212	17,175	5%	31%	49%	9%	6%
	Sub-total	–	–	425	613	8,212	17,175	5.0%	31.0%	49.0%	9.0%	6.0%
Sewerage network												
	Sewerage network	–	–	442	307	9,785	19,487	2%	36%	59%	3%	0%
	Sub-total	–	–	442	307	9,785	19,487	2.0%	36.0%	59.0%	3.0%	0.0%

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	133	196	8,689	13,123	30%	36%	27%	6%	1%
	Sub-total	–	–	133	196	8,689	13,123	30.0%	36.0%	27.0%	6.0%	1.0%
Open space/recreational assets	Swimming pools	–	–	–	185	813	1,761	34%	0%	0%	66%	0%
	Open space/recreational areas	–	–	775	660	875	1,248	48%	6%	27%	19%	0%
	Sub-total	–	–	775	845	1,688	3,009	39.8%	2.5%	11.2%	46.5%	0.0%
	TOTAL – ALL ASSETS	–	–	3,437	4,054	232,871	329,974	25.6%	55.2%	16.8%	2.0%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	1,558	15.44%	41.04%	>= 100%
Depreciation, amortisation and impairment	10,091			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	–	0.00%	0.54%	< 2.00%
Net carrying amount of infrastructure assets	242,175			
3. Asset maintenance ratio				
Actual asset maintenance	4,054	117.95%	128.02%	> 100%
Required asset maintenance	3,437			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	–	0.00%	0.60%	
Gross replacement cost	329,974			

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

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

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾							
Depreciation, amortisation and impairment	16.31%	75.46%	0.00%	6.76%	0.00%	2.64%	>= 100%
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.00%	0.60%	0.00%	0.00%	0.00%	0.00%	< 2.00%
3. Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	121.95%	145.20%	144.24%	98.27%	69.46%	102.64%	> 100%
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.00%	0.77%	0.00%	0.00%	0.00%	0.00%	

Notes

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

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ 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.