

Murrumbidgee Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

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 period 13 May 2016 to 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Primary Financial Statements:	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	64
– On the Conduct of the Audit (Sect 417 [3])	66

Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 30 November 2017. Council has the power to amend and reissue these financial statements.
-

Murrumbidgee Council

General Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

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

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

- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 October 2017.



Ruth McRae
Mayor



Robert Black
Councillor



Craig Moffitt
General Manager



Alison Coe
Responsible accounting officer

Murrumbidgee Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
Revenue:		
Rates and annual charges	3a	5,305
User charges and fees	3b	3,240
Interest and investment revenue	3c	823
Other revenues	3d	619
Grants and contributions provided for operating purposes	3e,f	14,677
Grants and contributions provided for capital purposes	3e,f	12,234
Other income:		
Net gains from the disposal of assets	5	38
Net share of interests in joint ventures and associates using the equity method	19	—
Total income from continuing operations		36,936
Expenses from continuing operations		
Employee benefits and on-costs	4a	7,555
Borrowing costs	4b	53
Materials and contracts	4c	5,481
Depreciation and amortisation	4d	5,282
Impairment	4d	2,690
Other expenses	4e	2,258
Total expenses from continuing operations		23,319
Operating result from continuing operations		13,617
Discontinued operations		
Net profit/(loss) from discontinued operations	24	—
Net operating result for the period		13,617
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	269,454
Net result for the period		283,071
Net operating result attributable to Council		283,071
Net operating result attributable to non-controlling interests		—
Net operating result for the period before grants and contributions provided for capital purposes		1,383

Murrumbidgee Council

Statement of Comprehensive Income for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the period (as per Income Statement)		283,071
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result Nil		
Amounts which will be reclassified subsequently to the operating result when specific conditions are met Nil		
Total other comprehensive income for the period		—
Total comprehensive income for the period		283,071
Total comprehensive income attributable to Council		283,071
Total comprehensive income attributable to non-controlling interests		—

Murrumbidgee Council

Statement of Financial Position
as at 30 June 2017

		Actual
\$ '000	Notes	2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	12,167
Investments	6b	17,449
Receivables	7	2,377
Inventories	8	1,263
Other	8	3
Non-current assets classified as 'held for sale'	22	—
Total current assets		33,259
Non-current assets		
Investments	6b	—
Receivables	7	—
Inventories	8	1,016
Infrastructure, property, plant and equipment	9	253,508
Investments accounted for using the equity method	19	—
Investment property	14	—
Intangible assets	25	313
Total non-current assets		254,837
TOTAL ASSETS		288,096
LIABILITIES		
Current liabilities		
Payables	10	1,664
Income received in advance	10	—
Borrowings	10	82
Provisions	10	3,035
Total current liabilities		4,781
Non-current liabilities		
Payables	10	—
Borrowings	10	189
Provisions	10	55
Total non-current liabilities		244
TOTAL LIABILITIES		5,025
Net assets		283,071
EQUITY		
Retained earnings	20	283,071
Revaluation reserves	20	—
Other reserves	20	—
Council equity interest		283,071
Non-controlling equity interests		—
Total equity		283,071

This statement should be read in conjunction with the accompanying notes.

page 5

Murrumbidgee Council

Statement of Changes in Equity for the period 13 May 2016 to 30 June 2017

	Notes	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
\$ '000							
13/5/16 to 30/6/17							
Net result for the period		283,071	-	-	283,071	-	283,071
a. Other comprehensive income							
- Revaluations: IPP&E asset revaluation reserve	20b	-	-	-	-	-	-
- Revaluations: other reserves	20b	-	-	-	-	-	-
- Transfers to Income Statement	20b	-	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b	-	-	-	-	-	-
- Joint ventures and associates	19b	-	-	-	-	-	-
- Other reserves movements	20b	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		283,071	-	-	283,071	-	283,071
b. Distributions to/(contributions from) non-controlling interests		-	-	-	-	-	-
c. Transfers between equity		-	-	-	-	-	-
Equity – balance at end of the reporting period		283,071	-	-	283,071	-	283,071

Murrumbidgee Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
<u>Receipts:</u>		
Rates and annual charges		5,992
User charges and fees		3,081
Investment and interest revenue received		780
Grants and contributions		27,084
Bonds, deposits and retention amounts received		59
Other		1,657
<u>Payments:</u>		
Employee benefits and on-costs		(7,289)
Materials and contracts		(5,068)
Borrowing costs		(57)
Other		(3,537)
Net cash provided (or used in) operating activities	11b	22,702
Cash flows from investing activities		
<u>Receipts:</u>		
Sale of investment securities		437
Sale of real estate assets		34
Sale of infrastructure, property, plant and equipment		310
<u>Payments:</u>		
Purchase of investment securities		(17,449)
Purchase of infrastructure, property, plant and equipment		(8,618)
Purchase of real estate assets		(310)
Net cash provided (or used in) investing activities		(25,596)
Cash flows from financing activities		
<u>Receipts:</u>		
Nil		
<u>Payments:</u>		
Repayment of borrowings and advances		(153)
Net cash flow provided (used in) financing activities		(153)
Net increase/(decrease) in cash and cash equivalents		(3,047)
Plus: cash transferred on amalgamation of councils	29	15,214
Cash and cash equivalents – end of the period	11a	12,167
Additional Information:		
plus: Investments on hand – end of period	6b	17,449
Total cash, cash equivalents and investments		29,616

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	9
2(a)	Council functions/activities – financial information	21
2(b)	Council functions/activities – component descriptions	22
3	Income from continuing operations	23
4	Expenses from continuing operations	28
5	Gains or losses from the disposal of assets	32
6(a)	Cash and cash equivalent assets	33
6(b)	Investments	33
6(c)	Restricted cash, cash equivalents and investments – details	34
7	Receivables	35
8	Inventories and other assets	36
9(a)	Infrastructure, property, plant and equipment	38
9(b)	Externally restricted infrastructure, property, plant and equipment	39
9(c)	Infrastructure, property, plant and equipment – current year impairments	39
10(a)	Payables, borrowings and provisions	40
10(b)	Description of (and movements in) provisions	41
11	Statement of cash flows – additional information	42
12	Commitments for expenditure	43
13	Statement of performance measures:	
13a	Local government industry indicators (consolidated)	44
13b	Local government industry indicators (by fund)	45
14	Investment properties	46 n/a
15	Financial risk management	46
16	Material budget variations	49 n/a
17	Statement of developer contributions	50 n/a
18	Contingencies and other liabilities/assets not recognised	50
19	Interests in other entities	52
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	52
21	Financial result and financial position by fund	53
22	'Held for sale' non-current assets and disposal groups	55 n/a
23	Events occurring after the reporting date	55 n/a
24	Discontinued operations	55 n/a
25	Intangible assets	56
26	Reinstatement, rehabilitation and restoration liabilities	56 n/a
27	Fair value measurement	57
28	Related party disclosures	60 n/a
29	Local Government amalgamation	61

n/a – not applicable

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of two former councils:

- Jerilderie Shire Council
- Murrumbidgee Shire Council

to Murrumbidgee Council as at 13 May, 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Murrumbidgee Council, being 13 May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Jerilderie Shire Council and Murrumbidgee Shire Council acquired as a result of amalgamation have been recognised by the Murrumbidgee Council at the carrying amount recorded by the former council.

Murrumbidgee Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 13 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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

(i) New and amended standards adopted by Council

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

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 13 May 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

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.

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

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 in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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.

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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:

- Alf Hanna Legacy Units Committee
- 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

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no material interest in any joint arrangements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

Land 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 land held for resale are those costs that would have been avoided if the 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.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities

greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and 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.

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

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

Impairment

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

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing 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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible 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.

Investment Policy

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Water and sewerage networks

Internally valued:

- Plant and equipment
- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

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

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

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

other decreases are charged to the Income Statement.

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

Depreciation

Land is not depreciated.

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

Plant and equipment

- Office equipment	3 to 10 years
- Office furniture	5 to 20 years
- Computer equipment	5 to 10 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 20 years
- Other plant and equipment	5 to 20 years

Other equipment

- Playground equipment	20 to 50 years
- Benches, seats etc.	40 to 50 years

Buildings

- Buildings: masonry	20 to 100 years
- Buildings: other	40 to 100 years

Water and sewer assets

- Dams and reservoirs	100 years
- Bores	5 to 40 years
- Reticulation pipes: PVC	50 to 100 years
- Reticulation pipes: other	15 to 75 years
- Pumps and telemetry	15 to 20 years

Stormwater assets

- Drains	55 to 120 years
- Culverts	55 to 120 years

Transportation assets

- Sealed roads: surface	18 to 25 years
- Sealed roads: structure	100 years
- Unsealed roads	15 to 20 years
- Bridge: concrete	80 years
- Bridge: other	100 years

- Road pavements	60 years
------------------	----------

- Kerb, gutter and footpaths	40 years
------------------------------	----------

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	25 to 100 years
- Other open space/ recreational assets	25 to 100 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) 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.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) 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.

(q) Employee benefits

(i) 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.

(ii) Other long-term employee benefit obligations

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

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

(r) Land under roads

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

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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council holds a number of high and general security water licences which it recognises as an intangible asset.

The water licences are individually tradable 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 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 period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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"*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate only the building assets, their values and depreciation charges within these financial statements.

(w) 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.

(x) 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.

AASB 9 – Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the

number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the Council elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the Council's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime;
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A financial impact will only arise if any investments become subject to impairment.

Available-for-sale investments will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing.

AASB 15 - Revenue from contracts with customers

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Council expects to be entitled in exchange for those goods or services.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is undertaking a detailed assessment of the impact of AASB 15.

AASB 116 - Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 116 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (i.e. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is undertaking a detailed assessment of the accounting impacts from AASB 116. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to not be material.

AASB 124 - Related Party Disclosures

AASB 124 will apply to Council for reporting periods beginning on or after 1 July 2016. Council will be required to disclose information about related parties and Council transactions with those related parties. Related parties will more than likely include the Mayor, Councillors and Directors. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

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

(z) Comparative figures

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

(aa) Disclaimer

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

(y) Rounding of amounts

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	–	254	(254)	–	–
Administration	15,265	6,870	8,395	15,050	37,748
Public order and safety	410	620	(210)	327	1,714
Health	11	41	(30)	–	981
Environment	1,789	884	905	1,460	11,267
Community services and education	362	569	(207)	257	1,146
Housing and community amenities	173	682	(509)	43	3,203
Water supplies	986	2,567	(1,581)	17	11,013
Sewerage services	679	1,724	(1,045)	12	13,808
Recreation and culture	424	1,864	(1,440)	53	14,569
Mining, manufacturing and construction	89	82	7	–	194
Transport and communication	3,428	4,631	(1,203)	2,444	189,605
Economic affairs	2,613	2,531	82	48	2,848
Total functions and activities	26,229	23,319	2,910	19,711	288,096
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–
General purpose income ¹	10,707	–	10,707	6,166	–
Operating result from continuing operations	36,936	23,319	13,617	25,877	288,096

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

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

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 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		385
Sewerage services		18
Waste management services (non-domestic)		5
Total user charges		408
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation		24
Building services – other		13
Planning and building regulation		14
Private works – section 67		503
Regulatory/ statutory fees		44
Section 149 certificates (EPA Act)		11
Section 603 certificates		5
Total fees and charges – statutory/regulatory		614
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries		19
Community centres		2
Leaseback fees – Council vehicles		16
Park rents		2
RMS (formerly RTA) charges (state roads not controlled by Council)		1,909
Saleyards		9
Swimming centres		1
Waste disposal tipping fees		4
Water connection fees		3
Cemetery		32
Community care services		100
Swimming pool		11
Other		110
Total fees and charges – other		2,218
TOTAL USER CHARGES AND FEES		3,240

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		40
– Interest earned on investments (interest and coupon payment income)		783
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>823</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		27
General Council cash and investments		637
Restricted investments/funds – external:		
Development contributions		
Water fund operations		54
Sewerage fund operations		105
<u>Total interest and investment revenue recognised</u>		<u>823</u>
(d) Other revenues		
Rental income – other council properties		171
Fines		1
Legal fees recovery – rates and charges (extra charges)		1
Commissions and agency fees		19
Diesel rebate		67
Insurance claim recoveries		268
Insurance incentives		39
Insurance rebates		18
Miscellaneous sales		1
Lease rentals		8
Other		26
<u>TOTAL OTHER REVENUE</u>		<u>619</u>

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
\$ '000		
(e) Grants		
General purpose (untied)		
Financial assistance – general component	6,147	–
Pensioners' rates subsidies – general component	19	–
Total general purpose	6,166	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	16	–
– Sewerage	12	–
– Domestic waste management	14	–
Economic development	20	–
Employment and training programs	3	–
Environmental protection	17	1,388
Heritage and cultural	–	9
Library	41	–
Noxious weeds	40	–
NSW rural fire services	215	112
Recreation and culture	3	–
Street lighting	43	–
Transport (roads to recovery)	1,463	–
Transport (other roads and bridges funding)	455	526
Other - New Council Implementation Fund	5,000	–
Other - Stronger Communities Fund	–	10,000
Community services	255	–
Other	79	–
Total specific purpose	7,676	12,035
Total grants	13,842	12,035
Grant revenue is attributable to:		
– Commonwealth funding	7,800	10
– State funding	6,042	12,025
	13,842	12,035

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

		13/5/16 to 30/6/17	13/5/16 to 30/6/17
\$ '000	Notes	Operating	Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
Nil			
Other contributions:			
RMS contributions (regional roads, block grant)		832	152
Tourism		–	47
Other		3	–
Total other contributions		835	199
Total contributions		835	199
TOTAL GRANTS AND CONTRIBUTIONS		14,677	12,234

	Actual 13/5/16 to 30/6/17
\$ '000	
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	382
Add: grants and contributions recognised in the current period but not yet spent	12,971
Less: grants and contributions recognised in a previous reporting period now spent	(83)
Net increase (decrease) in restricted assets during the period	12,888
Unexpended and held as restricted assets	13,270
Comprising:	
– Specific purpose unexpended grants	12,844
– Other contributions	426
	13,270

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

		Actual 13/5/16 to 30/6/17
\$ '000	Notes	
(a) Employee benefits and on-costs		
Salaries and wages		5,999
Travel expenses		143
Employee leave entitlements (ELE)		987
Superannuation		738
Workers' compensation insurance		299
Fringe benefit tax (FBT)		46
Training costs (other than salaries and wages)		76
Protective clothing		48
Other		39
Total employee costs		8,375
Less: capitalised costs		(820)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>7,555</u>
Number of 'full-time equivalent' employees (FTE) at year end		86
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		90
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		31
Total interest bearing liability costs expensed		31
(ii) Other borrowing costs		
Discount adjustments relating to movements in ELE provisions		22
Total other borrowing costs		22
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>53</u>

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		6,442
Contractor and consultancy costs		4,092
Auditors remuneration ⁽¹⁾		57
Legal expenses:		
– Legal expenses: planning and development		5
– Legal expenses: debt recovery		4
– Legal expenses: other		34
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		7
Total materials and contracts		10,641
Less: capitalised costs		(5,160)
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>5,481</u>
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the Auditor-General:		
Audit and other assurance services		
Audit and review of financial statements: Auditor-General		57
Audit and review of financial statements: other consolidated entity Auditors		–
Remuneration for audit and other assurance services		57
Total Auditor-General remuneration		57
Total Auditor remuneration		57
2. Operating lease payments are attributable to:		
Other		7
		7

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		1,147
Office equipment		89
Furniture and fittings		14
Land improvements (depreciable)		289
Infrastructure:		
– Buildings – non-specialised		166
– Buildings – specialised		349
– Other structures		2
– Roads		2,452
– Bridges		85
– Footpaths		71
– Other road assets		69
– Stormwater drainage		117
– Water supply network		280
– Sewerage network		263
– Swimming pools		39
– Other open space/recreational assets		28
Other assets		
– Library books		11
Total gross depreciation and amortisation costs		5,471
Less: capitalised costs		(189)
Total depreciation and amortisation costs		5,282
Impairment		
Infrastructure:		
– Water supply network		1,629
– Sewerage network		1,061
Total gross impairment costs		2,690
Total impairment costs		2,690
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		7,972

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		24
Bank charges		10
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)		26
– NSW rural fire service levy		297
– Mobile book library contribution		76
Councillor expenses – mayoral fee		30
Councillor expenses – councillors' fees		59
Councillors' expenses (incl. mayor) – other (excluding fees above)		58
Donations, contributions and assistance to other organisations (Section 356)		596
Electricity and heating		337
Fire control expenses		68
Insurance		379
Street lighting		92
Subscriptions and publications		9
Telephone and communications		125
Valuation fees		13
Subscriptions other		16
Rent		10
Subscriptions – shires association		33
<u>TOTAL OTHER EXPENSES</u>		<u>2,258</u>

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

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

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	13/5/16 to 30/6/17	13/5/16 to 30/6/17
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		1,602	–
Cash-equivalent assets ¹			
– Short-term deposits		10,565	–
Total cash and cash equivalents		12,167	–
Investments (Note 6b)			
– Long term deposits		17,449	–
Total investments		17,449	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		29,616	–

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

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

Cash and cash equivalents			
'At amortised cost'		12,167	–
Investments			
'Held to maturity'		17,449	–
Investments		17,449	–

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

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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

	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
\$ '000		
Total cash, cash equivalents and investments	29,616	–
attributable to:		
External restrictions (refer below)	18,986	–
Internal restrictions (refer below)	6,293	–
Unrestricted	4,337	–
	29,616	–

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
-------------------------------	--	------------------------------	-----------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Other	12	6	–	18
External restrictions – included in liabilities	12	6	–	18

External restrictions – other

RMS (formerly RTA) contributions (A)	253	173	–	426
Specific purpose unexpended grants (B)	129	12,715	–	12,844
Water supplies (C)	1,527	60	–	1,587
Sewerage services (C)	3,605	–	(30)	3,575
Domestic waste management (C)	104	–	–	104
Other special levies (C)	432	–	–	432
External restrictions – other	6,050	12,948	(30)	18,968
Total external restrictions	6,062	12,954	(30)	18,986

Internal restrictions

Plant and vehicle replacement	660	762	–	1,422
Infrastructure replacement	5,460	212	(2,500)	3,172
Employees leave entitlement	1,210	250	–	1,460
Carry over works	1,175	–	(971)	204
SES	15	–	–	15
Local environmental plan	20	–	–	20
Total internal restrictions	8,540	1,224	(3,471)	6,293
TOTAL RESTRICTIONS	14,602	14,178	(3,501)	25,279

- A** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		411	—
Interest and extra charges		52	—
User charges and fees		343	—
Private works		66	—
Contributions to works		37	—
Accrued revenues			
– Interest on investments		84	—
Government grants and subsidies		55	—
Net GST receivable		213	—
Other levels of government		746	—
Other debtors - Insurance Recovery		268	—
Other debtors		132	—
Total		2,407	—
Less: provision for impairment			
User charges and fees		(18)	—
Other debtors		(12)	—
Total provision for impairment – receivables		(30)	—
<u>TOTAL NET RECEIVABLES</u>		<u>2,377</u>	<u>—</u>
Externally restricted receivables			
Water supply			
– Rates and availability charges		89	—
– Other		105	—
Sewerage services			
– Rates and availability charges		83	—
– Other		13	—
Total external restrictions		290	—
Internally restricted receivables			
Nil			
Unrestricted receivables		2,087	—
TOTAL NET RECEIVABLES		2,377	—

Notes on debtors above:

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

Murrumbidgee Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Real estate for resale (refer below)		976	1,016
Stores and materials		287	–
Total inventories at cost		1,263	1,016
(ii) Inventories at net realisable value (NRV)			
Nil			
<u>TOTAL INVENTORIES</u>		<u>1,263</u>	<u>1,016</u>
(b) Other assets			
Work in progress		3	–
<u>TOTAL OTHER ASSETS</u>		<u>3</u>	<u>–</u>
Externally restricted assets			
Water			
Stores and materials		28	–
Total water		28	–
Total externally restricted assets		28	165
Total internally restricted assets		–	–
Total unrestricted assets		1,238	851
TOTAL INVENTORIES AND OTHER ASSETS		1,266	1,016

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	Current	Non-current
(i) Other disclosures		
(a) Details for real estate development		
Residential	721	780
Industrial/commercial	255	236
Total real estate for resale	976	1,016
(Valued at the lower of cost and net realisable value)		
Represented by:		
Acquisition costs	570	926
Development costs	406	90
Total real estate for resale	976	1,016
Movements:		
Real estate assets at beginning of the year (former Councils)	666	1,016
– Purchases and other costs	310	–
Total real estate for resale	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;

	2017
Real estate for resale	587
	587

(c) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Murrumbidgee Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	949	—	949	523	1,009	—	—	—	(45)	—	2,436	—	2,436
Plant and equipment	11,906	6,358	5,548	366	533	(269)	(1,147)	—	—	—	12,244	7,213	5,031
Office equipment	781	577	204	13	177	—	(89)	—	—	—	741	436	305
Furniture and fittings	318	247	71	—	26	—	(14)	—	—	—	344	261	83
Land:													
— Operational land	2,333	—	2,333	—	70	—	—	—	—	—	2,403	—	2,403
— Community land	1,588	—	1,588	—	—	—	—	—	—	—	1,588	—	1,588
Land improvements – depreciable	8,329	2,154	6,175	—	1,727	—	(289)	—	16	—	10,073	2,444	7,629
Infrastructure:													
— Buildings – non-specialised	7,242	2,394	4,848	59	—	—	(166)	—	—	—	7,241	2,500	4,741
— Buildings – specialised	27,158	8,104	19,054	42	137	—	(349)	—	29	—	27,323	8,410	18,913
— Other structures	55	10	45	—	—	—	(2)	—	—	—	55	12	43
— Roads	141,816	26,737	115,079	1,308	1,753	(16)	(2,452)	—	—	(1,823)	141,420	27,571	113,849
— Bridges	6,444	3,348	3,096	—	—	—	(85)	—	—	—	6,444	3,433	3,011
— Footpaths	3,429	687	2,742	17	145	—	(71)	—	—	—	3,575	742	2,833
— Other road assets	4,101	1,201	2,900	7	378	—	(69)	—	—	233	4,850	1,401	3,449
— Bulk earthworks (non-depreciable)	62,808	—	62,808	—	—	—	—	—	—	—	62,808	—	62,808
— Stormwater drainage	6,932	3,037	3,895	35	—	(21)	(117)	—	—	1,590	9,420	4,038	5,382
— Water supply network	17,627	7,849	9,778	129	93	—	(280)	(1,629)	—	—	16,601	8,510	8,091
— Sewerage network	18,241	7,370	10,871	—	35	—	(263)	(1,061)	—	—	18,821	9,239	9,582
— Swimming pools	1,706	977	729	—	—	—	(39)	—	—	—	1,705	1,015	690
— Other open space/recreational assets	1,056	623	433	203	12	—	(28)	—	—	—	1,111	491	620
Other assets:													
— Library books	147	125	22	11	—	—	(11)	—	—	—	147	126	21
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
— Tip assets	42	42	—	—	—	—	—	—	—	—	—	—	—
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	325,008	71,840	253,168	2,713	6,095	(306)	(5,471)	(2,690)	—	—	331,350	77,842	253,508

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

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

Refer to Note 29. Local Government Amalgamation for details regarding assets transferred from former Councils.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply			
WIP	805	—	805
Plant and equipment	93	36	57
Land			
– Operational land	20	—	20
– Improvements – depreciable	32	30	2
Buildings	19	—	19
Infrastructure	16,600	8,510	8,090
Total water supply	17,569	8,576	8,993
Sewerage services			
WIP	397	—	397
Plant and equipment	79	28	51
Land			
– Operational land	105	—	105
– Improvements – depreciable	34	33	1
Infrastructure	18,821	9,240	9,581
Total sewerage services	19,436	9,301	10,135
Domestic waste management			
Plant and equipment	10	4	6
Land			
– Operational land	25	—	25
– Improvements – depreciable	84	56	28
Buildings	80	3	77
Total DWM	199	63	136
TOTAL RESTRICTED I,PP&E	37,204	17,940	19,264

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

Impairment losses recognised in the Income Statement:

Water Infrastructure Revaluation Decrement	(1,629)
Sewerage Infrastructure Revaluation Decrement	(1,061)
Total impairment losses	(2,690)

IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L

4(d)

(2,690)

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		1,387	–
Accrued expenses:			
– Borrowings		2	–
– Salaries and wages		107	–
– Other expenditure accruals		33	–
Advances		33	–
Security bonds, deposits and retentions		77	–
Other		25	–
Total payables		1,664	–
Income received in advance			
Nil			
Borrowings			
Loans – secured ¹		82	189
Total borrowings		82	189
Provisions			
Employee benefits:			
Annual leave		876	–
Long service leave		2,119	54
ELE on-costs		40	1
Sub-total – aggregate employee benefits		3,035	55
Total provisions		3,035	55
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>4,781</u>	<u>244</u>
(i) Liabilities relating to restricted assets			
		2017	
		Current	Non-current
Externally restricted assets			
Other		18	–
Liabilities relating to externally restricted assets		18	–
Internally restricted assets			
Nil			
Total liabilities relating to restricted assets		18	–
Total liabilities relating to unrestricted assets		4,763	244
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,781	244

¹ Loans are secured over the general income of Council

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

	Actual
\$ '000	2017

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,565
	1,565

Note 10b. Description of and movements in provisions

Class of provision	2016 Opening balance (former Councils)	13/5/16 to 30/6/17				Closing balance as at 30/6/17
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	780	290	(199)	5	–	876
Long service leave	1,955	241	(40)	17	–	2,173
ELE on-costs	32	9	–	–	–	41
TOTAL	2,767	540	(239)	22	–	3,090

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	12,167
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		12,167
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		13,617
Adjust for non-cash items:		
Depreciation and amortisation		5,282
Net losses/(gains) on disposal of assets		(38)
Impairment losses recognition – I,PP&E		2,690
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		312
Increase/(decrease) in provision for doubtful debts		(30)
Decrease/(increase) in inventories		(5)
Decrease/(increase) in other assets		127
Increase/(decrease) in payables		418
Increase/(decrease) in accrued interest payable		(4)
Increase/(decrease) in other accrued expenses payable		(59)
Increase/(decrease) in other liabilities		69
Increase/(decrease) in employee leave entitlements		323
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		22,702

(c) Non-cash investing and financing activities

Nil

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards		66
Total financing arrangements		66
Amounts utilised as at balance date:		
– Credit cards/purchase cards		6
Total financing arrangements utilised		6

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

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Note 12. Commitments for expenditure

(a) Capital commitments (exclusive of GST)

Nil

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

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

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

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 period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	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	1,345	5.45%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	24,664		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	9,987	27.07%	>60.00%
Total continuing operating revenue ⁽¹⁾	36,898		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	13,368	4.18x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,198		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	9,370	45.49x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	206		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	463	7.13%	<10% Rural
Rates, annual and extra charges collectible	6,493		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	29,616	22.07 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,342		

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 Note 10(a).

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	17.59%	-158.94%	-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 all grants and contributions	23.57%	98.34%	98.30%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	4.18x	No liabilities	No liabilities	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	42.79x	0.00	0.00	>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	5.42%	15.84%	14.77%	<10% Rural
Rates, annual and extra charges collectible				
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	18.18 mths	1588.00 mths	1788.00 mths	> 3 mths
Payments from cash flow of operating and financing activities				

Notes

(1) - (4) Refer to Notes at Note 13a(i) 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 period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

The 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.

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	121	121	(121)	(121)

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

(i) Ageing of receivables – %

Current (not yet overdue)

Overdue

2017	2017
Rates and annual charges	Other receivables
0%	88%
100%	12%
100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

Other receivables

Current

Current

< 1 year overdue

0 – 30 days overdue

1 – 2 years overdue

31 – 60 days overdue

2 – 5 years overdue

61 – 90 days overdue

> 5 years overdue

> 91 days overdue

Rates and annual charges	Other receivables
264	1,757
75	168
38	5
15	34
19	32
411	1,996

(iii) Movement in provision for impairment of receivables

Balance at the beginning of the year (former Councils)

– amounts already provided for and written off this year

Balance at the end of the period

2017

60

(30)

30

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	77	1,601	–	–	–	–	–	1,678	1,664
Loans and advances	–	101	166	43	–	–	–	310	271
Total financial liabilities	77	1,702	166	43	–	–	–	1,988	1,935

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

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	1,664	0.00%
Loans and advances – fixed interest rate	271	7.98%
	<u>1,935</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 17. Statement of Developer Contributions

\$ '000

Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme - Pool B'. This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Council makes contributions to the scheme as determined by the superannuation scheme's trustees. Member Councils bear responsibility of ensuring there sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review was performed by Mr Richard Boyfield (BSc, FIA, FIAA) on 2 December 2016 and covers the period ended 30 June 2016. It indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years. However the position is monitored annually and the actuary has estimated

that as at 30 June 2017 the prior period deficit still exists.

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

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

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for defined contributions plans. The expected contributions by Council for the next reporting period is \$107,000.

(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.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees cont.

(ii) Statewide Limited cont.

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

(iii) StateCover Limited

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

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

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

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

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.

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 2017 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 June 2008.

(ii) 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.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. 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	13/5/16 to 30/6/17	2017
		Net profit	Net assets
1. Western Riverina Libraries	Provision of library services to member local government areas	(702)	546,895

Reasons for non-recognition

Council holds a 19.87% share of equity in the Western Riverina Libraries which it does not consider material and hence is not recognised in these statements.

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

\$ '000	Notes	Actual
		2017

(a) Retained earnings

Movements in retained earnings were as follows:

a. Net result for the period	283,071
Balance at end of the reporting period	<u>283,071</u>

(b) Revaluation reserves

Council has no reportable equity reserves.

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

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

(d) Voluntary changes in accounting policies

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

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	555	556	4,273
User charges and fees	397	23	2,831
Interest and investment revenue	54	112	664
Other revenues	—	2	617
Grants and contributions provided for operating purposes	17	12	14,648
Grants and contributions provided for capital purposes	—	—	12,234
Other income			
Net gains from disposal of assets	—	—	38
Share of interests in joint ventures and associates using the equity method	—	—	—
Total income from continuing operations	1,023	705	35,305
Expenses from continuing operations			
Employee benefits and on-costs	156	127	7,272
Borrowing costs	—	—	60
Materials and contracts	283	165	5,123
Depreciation and amortisation	1,914	1,329	2,039
Impairment	—	—	2,690
Other expenses	296	147	1,815
Total expenses from continuing operations	2,649	1,768	18,999
Operating result from continuing operations	(1,626)	(1,063)	16,306
Discontinued operations			
Net profit/(loss) from discontinued operations	—	—	—
Net operating result for the period	(1,626)	(1,063)	16,306
Gain on local government amalgamation			
Assets and liabilities transferred from former councils	12,638	15,089	241,727
Net result for the period	11,012	14,026	258,033
Net result attributable to each council fund	11,012	14,026	258,033
Net result attributable to non-controlling interests	—	—	—
Net operating result for the year before grants and contributions provided for capital purposes	(1,626)	(1,063)	4,072

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 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,587	3,575	7,005
Investments	–	–	17,449
Receivables	194	97	2,086
Inventories	28	–	1,235
Other	–	54	3
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	1,809	3,726	27,778
Non-current assets			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	1,016
Infrastructure, property, plant and equipment	8,993	10,135	234,380
Investment property	–	–	–
Intangible assets	210	–	103
Other	–	165	–
Total non-current assets	9,203	10,300	235,499
TOTAL ASSETS	11,012	14,026	263,277
LIABILITIES			
Current liabilities			
Payables	–	–	1,664
Income received in advance	–	–	–
Borrowings	–	–	136
Provisions	–	–	3,035
Total current liabilities	–	–	4,835
Non-current liabilities			
Payables	–	–	–
Borrowings	–	–	354
Provisions	–	–	55
Total non-current liabilities	–	–	409
TOTAL LIABILITIES	–	–	5,244
Net assets	11,012	14,026	258,033
EQUITY			
Retained earnings	11,012	14,026	258,033
Revaluation reserves	–	–	–
Other reserves	–	–	–
Total equity	11,012	14,026	258,033

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

for the period 13 May 2016 to 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 30/11/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

	Actual 2017
\$ '000	
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	313
Accumulated amortisation	–
Accumulated impairment	–
Net book value – opening balance (former Councils)	313
Movements for the year	
Nil	
Closing values:	
Gross book value (30/6)	313
Accumulated amortisation (30/6)	–
Accumulated impairment (30/6)	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>313</u>

¹ The net book value of intangible assets represent:

Water licences	313
	313

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment.

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

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

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

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

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

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

13/5/16 to 30/6/17		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable 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
Infrastructure					–
– 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

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(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.

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

a. 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

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

b. 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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Operational land	2,403	Land Values	NSW Valuer General's Valuations
Community Land	1,588	Land Values	NSW Valuer General's Valuations
Land Improvements	7,629	Depreciated Replacement Cost	Pattern of consumption, asset condition
Buildings Specialised	18,913	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Other Structures	43	Depreciated Replacement Cost	Asset condition, consumption rate, useful life
Roads	113,849	Depreciated Replacement Cost	Asset condition, consumption rate, residual life
Bridges	3,011	Depreciated Replacement Cost	Asset condition, consumption rate, residual life
Footpaths	2,833	Depreciated Replacement Cost	Asset condition, consumption rate, residual life
Other road assets	3,449	Depreciated Replacement Cost	Asset condition, consumption rate, residual life
Bulk Earthworks	62,808	Gross Replacement Cost	Asset condition, consumption rate, residual life
Stormwater Drainage	5,382	Depreciated Replacement Cost	Asset condition, consumption rate, residual life

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Water Supply Network	9,720	Depreciated Replacement Cost	Asset condition, components, consumption rate, residual life
SewerageNetwork	10,643	Depreciated Replacement Cost	Asset condition, components, consumption rate, residual life
Swimming Pools	690	Depreciated Replacement Cost	Asset condition, consumption rate, residual life
Other open space/recreational assets	620	Depreciated Replacement Cost	Asset condition, consumption rate, residual life

c. 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 councils asset and finance staff.

Valuations are completed internally by council assets staff except for buildings and operational land which were valued by Scott Fullerton and Associaters and water and sewer assets valued by JRA.

(4). Highest and best use

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

Note 28. Related party disclosures

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000

Notes

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former Jerilderie Shire Council and Murrumbidgee Shire Council to Murrumbidgee Council at 13th May 2016.

**Actual
13/5/16
to 30/6/17**

Gain on local government amalgamation

Assets and liabilities transferred from former councils
Accounting policy adjustments

a
b

269,454

—

269,454

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Jerilderie Shire Council
- Murrumbidgee Shire Council

have been recognised by the Council at the carrying amount recorded by the former council.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 13th May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Murrumbidgee Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Jerilderie Shire Council	Former Murrumbidgee Shire Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	5,682	9,532	15,214
Investments	437	—	437
Receivables	1,449	1,210	2,659
Inventories	360	588	948
Other	56	74	130
Non-current assets classified as 'held for sale'	—	—	—
Total current assets	7,984	11,404	19,388
Non-current assets			
Investments	—	—	—
Receivables	—	—	—
Inventories	—	1,016	1,016
Infrastructure, property, plant and equipment	173,188	79,980	253,168
Investments accounted for using the equity method	—	—	—
Investment property	—	—	—
Intangible assets	313	—	313
Total non-current assets	173,501	80,996	254,497
TOTAL ASSETS	181,485	92,400	273,885
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	351	889	1,240
Bank overdraft	—	—	—
Income received in advance	—	—	—
Borrowings	153	—	153
Provisions	1,980	755	2,735
Total current liabilities	2,484	1,644	4,128
Non-current liabilities			
Payables	—	—	—
Borrowings	271	—	271
Provisions	21	11	32
Total non-current liabilities	292	11	303
TOTAL LIABILITIES	2,776	1,655	4,431
Net assets transferred	178,709	90,745	269,454

Murrumbidgee Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

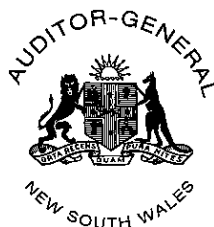
(ii) Adjustments between former council carrying amount of assets and fair values recognised

No adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation.

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Murrumbidgee Council

To the Councillors of the Murrumbidgee Council

Opinion

I have audited the accompanying financial statements of Murrumbidgee Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

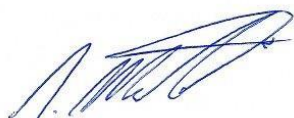
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Steven Martin
Assistant Auditor-General, Financial Audit

29 November 2017
SYDNEY

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

29 November 2017

Dear Cr McRae

**Report on the Conduct of the Audit
for the Period 13 May 2016 to 30 June 2017
Murrumbidgee Council**

We have audited the general purpose financial statements of Murrumbidgee Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act). We 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 period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

The operating results represent council's activities for the period 13 May 2016 to 30 June 2017

Operating result

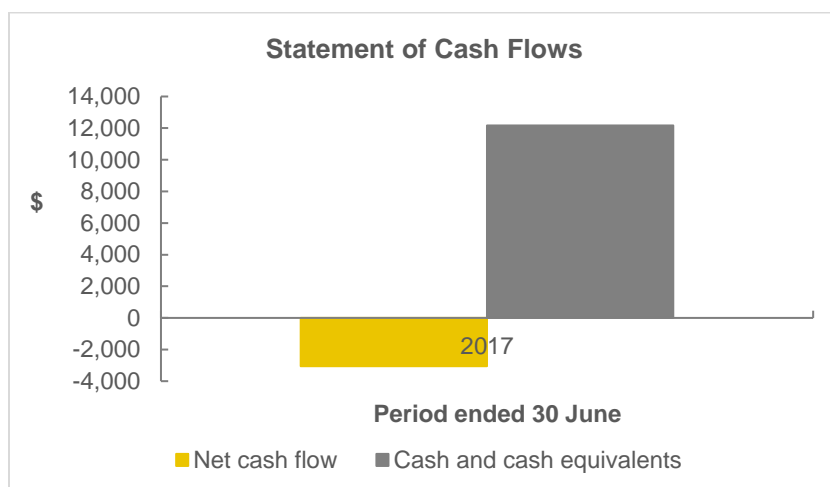
	2017
	\$'000
Rates and annual charges revenue	5,305
Grants and contributions revenue	26,911
Operating result for the period	13,617
Net result for the period (after assets and liabilities transferred from former Councils)	283,071
Net operating result before capital amounts	1,383

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

- Council's operating surplus for the period was \$13.6 million. The operating result for the period included:
 - revenue from rates and annual charges of \$5.3 million
 - user charges and fees of \$3.2 million
 - grants and contributions of \$26.9 million
 - expenses for employee benefits and on-costs of \$7.6 million
 - materials and contracts of \$5.5 million.
- Council recorded a net result for the period after assets and liabilities transferred from former councils of \$283.1 million.
- The net operating result before capital contributions was \$1.4 million.
- Rates and annual charges were \$5.3 million, represented by \$3.9 million rates and \$1.4 million annual charges.
- Grants and contributions impacted Council's operating surplus. Grant income included a \$5.0 million Merger Implementation Grant and a \$10 million Stronger Communities Fund grant, which are both non-recurring. In addition, Council received \$6.1 million in Financial Assistance Grants, of which \$2.1 million for 2017–18 was received in advance and booked as income in June 2017.
- Council's depreciation and amortisation expense for the period ended 30 June 2017 was \$5.3 million. Arising from a revaluation, Council recorded an impairment of \$2.7 million on the value of its water and sewer infrastructure assets.

STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$3.0 million in 2017 before cash transferred on amalgamation. Cash transferred on amalgamation of councils was \$15.2 million.
- Net cash provided by operating activities amounted to \$22.7 million. Council recorded \$6.0 million cash receipts from rates and annual charges and \$27.1 million cash receipts from grants and contributions. This has been offset by \$5.0 million in cash payments for materials and contracts and \$7.3 million in cash payments on employee benefits and on-costs.
- Net cash used in investing activities totalled \$25.6 million. This is largely a result of a \$17.5 million cash outflow for the purchase of investment securities and \$8.6 million in purchases of infrastructure, property, plant and equipment.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$'000	
External restrictions	18,986	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted cash includes \$12.8 million of specific purpose unexpended grants and \$3.6 million of sewerage services.
Internal restrictions	6,293	
Unrestricted	4,337	
Cash and investments	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. Internally restricted cash includes \$3.1 million for infrastructure replacement, \$1.5 million for employee leave entitlements and \$1.4 million for plant and vehicle replacement.

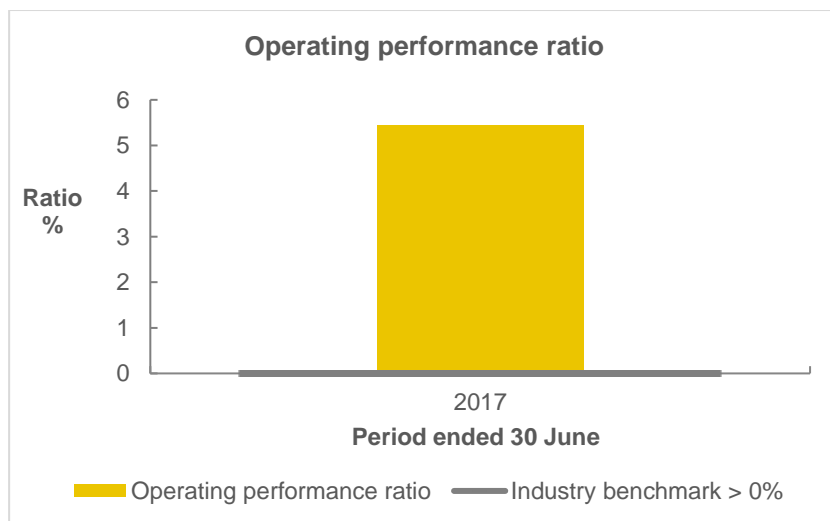
Debt

- The Council had borrowings of \$0.3 million at 30 June 2017. All loans are secured over the general rating income of the Council.

PERFORMANCE RATIOS

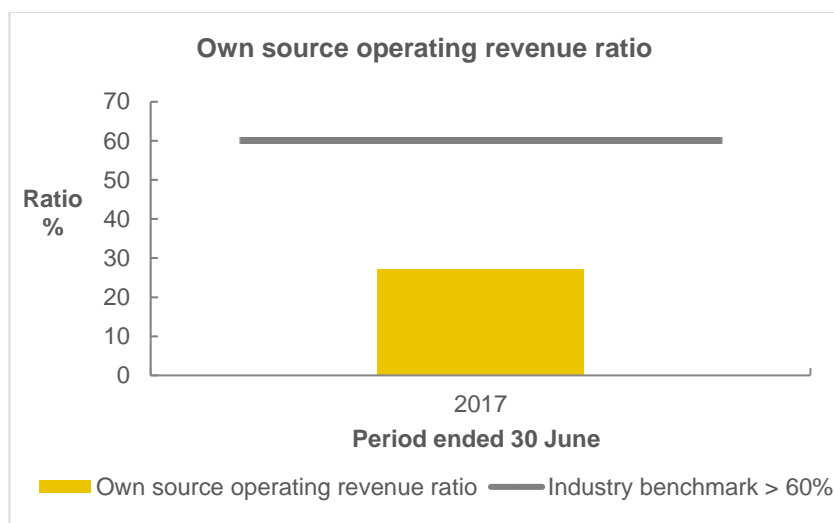
Operating performance ratio

- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio was 5.45% which is above the industry benchmark of > 0%.
- The operating performance ratio is impacted by the receipt of \$10 million Stronger Communities Grant, \$5.0 million Merger Implementation Grant and \$2.1 million Financial Assistance Grants for 2017–18, which was booked as income in June 2017.



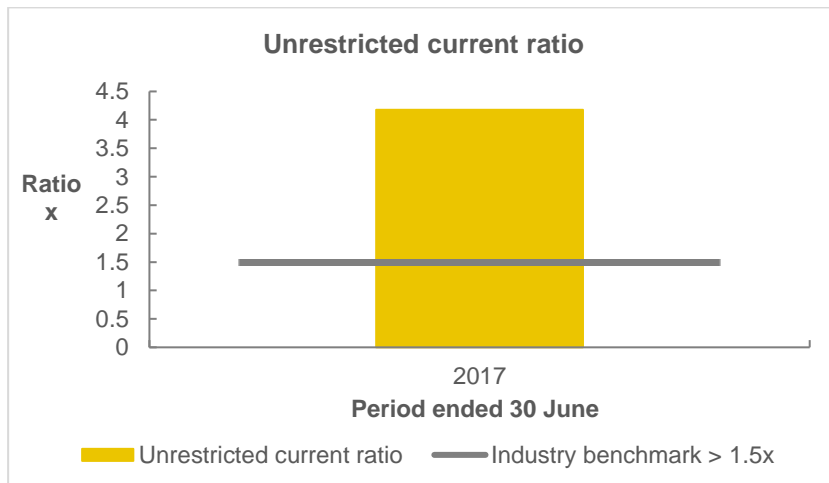
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's own source operating revenue of 27.07% is below the industry benchmark of 60%.
- This is largely due to the level of grant activity at Council during the period. Council received \$10 million Stronger Communities Grant, \$5.0 million Merger Implementation Grant and \$2.1 million Financial Assistance Grants for 2017–18, which was booked as income in June 2017.



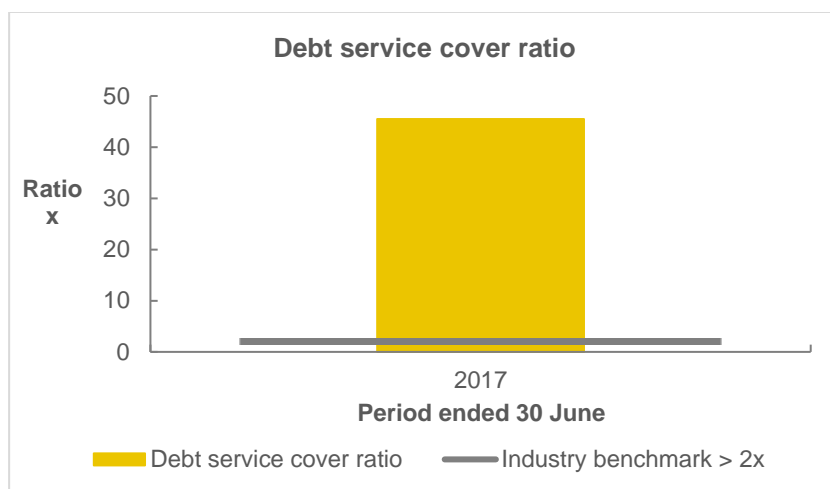
Unrestricted current ratio

- 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 4.18 times is greater than the industry benchmark minimum of > 1.5 times.
- This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



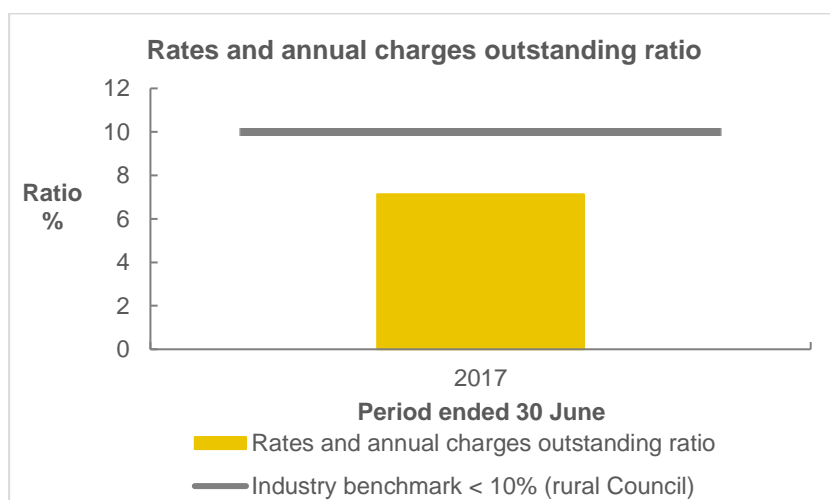
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 45.49 times is greater than the industry benchmark of > 2 times.
- This ratio indicates that Council has 45.49 times in operating cash available to service its debts. Council generates sufficient cash from its operations to fund its debt obligations.



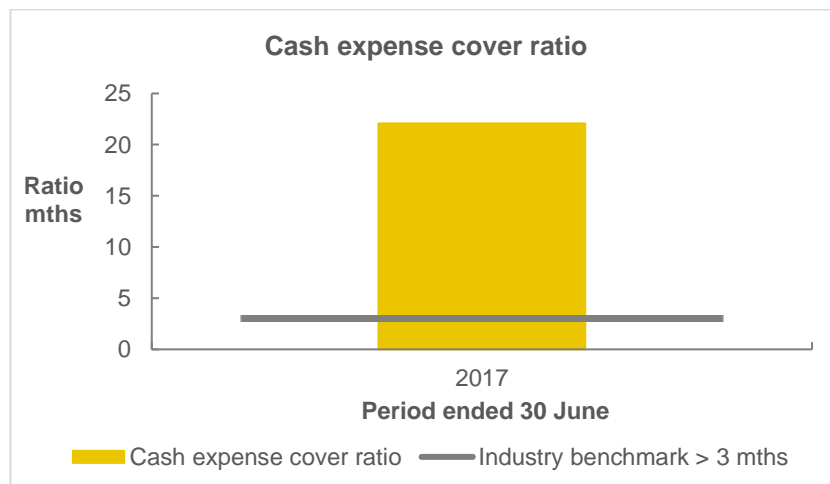
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.
- The Council's rates and annual charges outstanding ratio of 7.13 per cent is within the industry benchmark of < 10 percent for rural councils.
- This indicates that debt collection processes at Council are sound.



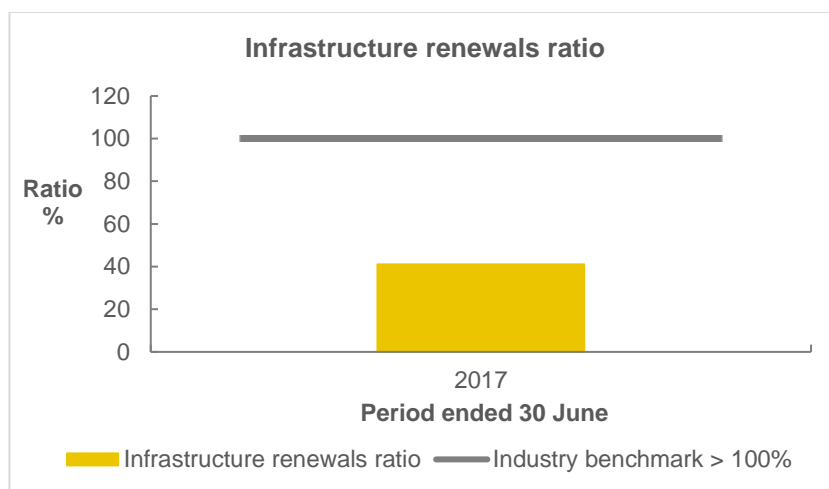
Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 22.07 months, which is above the industry benchmark of > 3 months.
- This indicates that Council had the capacity to cover 22.07 months of cash expenditure without additional cash inflows at 30 June 2017.



Building and infrastructure renewals ratio

- The 'building and infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio of 41.04% is below the industry benchmark of greater than 100%.
- Asset renewal expenditure may fluctuate year on year depending on the needs and program of Council.
- Council spent \$6.1 million on new asset additions and \$2.7 million on asset renewals in the current financial year.
- Council should be cognisant of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.



Legislative compliance

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

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

Steven Martin
Assistant Auditor-General, Financial Audit

29 November 2017

SYDNEY

cc: Mr Craig Moffitt, General Manager
Ms Alison Coe, Assistant General Manager, Corporate and Community Services
Ms Sue Mitchell, Director Corporate Finance
Ms Vicki Sutton, Manager Corporate Finance

Murrumbidgee Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

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 period 13 May 2016 to 30 June 2017

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
4. Auditor's Report	16

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 period 13 May 2016 to 30 June 2017

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 October 2017.



Ruth McRae
Mayor



Robert Black
Councillor



Craig Moffitt
General Manager



Alison Coe
Responsible accounting officer

Murrumbidgee Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

	Actual 13/5/16 to 30/6/17
\$ '000	
Income from continuing operations	
Access charges	555
User charges	393
Fees	4
Interest	54
Grants and contributions provided for non-capital purposes	17
Profit from the sale of assets	—
Share of profit from equity accounted investment	—
Other income	—
Total income from continuing operations	1,023
Expenses from continuing operations	
Employee benefits and on-costs	156
Borrowing costs	—
Materials and contracts	283
Depreciation, amortisation and impairment	1,914
Water purchase charges	11
Calculated taxation equivalents	—
Debt guarantee fee (if applicable)	—
Other expenses	285
Total expenses from continuing operations	2,649
Surplus (deficit) from continuing operations before capital amounts	(1,626)
Grants and contributions provided for capital purposes	—
Surplus (deficit) from continuing operations after capital amounts	(1,626)
Surplus (deficit) from discontinued operations	—
Surplus (deficit) from all operations before tax	(1,626)
Less: corporate taxation equivalent (30%) [based on result before capital]	—
SURPLUS (DEFICIT) AFTER TAX	(1,626)
Plus Assets and liabilities transferred from former councils	12,638
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	—
– Debt guarantee fees	—
– Corporate taxation equivalent	—
Less:	
– Tax equivalent dividend paid	—
– Surplus dividend paid	—
Closing retained profits	11,012
Return on capital %	-18.1%
Subsidy from Council	1,840
Calculation of dividend payable:	
Surplus (deficit) after tax	(1,626)
Less: capital grants and contributions (excluding developer contributions)	—
Surplus for dividend calculation purposes	—
Potential dividend calculated from surplus	—

Murrumbidgee Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

	Actual 13/5/16 to 30/6/17
\$ '000	
Income from continuing operations	
Access charges	556
User charges	16
Liquid trade waste charges	7
Fees	–
Interest	112
Grants and contributions provided for non-capital purposes	12
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	2
Total income from continuing operations	705
Expenses from continuing operations	
Employee benefits and on-costs	127
Borrowing costs	–
Materials and contracts	165
Depreciation, amortisation and impairment	1,329
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	–
Other expenses	147
Total expenses from continuing operations	1,768
Surplus (deficit) from continuing operations before capital amounts	(1,063)
Grants and contributions provided for capital purposes	–
Surplus (deficit) from continuing operations after capital amounts	(1,063)
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	(1,063)
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	(1,063)
Plus Assets and liabilities transferred from former councils	15,089
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	–
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	14,026
Return on capital %	-10.5%
Subsidy from Council	1,304
Calculation of dividend payable:	
Surplus (deficit) after tax	(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 2017

	Actual 2017
\$ '000	
ASSETS	
Current assets	
Cash and cash equivalents	1,587
Investments	–
Receivables	194
Inventories	28
Other	–
Non-current assets classified as held for sale	–
Total current assets	1,809
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	8,993
Investments accounted for using equity method	–
Investment property	–
Intangible assets	210
Other	–
Total non-current assets	9,203
TOTAL ASSETS	11,012
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	–
Non-current liabilities	
Payables	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	–
NET ASSETS	11,012
EQUITY	
Retained earnings	11,012
Revaluation reserves	–
Other reserves	–
Council equity interest	11,012
Non-controlling equity interest	–
TOTAL EQUITY	11,012

Murrumbidgee Council

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

	Actual 2017
\$ '000	
ASSETS	
Current assets	
Cash and cash equivalents	3,575
Investments	–
Receivables	97
Inventories	–
Other	54
Non-current assets classified as held for sale	–
Total current Assets	3,726
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	10,135
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	165
Total non-current assets	10,300
TOTAL ASSETS	14,026
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	–
Non-current liabilities	
Payables	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	–
NET ASSETS	14,026
EQUITY	
Retained earnings	14,026
Revaluation reserves	–
Other reserves	–
Council equity interest	14,026
Non-controlling equity interest	–
TOTAL EQUITY	14,026

Murrumbidgee Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Murrumbidgee Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

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.

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

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector

Murrumbidgee Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a

private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

Murrumbidgee Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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

Audit Report are required to be submitted to the DPIW.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(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 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance

Murrumbidgee Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	4,065
(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]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	40,650
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(1,586,100)

2017 Surplus (1,626,000)

(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 period 13 May 2016 to 30 June 2017

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

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

2017

National Water Initiative (NWI) financial performance indicators

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	976
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)]	%	39.95%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	8,936
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	723
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	42
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)]	%	-0.37%
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 period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	3,678
(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]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	36,780
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(1,113,400)

2017 Surplus (1,063,000)

(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 sewer business fair and reasonable? ^a	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)	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]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	NO
(iv)	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 period 13 May 2016 to 30 June 2017

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

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

2017

National Water Initiative (NWI) financial performance indicators

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	599
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	10,085
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	419
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	297
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)]	%	-0.88%
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	1,575
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.84%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	339
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)]	%	-0.64%
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 period 13 May 2016 to 30 June 2017

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

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

2017

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

NWI F22	Net debt to equity (water and sewerage)	%	-20.62%
	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):		- 122
	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:		- 153
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	(2,687)
	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	29
	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 statement

Murrumbidgee Council

To the Councillors of the Murrumbidgee Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Murrumbidgee Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the period 13 May 2016 to 30 June 2017, 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:

- Murrumbidgee Council Water Funds
- Murrumbidgee Council Sewerage Funds.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

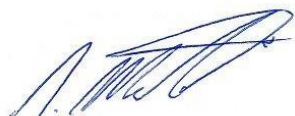
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

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 statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Steven Martin
Assistant Auditor-General, Financial Audit

29 November 2017
SYDNEY

Murrumbidgee Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

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 period 13 May 2016 to 30 June 2017

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	6
Special Schedule 4	Water Supply – Statement of Financial Position	9
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	10
Special Schedule 6	Sewerage Service – Statement of Financial Position	13
Notes to Special Schedules 3 and 5		14
Special Schedule 7	Report on Infrastructure Assets	15
Special Schedule 8	Permissible Income Calculation	19

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

Background

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

Murrumbidgee Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	254	–	–	(254)
Administration	6,870	5,265	10,000	8,395
Public order and safety				
Fire service levy, fire protection, emergency services	522	296	112	(114)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	98	2	–	(96)
Other	–	–	–	–
Total public order and safety	620	298	112	(210)
Health	41	11	–	(30)
Environment				
Noxious plants and insect/vermin control	175	40	–	(135)
Other environmental protection	144	–	1,388	1,244
Solid waste management	407	351	–	(56)
Street cleaning	9	–	–	(9)
Drainage	–	–	–	–
Stormwater management	149	10	–	(139)
Total environment	884	401	1,388	905
Community services and education				
Administration and education	12	5	–	(7)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	548	355	–	(193)
Children's services	9	2	–	(7)
Total community services and education	569	362	–	(207)
Housing and community amenities				
Public cemeteries	94	51	–	(43)
Public conveniences	95	–	–	(95)
Street lighting	95	43	–	(52)
Town planning	51	61	–	10
Other community amenities	347	18	–	(329)
Total housing and community amenities	682	173	–	(509)
Water supplies	2,567	986	–	(1,581)
Sewerage services	1,724	679	–	(1,045)

Murrumbidgee Council

Special Schedule 1 – Net Cost of Services (continued)

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	254	45	–	(209)
Museums	17	3	–	(14)
Art galleries	–	–	–	–
Community centres and halls	171	14	19	(138)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	23	3	–	(20)
Sporting grounds and venues	391	7	37	(347)
Swimming pools	259	12	–	(247)
Parks and gardens (lakes)	439	–	–	(439)
Other sport and recreation	310	284	–	(26)
Total recreation and culture	1,864	368	56	(1,440)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	43	48	–	5
Other mining, manufacturing and construction	39	41	–	2
Total mining, manufacturing and const.	82	89	–	7
Transport and communication				
Urban roads (UR) – local	477	–	–	(477)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,664	1,464	422	222
Sealed rural roads (SRR) – regional	763	832	152	221
Unsealed rural roads (URR) – local	1,409	454	–	(955)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	4	–	–	(4)
Bridges on SRR – local	82	–	–	(82)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	85	–	104	19
Aerodromes	64	–	–	(64)
Other transport and communication	83	–	–	(83)
Total transport and communication	4,631	2,750	678	(1,203)
Economic affairs				
Camping areas and caravan parks	46	8	–	(38)
Other economic affairs	2,485	2,605	–	120
Total economic affairs	2,531	2,613	–	82
Totals – functions	23,319	13,995	12,234	2,910
General purpose revenues ⁽¹⁾		10,707		10,707
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	23,319	24,702	12,234	13,617

(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(a) – Statement of Long Term Debt (all purpose)

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	153	271	424	–	153	–	–	31	82	189	271
Other	–	–	–							–	–
Total loans	153	271	424	–	153	–	–	31	82	189	271
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	153	271	424	–	153	–	–	31	82	189	271

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

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

Murrumbidgee Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]
for the period 13 May 2016 to 30 June 2017

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	535	68	219
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	535	68	219

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
GF - Library Construc	Sewer Fund	11/09/08	31/03/09	10	31/03/19	Variable	285	34	50
GF - Real Estate Dvlp	Sewer Fund	04/09/13	01/04/14	10	01/04/24	Variable	250	34	169
Totals							535	68	219

Murrumbidgee Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income Expenses	
1. Management expenses	
a. Administration	48
b. Engineering and supervision	197
2. Operation and maintenance expenses	
– dams and weirs	
a. Operation expenses	–
b. Maintenance expenses	–
– Mains	
c. Operation expenses	4
d. Maintenance expenses	102
– Reservoirs	
e. Operation expenses	–
f. Maintenance expenses	25
– Pumping stations	
g. Operation expenses (excluding energy costs)	–
h. Energy costs	114
i. Maintenance expenses	24
– Treatment	
j. Operation expenses (excluding chemical costs)	2
k. Chemical costs	55
l. Maintenance expenses	95
– Other	
m. Operation expenses	3
n. Maintenance expenses	45
o. Purchase of water	9
3. Depreciation expenses	
a. System assets	281
b. Plant and equipment	5
4. Miscellaneous expenses	
a. Interest expenses	–
b. Revaluation decrements	1,629
c. Other expenses	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	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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
Income	
6. Residential charges	
a. Access (including rates)	445
b. Usage charges	296
7. Non-residential charges	
a. Access (including rates)	108
b. Usage charges	98
8. Extra charges	7
9. Interest income	47
10. Other income	5
10a. Aboriginal Communities Water and Sewerage Program	–
11. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	17
c. Other grants	–
12. Contributions	
a. Developer charges	–
b. Developer provided assets	–
c. Other contributions	–
13. Total income	1,023
14. Gain (or loss) on disposal of assets	–
15. Operating result	(1,624)
15a. Operating result (less grants for acquisition of assets)	(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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	40
c. Renewals	2
d. Plant and equipment	–
17. Repayment of debt	–
18. Totals	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)	1,108
b. Residential (unoccupied, ie. vacant lot)	74
c. Non-residential (occupied)	143
d. Non-residential (unoccupied, ie. vacant lot)	30
23. Number of ETs for which developer charges were received	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,587	–	1,587
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	89	–	89
c. User charges	103	–	103
d. Other	2	–	2
27. Inventories	28	–	28
28. Property, plant and equipment			
a. System assets	–	8,936	8,936
b. Plant and equipment	–	57	57
29. Other assets	–	210	210
30. Total assets	1,809	9,203	11,012
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	1,809	9,203	11,012
EQUITY			
37. Accumulated surplus			11,012
38. Asset revaluation reserve			–
39. Other reserves			–
40. TOTAL EQUITY			11,012
Note to system assets:			
41. Current replacement cost of system assets			17,477
42. Accumulated current cost depreciation of system assets			(8,541)
43. Written down current cost of system assets			8,936

Murrumbidgee Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

		Actuals
		13/5/16
		to 30/6/17
\$'000		
A	Expenses and income	
	Expenses	
1.	Management expenses	
	a. Administration	17
	b. Engineering and supervision	108
2.	Operation and maintenance expenses	
	– mains	
	a. Operation expenses	–
	b. Maintenance expenses	22
	– Pumping stations	
	c. Operation expenses (excluding energy costs)	–
	d. Energy costs	32
	e. Maintenance expenses	96
	– Treatment	
	f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–
	g. Chemical costs	–
	h. Energy costs	23
	i. Effluent management	–
	j. Biosolids management	–
	k. Maintenance expenses	82
	– Other	
	l. Operation expenses	8
	m. Maintenance expenses	31
3.	Depreciation expenses	
	a. System assets	263
	b. Plant and equipment	6
4.	Miscellaneous expenses	
	a. Interest expenses	–
	b. Revaluation decrements	1,061
	c. Other expenses	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	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 period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges (including rates)	485
7. Non-residential charges	
a. Access (including rates)	71
b. Usage charges	15
8. Trade waste charges	
a. Annual fees	3
b. Usage charges	5
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	6
10. Interest income	106
11. Other income	2
11a. Aboriginal Communities Water and Sewerage Program	–
12. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	12
c. Other grants	–
13. Contributions	
a. Developer charges	–
b. Developer provided assets	–
c. Other contributions	–
14. Total income	705
15. Gain (or loss) on disposal of assets	–
16. Operating result	(1,063)
16a. Operating result (less grants for acquisition of assets)	(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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	—
b. New assets for growth	297
c. Renewals	—
d. Plant and equipment	—
18. Repayment of debt	—
19. Totals	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)	1,018
b. Residential (unoccupied, ie. vacant lot)	55
c. Non-residential (occupied)	143
d. Non-residential (unoccupied, ie. vacant lot)	10
24. Number of ETs for which developer charges were received	— ET
25. Total amount of pensioner rebates (actual dollars)	\$ 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	3,575	—	3,575
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	83	—	83
c. User charges	10	—	10
d. Other	3	—	3
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	10,085	10,085
b. Plant and equipment	—	51	51
30. Other assets	54	165	219
31. Total assets	3,725	10,301	14,026
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	3,725	10,301	14,026
EQUITY			
38. Accumulated surplus			14,026
39. Asset revaluation reserve			—
40. Other reserves			—
41. TOTAL EQUITY			14,026
Note to system assets:			
42. Current replacement cost of system assets			19,357
43. Accumulated current cost depreciation of system assets			(9,272)
44. Written down current cost of system assets			10,085

Murrumbidgee Council

Notes to Special Schedules 3 and 5

for the period 13 May 2016 to 30 June 2017

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 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings			236	571	23,654	34,564	9%	68%	21%	2%	0%
	Sub-total	–	–	236	571	23,654	34,564	9.0%	68.0%	21.0%	2.0%	0.0%
Other structures	Other structures			–	–	43	55			100%		0%
	Sub-total	–	–	–	–	43	55	0.0%	0.0%	100.0%	0.0%	0.0%
Roads	Sealed roads			1,448	911	–	–	5%	92%	2%	1%	
	Unsealed roads			–	1,115	–	–	4%	77%	19%		
	Bridges			–	–	3,011	6,444	8%	40%	52%		0%
	Footpaths			–	14	2,833	3,575	85%	2%	13%		0%
	Other road assets			–	–	3,449	4,850	4%		96%		0%
	Bulk earthworks			–	–	62,808	62,808	2%	90%	8%		0%
	Other			–	–	113,849	–					
	Sub-total	–	–	1,448	2,040	185,950	77,677	6.4%	76.2%	17.4%	0.0%	0.0%
Water supply network	Water supply network			751	738	8,091	16,601	5%	31%	49%	9%	6%
	Sub-total	–	–	751	738	8,091	16,601	5.0%	31.0%	49.0%	9.0%	6.0%
Sewerage network	Sewerage network			416	427	9,582	18,821	2%	36%	59%	3%	0%
	Sub-total	–	–	416	427	9,582	18,821	2.0%	36.0%	59.0%	3.0%	0.0%

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	117	17	5,382	9,420	30%	36%	27%	6%	1%
	Sub-total	–	–	117	17	5,382	9,420	30.0%	36.0%	27.0%	6.0%	1.0%
Open space/recreational assets	Swimming pools	960	960	115	154	690	1,705	34%			66%	0%
	Open space/recreational areas	–	–	–	–	620	1,111	48%	6%	27%	19%	0%
	Sub-total	960	960	115	154	1,310	2,816	39.5%	2.4%	10.7%	47.5%	0.0%
	TOTAL – ALL ASSETS	960	960	3,083	3,947	234,012	159,954	8.3%	61.3%	26.8%	2.9%	0.7%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

	Amounts 2017	Indicator 2017
\$ '000		
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	2,713	41.04%
Depreciation, amortisation and impairment	6,611	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	960	0.54%
Net carrying amount of infrastructure assets	178,833	
3. Asset maintenance ratio		
Actual asset maintenance	3,947	1.28
Required asset maintenance	3,083	

Notes

- * All asset performance indicators are calculated using the asset classes identified in the previous table.
- ⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Murrumbidgee Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

	Water	Sewer	General ⁽¹⁾
\$ '000	2017	2017	2017

Infrastructure asset performance indicators by fund

1. Infrastructure renewals ratio

Asset renewals ⁽²⁾	6.76%	2.64%	75.46%
Depreciation, amortisation and impairment			

2. Infrastructure backlog ratio

Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	0.60%
Net carrying amount of infrastructure assets			

3. Asset maintenance ratio

Actual asset maintenance	0.98	1.03	1.45
Required asset maintenance			

Notes

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

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
			Former Jerilderie Shire Council	Former Murrumbidgee Shire Council	Total
Notional general income calculation ⁽¹⁾					
Last year notional general income yield	a		2,036	1,955	3,991
Plus or minus adjustments ⁽²⁾	b		—	—	—
Notional general income	c = (a + b)		2,036	1,955	3,991
Permissible income calculation					
Special variation percentage ⁽³⁾	d		0.00%	0.00%	0.00%
Or rate peg percentage	e		1.50%	1.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f		0.00%	0.00%	0.00%
Less expiring special variation amount	g		—	—	—
Plus special variation amount	h = d x (c – g)		—	—	—
Or plus rate peg amount	i = c x e		31	29	60
Or plus Crown land adjustment and rate peg amount	j = c x f		—	—	—
Sub-total	k = (c + g + h + i + j)		2,067	1,984	4,051
Plus (or minus) last year's carry forward total	l		—	—	—
Less valuation objections claimed in the previous year	m		—	—	—
Sub-total	n = (l + m)		—	—	—
Total permissible income	o = k + n		2,067	1,984	4,051
Less notional general income yield	p		2,066	1,987	4,053
Catch-up or (excess) result	q = o – p		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	(3)	(2)

Murrumbidgee Council

Special Schedule 8 – Permissible Income Calculation for the year ended 30 June 2018

\$'000

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 nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (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 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Murrumbidgee Council

To the Councillors of Murrumbidgee Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Murrumbidgee Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Murrumbidgee Council for 30 June 2018 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

- Australian Auditing Standards
- ethical requirements of the 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 notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://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 Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Steven Martin
Assistant Auditor-General, Financial Audit

29 November 2017
SYDNEY