

# Murray River Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

# Murray River Council

## General Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	93
– On the Conduct of the Audit (Sect 417 [3])	96

---

### Overview

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

21 Conargo Street  
Mathoura NSW 2710

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

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

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

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

# Murray River Council

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

### Understanding Council's financial statements

---

#### Introduction

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

#### What you will find in the statements

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

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

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

#### Who uses the financial statements?

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

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

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

## Murray River Council

### General Purpose Financial Statements

for the year ended 30 June 2018

### Statement by Councillors and Management

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

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

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

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


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

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

Signed in accordance with a resolution of Council made on 27 November 2018.



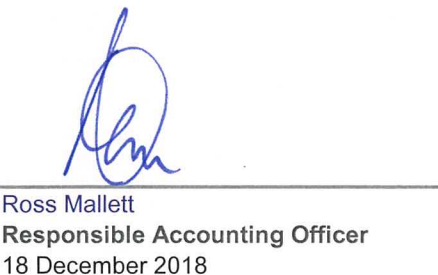
Chris Bilkey  
Mayor  
18 December 2018



Gen Campbell  
Councillor  
18 December 2018



Des Bilske  
General Manager  
18 December 2018



Ross Mallett  
Responsible Accounting Officer  
18 December 2018

## Murray River Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
15,401	Rates and annual charges	3a	15,522	15,808
4,831	User charges and fees	3b	7,139	7,777
1,160	Interest and investment revenue	3c	1,603	1,652
852	Other revenues	3d	1,147	1,400
16,499	Grants and contributions provided for operating purposes	3e,f	17,260	27,869
5,300	Grants and contributions provided for capital purposes	3e,f	4,040	13,116
<b>44,043</b>	<b>Total income from continuing operations</b>		<b>46,711</b>	<b>67,622</b>
<b>Expenses from continuing operations</b>				
11,988	Employee benefits and on-costs	4a	15,006	15,010
188	Borrowing costs	4b	191	307
9,242	Materials and contracts	4c	7,551	9,758
12,001	Depreciation and amortisation	4d	12,843	14,648
3,856	Other expenses	4e	4,350	4,504
–	Net losses from the disposal of assets	5	57	704
–	Revaluation decrement / impairment of IPP&E	4d	–	644
–	Net share of interests in joint ventures and associates using the equity method	15	44	44
<b>37,275</b>	<b>Total expenses from continuing operations</b>		<b>40,042</b>	<b>45,619</b>
<b>6,768</b>	<b>Operating result from continuing operations</b>		<b>6,669</b>	<b>22,003</b>
<b>6,768</b>	<b>Net operating result for the year</b>		<b>6,669</b>	<b>22,003</b>
<b>Gain on local government amalgamation</b>				
–	Assets and liabilities transferred from former councils		–	668,275
<b>6,768</b>	<b>Net result for the year</b>		<b>6,669</b>	<b>690,278</b>
6,768	Net result attributable to Council		6,669	690,278
1,468	Net operating result for the year before grants and contributions provided for capital purposes		2,629	8,887

## Murray River Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>Net result for the year</b> (as per Income Statement)		<b>6,669</b>	<b>690,278</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	3,922	23,681
Other movements Revaluation Intangible Assets	10	853	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>4,775</b>	<b>23,681</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>4,775</b>	<b>23,681</b>
<b>Total comprehensive income for the year</b>		<b>11,444</b>	<b>713,959</b>
Total comprehensive income attributable to Council		11,444	713,959

## Murray River Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	2,763	25,664
Investments	6b	59,251	30,954
Receivables	7	6,571	6,002
Inventories	8	1,815	4,135
Other	8	71	61
<b>Total current assets</b>		<b>70,471</b>	<b>66,816</b>
<b>Non-current assets</b>			
Investments	6b	2	2
Receivables	7	387	713
Inventories	8	2,188	461
Infrastructure, property, plant and equipment	9	662,037	656,802
Investments accounted for using the equity method	15	377	421
Intangible assets	10	1,492	639
<b>Total non-current assets</b>		<b>666,483</b>	<b>659,038</b>
<b>TOTAL ASSETS</b>		<b>736,954</b>	<b>725,854</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	3,807	2,872
Income received in advance	11	259	384
Borrowings	11	797	820
Provisions	12	3,763	3,827
<b>Total current liabilities</b>		<b>8,626</b>	<b>7,903</b>
<b>Non-current liabilities</b>			
Borrowings	11	1,659	2,484
Provisions	12	1,266	1,508
<b>Total non-current liabilities</b>		<b>2,925</b>	<b>3,992</b>
<b>TOTAL LIABILITIES</b>		<b>11,551</b>	<b>11,895</b>
<b>Net assets</b>		<b>725,403</b>	<b>713,959</b>
<b>EQUITY</b>			
Accumulated surplus	13	696,947	690,278
Revaluation reserves	13	28,456	23,681
<b>Total equity</b>		<b>725,403</b>	<b>713,959</b>

## Murray River Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	13/5/16 to 30/6/17 Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		690,278	23,681	<b>713,959</b>	–	–	–
Net result for the year prior to correction of errors and changes in accounting policies		<b>6,669</b>	–	<b>6,669</b>	690,278	–	<b>690,278</b>
<b>Net result for the year</b>		<b>6,669</b>	–	<b>6,669</b>	<b>690,278</b>	–	<b>690,278</b>
<b>Other comprehensive income</b>							
– Gain/(loss) on revaluation of IPP&E	9a	–	3,922	<b>3,922</b>	–	23,681	<b>23,681</b>
– Other movements (Revaluation Intangible Assets)	10	–	853	<b>853</b>	–	–	–
<b>Other comprehensive income</b>		–	<b>4,775</b>	<b>4,775</b>	–	<b>23,681</b>	<b>23,681</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>6,669</b>	<b>4,775</b>	<b>11,444</b>	<b>690,278</b>	<b>23,681</b>	<b>713,959</b>
<b>Equity – balance at end of the reporting period</b>		<b>696,947</b>	<b>28,456</b>	<b>725,403</b>	<b>690,278</b>	<b>23,681</b>	<b>713,959</b>



## Murray River Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
15,411	Rates and annual charges		15,192	17,880
4,841	User charges and fees		8,030	7,734
1,170	Investment and interest revenue received		1,276	1,537
21,799	Grants and contributions		21,157	41,447
–	Bonds, deposits and retention amounts received		434	1
2,943	Other		2,654	3,917
<b>Payments:</b>				
(12,088)	Employee benefits and on-costs		(15,100)	(14,841)
(9,252)	Materials and contracts		(8,885)	(11,430)
(188)	Borrowing costs		(130)	(248)
(5,935)	Other		(5,355)	(6,213)
<b>18,701</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>19,273</b>	<b>39,784</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
9,254	Sale of investment securities		39,670	29,911
210	Sale of real estate assets		650	863
910	Sale of infrastructure, property, plant and equipment		649	1,042
81	Deferred debtors receipts		819	–
<b>Payments:</b>				
(58)	Purchase of investment securities		(67,967)	(46,532)
(32,055)	Purchase of infrastructure, property, plant and equipment		(14,892)	(17,201)
(10)	Purchase of real estate assets		1	3
–	Deferred debtors and advances made		(214)	(480)
–	Contributions paid to joint ventures and associates		–	(1)
<b>(21,668)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(41,284)</b>	<b>(32,395)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(858)	Repayment of borrowings and advances		(890)	(1,107)
<b>(858)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(890)</b>	<b>(1,107)</b>
<b>(3,825)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22,901)</b>	<b>6,282</b>
25,191	Plus: cash and cash equivalents – beginning of year	14a	25,664	–
–	Plus: cash transferred on amalgamation of councils		–	19,382
<b>21,366</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>2,763</b>	<b>25,664</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	59,253	30,956
<b>Total cash, cash equivalents and investments</b>			<b>62,016</b>	<b>56,620</b>

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

# Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	17
4	Expenses from continuing operations	24
5	Gains or losses from the disposal of assets	29
6(a)	Cash and cash equivalent assets	29
6(b)	Investments	30
6(c)	Restricted cash, cash equivalents and investments – details	31
7	Receivables	33
8	Inventories and other assets	34
9(a)	Infrastructure, property, plant and equipment	36
9(b)	Externally restricted infrastructure, property, plant and equipment	39
9(c)	Infrastructure, property, plant and equipment – current year impairments	39
10	Intangible assets	40
11	Payables and borrowings	41
12	Provisions	44
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	50
14	Statement of cash flows – additional information	51
15	Interests in other entities	51
16	Commitments for expenditure	58
17	Contingencies and other liabilities/assets not recognised	59
18	Financial risk management	62
19	Material budget variations	66
20	Fair value measurement	68
21	Related party transactions	79
22	Statement of developer contributions	81
23	Financial result and financial position by fund	85
24(a)	Statement of performance measures – consolidated results	87
24(b)	Statement of performance measures – by fund	88
<b>Additional council disclosures (unaudited)</b>		
24(c)	Statement of performance measures – consolidated results (graphs)	90
25	Council information and contact details	92

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

---

These financial statements were authorised for issue by Council on 27/11/2018.

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

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

##### **Basis of preparation**

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

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

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

and are clearly marked .

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

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

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

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

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

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

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

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

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

- (iv) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

- General purpose operations
- Water service
- Sewerage service
- Moama Recreation Reserve Committee
- Moama Lions Units
- Mathoura Retirement Village Committee

##### **(b) The Trust Fund**

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

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

- Payments received from unknown entities
- Land Sale and Acquisition funds required to be paid into Trust

#### **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.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

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

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

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

- *AASB 9 Financial Instruments*

AASB9 replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on a preliminary assessment to date, the standard is not expected to have a material impact on Council's future financial statements.

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

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

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

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

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

- *AASB 16 Leases*

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

## Murray River Council

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

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

---

Council is currently a party to operating leases that are not recognised in the Statement of Financial Position. Council currently does not have any Financial Leases. It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Governance	–	1	912	531	(912)	(530)	–	–	34	27
Administration	1,009	16,632	5,387	6,411	(4,378)	10,221	120	15,173	40,720	45,628
Public order and safety	256	327	1,207	1,285	(951)	(958)	290	293	2,652	2,820
Health	23	73	330	420	(307)	(347)	–	–	357	305
Environment	2,163	3,498	2,889	2,999	(726)	499	96	375	38,993	38,006
Community Services and Education	1,199	1,407	1,548	1,843	(349)	(436)	900	928	9,011	9,826
Housing and Community amenities	709	738	1,627	1,825	(918)	(1,087)	72	84	8,169	8,070
Water supplies	4,789	5,414	3,786	4,304	1,003	1,110	44	95	50,892	48,378
Sewerage services	2,967	3,235	2,329	3,167	638	68	42	77	47,626	45,756
Recreation and culture	1,037	837	3,790	3,667	(2,753)	(2,830)	802	600	30,231	28,884
Mining, manufacturing and construction	440	489	680	947	(240)	(458)	–	–	352	1,297
Transport and communication	9,727	9,996	12,612	14,811	(2,885)	(4,815)	3,010	3,732	497,761	487,629
Economic affairs	3,386	3,067	2,901	3,365	485	(298)	89	19	9,779	8,807
Share of gains / (losses) in association and joint ventures	–	–	44	44	(44)	(44)	–	–	377	421
General purpose income	19,006	21,908	–	–	19,006	21,908	8,191	11,592	–	–
<b>Total functions and activities</b>	<b>46,711</b>	<b>67,622</b>	<b>40,042</b>	<b>45,619</b>	<b>6,669</b>	<b>22,003</b>	<b>13,656</b>	<b>32,968</b>	<b>736,954</b>	<b>725,854</b>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Governance**

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.



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Water supplies**

Includes the provision and distribution of water to the towns within the boundary of the Council.

##### **Sewerage services**

Treatment of wastewater to the towns within the boundaries of the Council.

##### **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; real estate development and other business undertakings.

##### **Share of gains / (losses) in association and joint ventures**

Includes Central Murray Regional Library and Central Murray County Council

##### **General purpose income**

Includes rates and annual charges; non capital general purpose grants; interest on investments and interest on overdue rates and charges.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	3,402	3,190
Farmland	5,399	5,388
Business	844	813
<b>Total ordinary rates</b>	<b>9,645</b>	<b>9,391</b>
<b>Special rates</b>		
Levee bank	–	42
<b>Total special rates</b>	<b>–</b>	<b>42</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	974	1,056
Stormwater management services	120	127
Water supply services	2,334	2,575
Sewerage services	2,341	2,490
Waste management services (non-domestic)	108	127
<b>Total annual charges</b>	<b>5,877</b>	<b>6,375</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>15,522</b>	<b>15,808</b>

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

#### Accounting policy for rates and annual charges

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

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Domestic waste management services	270	635
Water supply services	1,721	1,750
Sewerage services	42	21
Waste management services (non-domestic)	537	687
<b>Total specific user charges</b>	<b>2,570</b>	<b>3,093</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	370	388
Inspection services	35	55
Private works – section 67	939	1,401
Regulatory/ statutory fees	–	5
Registration fees	–	1
Section 149 certificates (EPA Act)	45	49
Section 603 certificates	42	43
Tapping fees	–	3
Town planning	314	307
Health control	21	65
Animal control	20	27
<b>Total fees and charges – statutory/regulatory</b>	<b>1,786</b>	<b>2,344</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aged care	143	162
Caravan park	26	121
Cemeteries	130	157
Gravel pits	59	92
Leaseback fees – Council vehicles	75	93
Library and art gallery	1	1
RMS (formerly RTA) charges (state roads not controlled by Council)	2,063	1,406
Swimming centres	12	13
Tourism	–	2
Water connection fees	22	51
Public halls	7	12
Sewer connection fees	20	12
Community services / retirement villages	81	56
Recreational grounds / swimming pools / libraries	41	44
Special meter reading	18	16
Sewerage consumption / trade waste	71	92
Other	14	10
<b>Total fees and charges – other</b>	<b>2,783</b>	<b>2,340</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>7,139</b>	<b>7,777</b>

**Accounting policy for user charges and fees**

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	105	95
– Cash and investments	1,425	1,453
– Deferred debtors	59	78
– Other	–	1
<b>Dividend income</b>	11	22
<b>Amortisation of premiums and discounts</b>		
– Interest free (and interest reduced) loans provided	3	3
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>1,603</u></b>	<b><u>1,652</u></b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	68	52
General Council cash and investments	1,083	873
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	21	38
– Section 64	16	41
Water fund operations	212	157
Sewerage fund operations	203	491
<b>Total interest and investment revenue recognised</b>	<b><u>1,603</u></b>	<b><u>1,652</u></b>

**Accounting policy for interest and investment revenue**

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>(d) Other revenues</b>			
Rental income – other council properties		563	636
Legal fees recovery – rates and charges (extra charges)		37	49
Commissions and agency fees		254	273
Diesel rebate		–	22
Sales – general		–	4
Insurance claims / rebates		245	361
Water – meter rents / sundry income		28	15
Environment incentives		3	1
Rural transaction centre		–	20
Sewer – sundry income		–	6
Other		17	13
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,147</u></b>	<b><u>1,400</u></b>

#### Accounting policy for other revenue

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

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

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

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,554	4,834	–	–
Financial assistance – local roads component	1,436	2,746	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	2,625	2,499	–	–
Financial assistance – local roads component	1,474	1,409	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	102	104	–	–
<b>Total general purpose</b>	<b>8,191</b>	<b>11,592</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	44	46	–	–
– Sewerage	42	43	–	–
– Domestic waste management	37	41	–	–
Water supplies	–	33	–	16
Sewerage services	–	33	–	–
Aged care	883	909	–	–
Bushfire and emergency services	290	266	–	–
Economic development	89	13	–	–
Employment and training programs	38	94	–	–
Heritage and cultural	–	5	11	103
Library	78	57	17	–
Library – special projects	–	–	–	13
LIRS subsidy	58	53	–	–
Noxious weeds	59	55	–	–
Public halls	–	–	–	20
Recreation and culture	2	–	694	401
Street lighting	52	84	–	–
Transport (roads to recovery)	2,720	3,425	–	–
Transport (other roads and bridges funding)	232	232	–	–
Planning	20	–	–	–
Energy fuel rebate scheme	82	81	–	–
Tourism	–	–	–	5
Waste management	–	227	–	50
River access	–	–	–	2
Flood risk management plans	–	49	–	–
Youth services	16	16	–	–
Stronger communities fund	–	6,000	–	9,000
Other	1	4	–	–
<b>Total specific purpose</b>	<b>4,743</b>	<b>11,766</b>	<b>722</b>	<b>9,610</b>
<b>Total grants</b>	<b>12,934</b>	<b>23,358</b>	<b>722</b>	<b>9,610</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	12,007	15,461	–	25
– State funding	927	6,974	722	9,585
– Other funding	–	923	–	–
	<b>12,934</b>	<b>23,358</b>	<b>722</b>	<b>9,610</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	417	382
S 7.12 – fixed development consent levies		–	–	–	126
S 64 – water supply contributions		–	–	260	383
S 64 – sewerage service contributions		–	–	223	307
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>900</b>	<b>1,198</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>900</b>	<b>1,198</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community services		6	8	–	–
Drainage		–	–	–	7
Recreation and culture		–	23	–	–
Roads and bridges		–	12	–	–
RMS contributions (regional roads, block grant)		3,258	3,425	2,339	2,156
Tourism		–	66	–	–
Water supplies (excl. section 64 contributions)		–	165	75	109
RMS contributions (flood / storm damage)		878	500	–	–
Staff		–	60	–	–
S355 committees		45	18	4	6
Bike paths / pedestrian access		–	–	–	30
Engineering development		–	31	–	–
Drummuster		74	4	–	–
Aged care		–	75	–	–
Libraries		–	9	–	–
Transport (road safety officer)		41	51	–	–
Waste management		24	27	–	–
Plant and motor vehicles		–	27	–	–
Donations		–	10	–	–
<b>Total other contributions – cash</b>		<b>4,326</b>	<b>4,511</b>	<b>2,418</b>	<b>2,308</b>
<b>Total other contributions</b>		<b>4,326</b>	<b>4,511</b>	<b>2,418</b>	<b>2,308</b>
<b>Total contributions</b>		<b>4,326</b>	<b>4,511</b>	<b>3,318</b>	<b>3,506</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>17,260</b>	<b>27,869</b>	<b>4,040</b>	<b>13,116</b>

**Accounting policy for contributions**

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

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

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	14,504	1,672
<b>Add:</b> capital grants recognised in the current period but not yet spent	1,173	13,233
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(2,785)	(401)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>12,892</u>	<u>14,504</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	1,881	1,583
<b>Add:</b> contributions recognised in the current period but not yet spent	842	1,198
<b>Less:</b> contributions recognised in a previous reporting period now spent	(677)	(900)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>2,046</u>	<u>1,881</u>



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	10,886	11,622
Employee termination costs	565	58
Travel expenses	685	511
Employee leave entitlements (ELE)	1,921	2,065
Superannuation	890	990
Superannuation – defined benefit plans	371	357
Workers' compensation insurance	714	754
Fringe benefit tax (FBT)	191	231
Payroll tax	30	20
Training costs (other than salaries and wages)	221	297
Protective clothing	28	64
Other	156	211
<b>Total employee costs</b>	<b>16,658</b>	<b>17,180</b>
Less: capitalised costs	(1,652)	(2,170)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>15,006</b>	<b>15,010</b>
Number of 'full-time equivalent' employees (FTE) at year end	<b>172</b>	<b>161</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	<b>173</b>	<b>168</b>

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

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 12 for more information.

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		93	199
<b>Total interest bearing liability costs expensed</b>		<b>93</b>	<b>199</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	20	21
– Other liabilities		36	29
Interest applicable on interest free (and favourable) loans to Council		42	58
<b>Total other borrowing costs</b>		<b>98</b>	<b>108</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>191</b>	<b>307</b>

**Accounting policy for borrowing costs**

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

**(c) Materials and contracts**

Raw materials and consumables		1,810	3,617
Contractor and consultancy costs		1,853	5,783
– Merger Consultants		349	–
– Planning Consultants		167	–
– Waste Management Consultants		228	–
– Waste, Transfer Station & Recycling Collections Contractors		890	–
– IT Software Licences		201	–
– IT Cloud Contract		184	–
– Road & Bridges Contractors		886	–
– State Road Contractors		728	–
Auditors remuneration <sup>(2)</sup>		94	43
Legal expenses:			
– Legal expenses: planning and development		47	137
– Legal expenses: debt recovery		40	47
– Legal expenses: other		55	101
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(1)</sup>		19	30
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>7,551</b>	<b>9,758</b>

**Operating leases**

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

**1. Operating lease payments are attributable to:**

Photocopiers		19	30
		<b>19</b>	<b>30</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<b>(c) Materials and contracts (continued)</b>		
<b>2. Auditor remuneration</b>		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Non NSW Auditor-General audit firms:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	90	43
<b>Remuneration for audit and other assurance services</b>	<b>90</b>	<b>43</b>
<b>(ii) Non-assurance services</b>		
Internal Audit Committee	3	–
Audit Club Grants	1	–
<b>Remuneration for non-assurance services</b>	<b>4</b>	<b>–</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>4</b>	<b>–</b>
<b>Total Auditor remuneration</b>	<b>94</b>	<b>43</b>
<b>(d) Depreciation, amortisation and impairment</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	1,243	1,617
Office equipment	189	141
Furniture and fittings	37	36
Land improvements (depreciable)	125	145
<b>Infrastructure:</b>		
– Buildings – non-specialised	336	653
– Buildings – specialised	1,167	1,228
– Other structures	479	353
– Roads	6,288	6,977
– Bridges	701	864
– Footpaths	159	141
– Stormwater drainage	555	604
– Water supply network	1,074	1,221
– Sewerage network	704	1,167
– Swimming pools	12	2
<b>Other assets:</b>		
– Heritage collections	12	–
– Library books	2	1
– Other	48	19
<b>Reinstatement, rehabilitation and restoration assets:</b>		
– Tip assets	26	59
– Quarry assets	20	–
<b>Total gross depreciation and amortisation costs</b>	<b>13,177</b>	<b>15,228</b>
Less: capitalised costs	(334)	(580)
<b>Total depreciation and amortisation costs</b>	<b>12,843</b>	<b>14,648</b>

## Murray River Council

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

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

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>(d) Depreciation, amortisation and impairment (continued)</b>			
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Roads		–	644
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>644</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>		<b><u>12,843</u></b>	<b><u>15,292</u></b>

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

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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

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

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

##### Impairment of financial assets

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	13/5/16 to 30/6/17
<b>(e) Other expenses</b>		
Advertising	224	180
Bad and doubtful debts	4	4
Bank charges	50	63
Cleaning	–	17
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	20	18
– NSW fire brigade levy	15	36
– NSW rural fire service levy	388	381
Councillor expenses – mayoral fee	21	–
Councillor expenses – councillors' fees	87	–
Councillors' expenses (incl. mayor) – other (excluding fees above)	186	–
Donations, contributions and assistance to other organisations (Section 356)	419	464
– stronger communities fund grants	141	320
Election expenses	107	–
Electricity and heating	728	802
Fire control expenses	–	21
Insurance	625	712
Office expenses (including computer expenses)	–	51
Postage/freight	73	75
Printing and stationery	133	129
Street lighting	220	228
Subscriptions and publications	147	93
Telephone and communications	475	417
Tourism expenses (excluding employee costs)	–	152
Valuation fees	65	66
Vehicle registrations	131	117
Aged care services	242	72
Other	47	80
Consultants	–	10
Other – Administrator payment	33	106
Other – Local Representation Committee members expenses	–	73
Other – Administrator expenses	13	57
<b>Total other expenses</b>	<b>4,594</b>	<b>4,744</b>
Less: capitalised costs	(244)	(240)
<b>TOTAL OTHER EXPENSES</b>	<b>4,350</b>	<b>4,504</b>

#### Accounting policy for other expenses

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	13/5/16 to 30/6/17
<b>Property</b> (excl. investment property)	9		
Proceeds from disposal – property		12	–
Less: carrying amount of property assets sold/written off		(40)	–
<b>Net gain/(loss) on disposal</b>		<b>(28)</b>	<b>–</b>
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		631	1,027
Less: carrying amount of plant and equipment assets sold/written off		(743)	(952)
<b>Net gain/(loss) on disposal</b>		<b>(112)</b>	<b>75</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		6	15
Less: carrying amount of infrastructure assets sold/written off		(66)	(723)
<b>Net gain/(loss) on disposal</b>		<b>(60)</b>	<b>(708)</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		650	863
Less: carrying amount of real estate assets sold/written off		(507)	(934)
<b>Net gain/(loss) on disposal</b>		<b>143</b>	<b>(71)</b>
<b>Financial assets</b> <sup>(1)</sup>	6		
Proceeds from disposal/redemptions/maturities – financial assets		39,670	29,911
Less: carrying amount of financial assets sold/redeemed/matured		(39,670)	(29,911)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(57)</b>	<b>(704)</b>

**Accounting policy for disposal of assets**

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

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

<b>Cash and cash equivalents</b>			
Cash on hand and at bank		2,763	1,138
Cash-equivalent assets			
– Deposits at call		–	1,200
– Short-term deposits		–	23,326
<b>Total cash and cash equivalents</b>		<b>2,763</b>	<b>25,664</b>

**Accounting policy for cash and cash equivalents**

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

## Murray River Council

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

#### Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
a. 'Held to maturity'	59,251	–	30,954	–
b. 'Available for sale'	–	2	–	2
<b>Total investments</b>	<b>59,251</b>	<b>2</b>	<b>30,954</b>	<b>2</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>62,014</b>	<b>2</b>	<b>56,618</b>	<b>2</b>
<b>Held to maturity investments</b>				
Long term deposits	59,251	–	30,954	–
<b>Total</b>	<b>59,251</b>	<b>–</b>	<b>30,954</b>	<b>–</b>
<b>Available for sale financial assets</b>				
Unlisted equity securities	–	2	–	2
<b>Total</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>2</b>

#### Accounting policy for investments

##### Classification

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

##### (a) Held to maturity investments

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

##### (b) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

##### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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.

##### Impairment of available for sale investments

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.

## Murray River Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	62,014	2	56,618	2
<b>attributable to:</b>				
External restrictions (refer below)	31,219	2	31,669	2
Internal restrictions (refer below)	24,042	–	22,019	–
Unrestricted	6,753	–	2,930	–
	<b>62,014</b>	<b>2</b>	<b>56,618</b>	<b>2</b>

\$ '000	2018		2017	
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general			768	768
<b>External restrictions – included in liabilities</b>			<b>768</b>	<b>768</b>
<b>External restrictions – other</b>				
Developer contributions – general			1,061	800
Developer contributions – water fund			264	524
Developer contributions – sewer fund			635	473
Specific purpose unexpended grants			12,892	14,504
Water supplies			6,226	6,429
Sewerage services			7,856	6,851
Domestic waste management			1,298	1,103
Special levies – land and water management			135	135
Other – hacc bus			86	84
<b>External restrictions – other</b>			<b>30,453</b>	<b>30,903</b>
<b>Total external restrictions</b>			<b>31,221</b>	<b>31,671</b>



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Plant and vehicle replacement	2,176	1,465
Infrastructure replacement	4,238	3,867
Employees leave entitlement	1,947	1,947
Carry over works	1,162	1,714
Deposits, retentions and bonds	–	79
Staff/other housing	156	163
Waste management	3,212	2,772
Community hub	296	296
Community master planning	105	114
Prepaid financial assistance grant (fag)	4,099	3,908
Town improvements	30	30
Cemetery improvements	37	46
Sand/gravel pit restorations	234	234
Barham boardwalk	150	150
Parks, halls and reserves	754	723
Office equipment	611	611
Town planning	61	61
Stormwater drainage	217	365
Other flood damage grant	183	283
Recreation and culture	198	142
Road safety	30	30
Roads	–	10
Retirement village	547	454
Other – investment projects	84	85
Levee bank	9	31
Insurance claims	163	126
Industrial development	1,433	659
Halls	57	66
Financial assistance grant	249	249
Election	47	84
Economic	17	37
Cemetery	81	31
Caravan park	615	487
Buildings	337	219
Investment recoupment	204	163
Other	303	318
<b>Total internal restrictions</b>	<b>24,042</b>	<b>22,019</b>
<b>TOTAL RESTRICTIONS</b>	<b>55,263</b>	<b>53,690</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	1,556	–	1,226	–
Interest and extra charges	237	–	197	–
User charges and fees	767	–	1,213	–
Contributions to works	–	–	55	–
Accrued revenues				
– Interest on investments	601	–	317	–
– Other income accruals	122	–	81	–
Deferred debtors	483	289	724	650
Government grants and subsidies	1,791	–	1,623	–
Loans to non-profit organisations	39	128	32	93
Net GST receivable	223	–	290	–
Other debtors	875	–	367	–
<b>Total</b>	<b>6,694</b>	<b>417</b>	<b>6,125</b>	<b>743</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(35)	–	(35)	–
Other debtors	(88)	(30)	(88)	(30)
<b>Total provision for impairment – receivables</b>	<b>(123)</b>	<b>(30)</b>	<b>(123)</b>	<b>(30)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>6,571</u></b>	<b><u>387</u></b>	<b><u>6,002</u></b>	<b><u>713</u></b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	271	–	191	–
– Other	720	–	701	–
<b>Sewerage services</b>				
– Rates and availability charges	219	–	161	–
– Other	82	–	126	–
Domestic waste management	62	–	101	–
<b>Total external restrictions</b>	<b>1,354</b>	<b>–</b>	<b>1,280</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>5,217</b>	<b>387</b>	<b>4,722</b>	<b>713</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>6,571</u></b>	<b><u>387</u></b>	<b><u>6,002</u></b>	<b><u>713</u></b>
<b>Movement in provision for impairment of receivables</b>			2018	13/5/16
Balance at the beginning of the year			153	153
<b>Balance at the end of the year</b>			<b>153</b>	<b>153</b>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

##### Accounting policy for receivables

###### Recognition and measurement

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

###### Impairment

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

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

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

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	1,419	2,033	3,743	330
Stores and materials	396	–	392	–
Loose tools	–	155	–	131
<b>Total inventories at cost</b>	<b>1,815</b>	<b>2,188</b>	<b>4,135</b>	<b>461</b>
<b>TOTAL INVENTORIES</b>	<b>1,815</b>	<b>2,188</b>	<b>4,135</b>	<b>461</b>
<b>(b) Other assets</b>				
Prepayments	71	–	61	–
<b>TOTAL OTHER ASSETS</b>	<b>71</b>	<b>–</b>	<b>61</b>	<b>–</b>

##### Externally restricted assets

There are no restrictions applicable to the above assets.

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		–	–	113	–
Industrial/commercial		1,419	2,033	3,630	330
<b>Total real estate for resale</b>		<b>1,419</b>	<b>2,033</b>	<b>3,743</b>	<b>330</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		–	–	113	330
Development costs		1,419	2,033	3,630	–
<b>Total costs</b>		<b>1,419</b>	<b>2,033</b>	<b>3,743</b>	<b>330</b>
<b>Total real estate for resale</b>		<b>1,419</b>	<b>2,033</b>	<b>3,743</b>	<b>330</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		3,743	330	2,161	–
– Purchases and other costs		(1,704)	1,703	2,516	330
– Transfers in from (out to) Note 9		(113)	–	–	–
– WDV of sales (expense)	5	(507)	–	(934)	–
<b>Total real estate for resale</b>		<b>1,419</b>	<b>2,033</b>	<b>3,743</b>	<b>330</b>

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

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

	2018	2017
Real estate for resale	–	2,743
	<b>–</b>	<b>2,743</b>

**Accounting policy****Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Inventory held for distribution**

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

**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.

## Murray River Council

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

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

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Plant and equipment	18,547	8,753	9,794	1,504	–	(743)	(1,243)	–	–	–	18,880	9,568	9,312
Office equipment	1,784	831	953	644	–	–	(189)	–	–	–	2,375	967	1,408
Furniture and fittings	823	469	354	26	–	–	(37)	–	–	–	849	506	343
<b>Land:</b>													
– Operational land	7,689	–	7,689	5	–	(40)	–	82	(299)	538	7,975	–	7,975
– Community land	8,410	–	8,410	–	–	–	–	31	–	2,080	10,521	–	10,521
– Land under roads (post 30/6/08)	19	–	19	–	–	–	–	–	–	–	19	–	19
Land improvements – depreciable	8,803	4,620	4,183	–	–	–	(125)	–	–	–	8,803	4,745	4,058
<b>Infrastructure:</b>													
– Buildings – non-specialised	13,996	4,739	9,257	50	–	–	(336)	–	–	–	14,046	5,075	8,971
– Buildings – specialised	45,248	22,915	22,333	85	–	–	(1,167)	–	–	–	45,333	24,082	21,251
– Other structures	15,368	2,990	12,378	688	–	(52)	(479)	–	–	–	15,975	3,440	12,535
– Roads	313,833	101,444	212,389	9,614	–	–	(6,288)	–	–	–	323,448	107,733	215,715
– Bridges	68,536	20,717	47,819	467	–	–	(701)	–	–	–	69,003	21,418	47,585
– Footpaths	9,954	2,945	7,009	249	–	(2)	(159)	–	–	–	10,192	3,095	7,097
– Bulk earthworks (non-depreciable)	203,924	–	203,924	533	–	–	–	–	–	–	204,457	–	204,457
– Stormwater drainage	46,768	14,747	32,021	53	–	–	(555)	–	–	–	46,820	15,301	31,519
– Water supply network	56,089	17,180	38,909	1,203	–	–	(1,074)	–	–	817	58,470	18,615	39,855
– Sewerage network	55,724	18,291	37,433	85	–	–	(704)	–	–	786	56,979	19,379	37,600
– Swimming pools	551	522	29	–	–	–	(12)	–	–	–	550	533	17
<b>Other assets:</b>													
– Heritage collections	558	278	280	35	–	–	(12)	–	–	–	593	290	303
– Library books	24	17	7	–	–	–	(2)	–	–	–	24	19	5
– Other	487	90	397	111	–	–	(48)	–	–	–	598	138	460
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>													
– Tip assets	1,724	697	1,027	–	(38)	–	(26)	–	–	–	1,685	722	963
– Quarry assets	426	238	188	18	(106)	(12)	(20)	–	–	–	237	169	68
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>879,285</b>	<b>222,483</b>	<b>656,802</b>	<b>15,370</b>	<b>(144)</b>	<b>(849)</b>	<b>(13,177)</b>	<b>113</b>	<b>(299)</b>	<b>4,221</b>	<b>897,832</b>	<b>235,795</b>	<b>662,037</b>

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	4 to 20	Playground equipment	5 to 80
Office furniture	10 to 50	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	2 to 10	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	10 to 50
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	30 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	5 to 50		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	15 to 40	Bulk earthworks	Infinite
Sealed roads: structure	15 to 100	Swimming pools	50
Unsealed roads	10 to 60	Other open space/recreational assets	5 to 80
Bridge: concrete	60 to 100	Other infrastructure	5 to 80
Bridge: other	50 to 100		
Road pavements	60		
Kerb, gutter and footpaths	40 to 100		

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

---

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

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.

##### **Land under roads**

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

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

##### **Crown reserves**

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

##### **Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the Building assets, their values and depreciation charges within these financial statements. Council will not recognise rural fire service assets including plant and vehicles in these financial statements.

## Murray River Council

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

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

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
Plant and equipment	57	50	7	57	45	12
Land						
– Operational land	616	–	616	915	–	915
Buildings	2,517	1,076	1,441	75	16	59
Infrastructure	58,470	18,615	39,855	56,089	17,180	38,909
<b>Total water supply</b>	<b>61,660</b>	<b>19,741</b>	<b>41,919</b>	<b>57,136</b>	<b>17,241</b>	<b>39,895</b>
<b>Sewerage services</b>						
Plant and equipment	23	23	–	23	23	–
Land						
– Operational land	1,123	–	1,123	712	–	712
Buildings	181	70	111	–	–	–
Infrastructure	56,979	19,379	37,600	55,724	18,291	37,433
<b>Total sewerage services</b>	<b>58,306</b>	<b>19,472</b>	<b>38,834</b>	<b>56,459</b>	<b>18,314</b>	<b>38,145</b>
<b>Domestic waste management</b>						
Plant and equipment	9	7	2	247	49	198
Land						
– Operational land	174	–	174	76	–	76
– Community land	76	–	76	159	–	159
Buildings	110	57	53	52	34	18
Other structures	595	94	501	600	74	526
Other assets	523	126	397	–	–	–
<b>Total DWM</b>	<b>1,487</b>	<b>284</b>	<b>1,203</b>	<b>1,134</b>	<b>157</b>	<b>977</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>121,453</b>	<b>39,497</b>	<b>81,956</b>	<b>114,729</b>	<b>35,712</b>	<b>79,017</b>

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

\$ '000	Notes	2018	2017
Impairment losses recognised in the Income Statement:			
– Road assets as a result of flooding		–	(644)
<b>Total impairment losses</b>		<b>–</b>	<b>(644)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4(d)	<b>–</b>	<b>(644)</b>



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	639	639
<b>Net book value – opening balance</b>	<b>639</b>	<b>639</b>
<b>Movements for the year</b>		
– Other capitalised costs (Revaluation)	853	–
<b>Closing values:</b>		
Gross book value (30/6)	1,492	639
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>1,492</u></b>	<b><u>639</u></b>

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

– Water access licences	1,492	639
	<b><u>1,492</u></b>	<b><u>639</u></b>

#### Accounting policy for intangible assets Water Licences

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

The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date. 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 year 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. Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,694	–	2,329	–
Accrued expenses:				
– Borrowings	2	–	2	–
– Salaries and wages	230	–	166	–
– Other expenditure accruals	359	–	245	–
Security bonds, deposits and retentions	522	–	88	–
Other	–	–	42	–
<b>Total payables</b>	<b>3,807</b>	<b>–</b>	<b>2,872</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	259	–	384	–
<b>Total income received in advance</b>	<b>259</b>	<b>–</b>	<b>384</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	797	1,659	820	2,484
<b>Total borrowings</b>	<b>797</b>	<b>1,659</b>	<b>820</b>	<b>2,484</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>4,863</b>	<b>1,659</b>	<b>4,076</b>	<b>2,484</b>

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

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	95	37	75	99
Sewer	13	–	7	–
Payables and borrowings relating to externally restricted assets	108	37	82	99
<b>Total payables and borrowings relating to restricted assets</b>	<b>108</b>	<b>37</b>	<b>82</b>	<b>99</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>4,755</b>	<b>1,622</b>	<b>3,994</b>	<b>2,385</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>4,863</b>	<b>1,659</b>	<b>4,076</b>	<b>2,484</b>

<sup>1</sup> Loans are secured over the general rating income of Council

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

\$ '000

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

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	3,304	(848)	–	–	–	2,456
<b>TOTAL</b>	<b>3,304</b>	<b>(848)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,456</b>

\$ '000

2018

2017

## (c) Financing arrangements

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

Bank overdraft facilities <sup>(1)</sup>	650	650
Credit cards/purchase cards	133	168
<b>Total financing arrangements</b>	<b>783</b>	<b>818</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	25	–
<b>Total drawn financing arrangements</b>	<b>25</b>	<b>–</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	650	650
– Credit cards/purchase cards	108	168
<b>Total undrawn financing arrangements</b>	<b>758</b>	<b>818</b>

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

---

##### **Accounting policy for payables and borrowings**

###### **Payables**

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

###### **Borrowings**

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

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

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

## Murray River Council

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

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,476	–	1,522	–
Long service leave	2,287	207	2,305	230
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	1,059	–	1,278
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>1,059</b>	<b>–</b>	<b>1,278</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,763</u></b>	<b><u>1,266</u></b>	<b><u>3,827</u></b>	<b><u>1,508</u></b>

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

There are internal restricted assets applicable to the above provisions. Employee benefits is not less than 45% of total liability has been internally restricted. There are internally restricted amounts for Landfills and Gravel Pit restorations.

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Internally restricted assets</b>				
Employee Benefits	1,947	–	1,947	–
Gravel Pit Restorations	234	–	234	–
Waste Management - Landfills	612	–	560	–
<b>Provisions relating to internally restricted assets</b>	<b>2,793</b>	<b>–</b>	<b>2,741</b>	<b>–</b>
<b>Total provisions relating to restricted assets</b>	<b>2,793</b>	<b>–</b>	<b>2,741</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>970</b>	<b>1,266</b>	<b>1,086</b>	<b>1,508</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,763</u></b>	<b><u>1,266</u></b>	<b><u>3,827</u></b>	<b><u>1,508</u></b>

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

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

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

Provisions – employees benefits	2,116	1,706
	<b><u>2,116</u></b>	<b><u>1,706</u></b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	1,522	–	2,535	–	–	–	4,057
Additional provisions	1,033	–	475	–	–	–	1,508
Amounts used (payments)	(1,079)	–	(516)	–	–	–	(1,595)
<b>Total ELE provisions at end of year</b>	<b>1,476</b>	<b>–</b>	<b>2,494</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,970</b>

2017	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	1,267	–	2,292	–	–	12	3,571
Additional provisions	1,133	–	438	–	–	–	1,571
Amounts used (payments)	(878)	–	(195)	–	–	(12)	(1,085)
<b>Total ELE provisions at end of year</b>	<b>1,522</b>	<b>–</b>	<b>2,535</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,057</b>

2018	Other provisions	
	Asset remediation	Total
At beginning of year	1,278	1,278
<b>Changes to provision:</b>		
– Revised costs	(238)	(238)
Unwinding of discount	19	19
<b>Total other provisions at end of year</b>	<b>1,059</b>	<b>1,059</b>

2017	Other provisions	
	Asset remediation	Total
At beginning of year	1,350	1,350
<b>Changes to provision:</b>		
– Revised costs	(92)	(92)
Unwinding of discount	20	20
<b>Total other provisions at end of year</b>	<b>1,278</b>	<b>1,278</b>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

---

##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council landfills, sand and gravel pits.

###### **Accounting policy for provisions**

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

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

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

##### **Employee benefits**

###### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and annual 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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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

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

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

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

---

##### **Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries**

###### ***Restoration***

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

###### ***Rehabilitation***

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

###### **Self-insurance**

Council does not self insure.



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

##### Defined Benefit Superannuation Disclosure

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

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

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

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

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

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

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

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

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

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

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

*(i) wind up of the plan*

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

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

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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

##### **(d) Further information relating to reasons for accounting for the pooled employer fund as defined contribution plan:**

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

Council confirms that the plan is a defined benefit plan.

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

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

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

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

The expected contributions by the Council to the Fund for the next annual reporting period are \$230,695.

###### *(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to*

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

Employer reserves only*	\$M	Asset Coverage
Assets	1817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

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

\* Plus promotional increases

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

###### *(v) an indication of the level of participation of the entity in the plan compared with other*

Council's participation in the Scheme compared with other entities is about 0.27% based on the Council's current level of annual additional contributions against total contributions. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

---

---

##### Nature and purpose of reserves

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

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	2,763	25,664
<b>Balance as per the Statement of Cash Flows</b>		<b>2,763</b>	<b>25,664</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>6,669</b>	<b>22,003</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		12,843	14,648
Net losses/(gains) on disposal of assets		57	704
Impairment losses recognition – Investments, Property, Plant and Equipment		–	644
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(3)	(3)
– Interest exp. on interest-free loans received by Council (previously fair valued)		42	58
Unwinding of discount rates on reinstatement provisions		19	20
Share of net (profits) or losses of associates/joint ventures		44	44
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(845)	2,272
Decrease/(increase) in inventories		(28)	(4)
Decrease/(increase) in other assets		(10)	157
Increase/(decrease) in payables		365	(170)
Increase/(decrease) in accrued interest payable		–	(19)
Increase/(decrease) in other accrued expenses payable		178	(345)
Increase/(decrease) in other liabilities		267	(619)
Increase/(decrease) in employee leave entitlements		(87)	486
Increase/(decrease) in other provisions		(238)	(92)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>19,273</b>	<b>39,784</b>

## Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2018	13/5/16 to 30/6/17	2018	2017
Associates	(44)	(44)	377	421
<b>Total</b>	<b>(44)</b>	<b>(44)</b>	<b>377</b>	<b>421</b>

# Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 15. Interests in other entities (continued)

\$ '000

#### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2018	2017	2018	2017
<b>1. Moama Recreation Reserve</b>	Management of a Recreation Reserve (Sub Committee) Perricoota Road Moama				
<b>Interests in Subsidiary</b>					
Council's interest in Subsidiary		100%	100%	100%	100%

#### The nature and extent of significant restrictions relating to the Subsidiary

The Moama Recreation Reserve is a sub committee of Council under s 355 of the Local Government Act.. The Committee operates with in a Charter and any other decisions of the Committee are recommendations to the Council. The assets of the committee are Council's assets. Their bank accounts are treated as Internally Restricted Assets of the Council.

#### The nature of risks associated with Council's interests in the Subsidiary

The Council has ultimate responsibility for the operation of the Recreation Reserve. The sub committee liaises with the various users and discusses any areas of concern between the groups.

#### Other disclosures

The Council has a representative on the Committee. Council staff also attend the meetings.

#### Reporting dates of Subsidiary

The committee completes financials reports to financial year end 30 June 2018. The financial position and performance of subsidiaries for the financial year ended 30 June 2018 have been included in these consolidated financial statements.

#### Summarised financial information for the Subsidiary

	2018	13/5/16 to 30/6/17
<b>Summarised statement of comprehensive income</b>		
Revenue	41	39
Expenses	(26)	(26)
<b>Profit for the period</b>	<b>15</b>	<b>13</b>
<b>Total comprehensive income <sup>(1)</sup></b>	<b>15</b>	<b>13</b>
<b>Summarised statement of financial position</b>	<b>2018</b>	<b>2017</b>
Current assets	46	49
<b>Total assets</b>	<b>46</b>	<b>49</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets <sup>(2)</sup></b>	<b>46</b>	<b>49</b>
<b>Summarised statement of cash flows</b>	<b>2018</b>	<b>13/5/16 to 30/6/17</b>
Cash flows from operating activities	15	13
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15</b>	<b>13</b>

# Murray River Council

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

### Note 15. Interests in other entities (continued)

\$ '000

#### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2018	2017	2018	2017
<b>2. Mathoura Retirement Village</b>	Management of Units for the Aged Mathoura Street, Mathoura				
<b>Interests in Subsidiary</b>					
Council's interest in Subsidiary		100%	100%	100%	100%

#### The nature and extent of significant restrictions relating to the Subsidiary

The Mathoura Retirement Village is a sub committee of Council under Section 355 of the Local Government Act.. The assets of the committee are Council's assets. Their bank accounts are treated as Internally Restricted Assets of the Council.

#### The nature of risks associated with Council's interests in the Subsidiary

The Council has ultimate responsibility for the operation of the Retirement Village. The sub committee liaises with the tenants and deals with the ongoing maintenance of the units and the surrounding area.

#### Other disclosures

The Council has a representative on the Committee. Council staff assist with administrative issues and capital works.

#### Reporting dates of Subsidiary

The committee completes financial reports to financial year end 30 June 2018.

The financial position and performance of subsidiaries for the financial year ended 30 June 2018 have been included in these consolidated financial statements.

#### Summarised financial information for the Subsidiary

	\$'000	\$'000
	2018	13/5/16 to 30/6/17
<b>Summarised statement of comprehensive income</b>		
Revenue	57	63
Expenses	(31)	(43)
<b>Profit for the period</b>	<b>26</b>	<b>20</b>
<b>Total comprehensive income <sup>(1)</sup></b>	<b>26</b>	<b>20</b>
<b>Summarised statement of financial position</b>	<b>2018</b>	<b>2017</b>
Current assets	138	116
Non-current assets	451	461
<b>Total assets</b>	<b>589</b>	<b>577</b>
Non-current liabilities	44	58
<b>Total liabilities</b>	<b>44</b>	<b>58</b>
<b>Net assets <sup>(2)</sup></b>	<b>545</b>	<b>519</b>
<b>Summarised statement of cash flows</b>	<b>2018</b>	<b>13/5/16 to 30/6/17</b>
Cash flows from operating activities	22	71
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>22</b>	<b>71</b>

# Murray River Council

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

### Note 15. Interests in other entities (continued)

\$ '000

#### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2018	2017	2018	2017
<b>3. Moama Lion Community Village</b>	Provision of units for the people meeting the criteria Various units in Moama				
<b>Interests in Subsidiary</b>					
Council's interest in Subsidiary		100%	100%	100%	100%

#### The nature and extent of significant restrictions relating to the Subsidiary

The Moama Lions is a sub committee of Council under s 355 of the Local Government Act. The assets of the committee are Council's assets. Their bank accounts are treated as Internally Restricted Assets of the Council.

#### The nature of risks associated with Council's interests in the Subsidiary

The Council has ultimate responsibility for the operation of the Moama Lions units. The sub committee liaises with the tenants and deals with the ongoing maintenance of the units and the surrounding areas.

#### Other disclosures

The Council has a representative on the Committee. Council staff assist with administrative issues and capital works.

#### Reporting dates of Subsidiary

The committee completes financial reports to financial year end 30 June 2018. The financial position and performance of subsidiaries for the financial year ended 30 June 2018 have been included in these consolidated financial statements.

#### Summarised financial information for the Subsidiary

	\$'000	\$'000
	2018	13/5/16 to 30/6/17
<b>Summarised statement of comprehensive income</b>		
Revenue	89	172
Expenses	(244)	(97)
<b>Profit for the period</b>	<b>(155)</b>	<b>75</b>
<b>Total comprehensive income <sup>(1)</sup></b>	<b>(155)</b>	<b>75</b>
<b>Summarised statement of financial position</b>	<b>2018</b>	<b>2017</b>
Current assets	408	396
<b>Total assets</b>	<b>408</b>	<b>396</b>
Current liabilities	167	–
<b>Total liabilities</b>	<b>167</b>	<b>–</b>
<b>Net assets <sup>(2)</sup></b>	<b>241</b>	<b>396</b>
<b>Summarised statement of cash flows</b>	<b>2018</b>	<b>13/5/16 to 30/6/17</b>
Cash flows from operating activities	(155)	75
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(155)</b>	<b>75</b>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Interests in other entities (continued)

\$ '000

##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

###### Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

##### (b) Associates

Council has incorporated the following associates into its consolidated financial statements.

###### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	\$'000 2018	\$'000 2017
Central Murray County Council	Associate	% Net Assets	326	377
Central Murray Regional Library	Associate	% Net Assets	51	44
<b>Total carrying amounts – material associates</b>			<b>377</b>	<b>421</b>

###### (b) Details

Name of entity	Principal activity	Place of business
Central Murray County Council	Noxious weed control	Moama & Greater Murray Ward
Central Murray Regional Library	Regional Library	Mathoura

###### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	\$'000 2018	\$'000 2017	2018	2017	2018	2017	2018	2017
Central Murray County Council	1,051	1,217	31%	31%	31%	31%	25%	25%
Central Murray Regional Library	449	359	12%	12%	12%	12%	33%	33%



## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Interests in other entities (continued)

\$ '000

## (b) Associates (continued)

## (d) Summarised financial information for associates

	Central Murray County Council		Central Murray Regional Library	
	2018	2017	2018	2017
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	514	346	502	431
Other current assets	9	59	–	12
	<b>523</b>	<b>405</b>	<b>502</b>	<b>443</b>
<b>Non-current assets</b>	<b>662</b>	<b>970</b>	<b>180</b>	<b>182</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	–	–	28	28
Other current liabilities	134	158	110	114
	<b>134</b>	<b>158</b>	<b>138</b>	<b>142</b>
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	95	123
Other non-current liabilities	–	–	–	1
	<b>–</b>	<b>–</b>	<b>95</b>	<b>124</b>
<b>Net assets</b>	<b>1,051</b>	<b>1,217</b>	<b>449</b>	<b>359</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	1,217	1,401	359	250
Profit/(loss) for the period	(166)	(184)	90	109
<b>Closing net assets</b>	<b>1,051</b>	<b>1,217</b>	<b>449</b>	<b>359</b>
<b>Council's share of net assets (%)</b>	<b>31.0%</b>	<b>31.0%</b>	<b>11.5%</b>	<b>12.3%</b>
<b>Council's share of net assets (\$)</b>	<b>326</b>	<b>377</b>	<b>51</b>	<b>44</b>
<b>Statement of comprehensive income</b>				
Income	821	917	505	546
Interest income	8	8	10	8
Depreciation and amortisation	(101)	(130)	(38)	(37)
Other expenses	(894)	(979)	(387)	(408)
<b>Profit/(loss) for period</b>	<b>(166)</b>	<b>(184)</b>	<b>90</b>	<b>109</b>
<b>Total comprehensive income</b>	<b>(166)</b>	<b>(184)</b>	<b>90</b>	<b>109</b>
<b>Share of income – Council (%)</b>	<b>31.0%</b>	<b>31.0%</b>	<b>11.5%</b>	<b>12.3%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(51)</b>	<b>(57)</b>	<b>10</b>	<b>13</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(51)</b>	<b>(57)</b>	<b>10</b>	<b>13</b>
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	36	(48)	135	158
Cash flows from investing activities	132	(19)	(36)	(42)
Cash flows from financing activities	–	–	(28)	(36)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>168</b>	<b>(67)</b>	<b>71</b>	<b>80</b>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Interests in other entities (continued)

---

##### (b) Associates (continued)

###### **Accounting policy for associates**

Interests in associates are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associate's gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associate's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	381	–
Plant and equipment	870	–
Roadworks	1,556	–
Water Supply	454	–
Bridges	2,612	–
Skate Park	317	–
<b>Total commitments</b>	<b>6,190</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	6,190	–
<b>Total payable</b>	<b>6,190</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	2,200	–
Future grants and contributions	1,306	–
Unexpended grants	979	–
Externally restricted reserves	454	–
Internally restricted reserves	1,251	–
<b>Total sources of funding</b>	<b>6,190</b>	<b>–</b>

#### Details of major capital commitments

Council entered into contracts to replace three timber bridges with concrete bridges to be completed in 2018-19 (\$2.612M).

Council entered into contracts to supply three pieces of road plant not being delivered until after 30 June 2018 (\$870K)

Council entered into contracts upgrade the Barham filtered water reservoir and the Moulamein water treatment plant to be finalised in 2018-19 (\$454K).

Council entered into contract to undertake flood restoration works to be completed in 2018-19 (\$662K).

Council entered into a contract to renovate the residence's shop and office building in the Picnic Point Caravan Park to be completed in 2018-19 (\$381K).

Council entered into a design and construct contract for the Barham Skate Park to be completed in 2018-19 (\$317K).

The final seals for Council's bitumen sealing contract to be completed in 2018-19 (\$845K).

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

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

Within the next year	23	23
Later than one year and not later than 5 years	25	48
<b>Total non-cancellable operating lease commitments</b>	<b>48</b>	<b>71</b>

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

Office Photocopiers - Council can elect to re-lease, return or acquire the equipment on expiry of the lease

##### 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.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of the superannuation expenses in Note 4 (a) for year ending 30 June 2018 was \$371,414.

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

Council's expected contributions to the Fund for the next annual reporting period is \$230,695.

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

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

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

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

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

\* Plus promotional increases

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

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

Council's additional lump sum contribution is around 0.27% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July to 30 June 2021) provides an indication of the level of participation of Council compared with the other employers in the Pooled Employer sub-group.

##### (ii) Statewide Limited

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

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

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **(ii) S7.11 plans**

Council levies section 7.4/7.11 contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **2. Other liabilities (continued)**

##### **(iii) Native Title Claims**

A significant area within the Murray River Council area is subject to a native title claim by the Yorta Yorta Aboriginal Community.

At present, Council is unable to assess or determine the full financial and operational effects should the claim be successful.

##### **(iv) Potential land acquisitions due to planning restrictions imposed by Council**

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

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

##### **(i) Land under roads**

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

##### **(ii) Infringement notices/fines**

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

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

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

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

##### **(iii) Rural Fire Fighting Assets**

Council has title to and is the registered owner of rural fire tankers and associated rural fire fighting equipment. These assets are under the control of the Rural Fire service to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

Based on 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".

Buildings that are utilised by the Rural Fire Service are under the care, control and management of the Council. Buildings are therefore recognised in these reports

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

## Murray River Council

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

#### Note 18. Financial risk management

\$ '000

##### Risk management

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

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	2,763	25,664	26,115	25,664
Investments				
– 'Held to maturity'	59,251	30,954	35,899	30,954
– 'Available for sale'	2	2	2	2
Receivables	6,958	6,715	6,958	6,715
<b>Total financial assets</b>	<b>68,974</b>	<b>63,335</b>	<b>68,974</b>	<b>63,335</b>
<b>Financial liabilities</b>				
Payables	3,807	2,872	3,807	3,039
Loans/advances	2,456	3,304	2,456	3,304
Other financial liabilities	259	384	259	384
<b>Total financial liabilities</b>	<b>6,522</b>	<b>6,560</b>	<b>6,522</b>	<b>6,727</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	592	592	592	592
<b>13/5/16to 30/6/17</b>				
Possible impact of a 1% movement in interest rates	555	555	555	555



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	15%	83%	18%	85%
Overdue	85%	17%	82%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of receivables – value</b>			<b>2018</b>	<b>2017</b>
<b>Rates and annual charges</b>				
< 1 year overdue			863	691
1 – 2 years overdue			322	257
2 – 5 years overdue			160	124
> 5 years overdue			211	154
			<u>1,556</u>	<u>1,226</u>
<b>Other receivables</b>				
Current			4,596	4,725
0 – 30 days overdue			212	71
31 – 60 days overdue			53	34
61 – 90 days overdue			31	4
> 91 days overdue			663	808
			<u>5,555</u>	<u>5,642</u>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk if not fixed for full time of the borrowings. All Council's current borrowing the interest rates are fixed for the full term of the borrowing.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	522	3,285	-	-	3,807	3,807
Loans and advances	4.49%	-	890	1,723	147	2,760	2,456
<b>Total financial liabilities</b>		<b>522</b>	<b>4,175</b>	<b>1,723</b>	<b>147</b>	<b>6,567</b>	<b>6,263</b>
<b>2017</b>							
Trade/other payables	0.00%	88	2,784	-	-	2,872	2,872
Loans and advances	4.39%	-	988	2,334	442	3,764	3,304
<b>Total financial liabilities</b>		<b>88</b>	<b>3,772</b>	<b>2,334</b>	<b>442</b>	<b>6,636</b>	<b>6,176</b>

##### Loan agreement breaches

Loan repayments are paid on a monthly and quarterly basis and some repayments can be made early to coincide with creditor payments.

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 27 June 2017 and is not required to be audited.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>15,401</b>	<b>15,522</b>	<b>121</b>	1%	<b>F</b>
<b>User charges and fees</b>	<b>4,831</b>	<b>7,139</b>	<b>2,308</b>	48%	<b>F</b>
Sewer consumption increased due to dry climatic conditions \$60K (F)					
Water consumption increased due to dry climatic conditions \$592K (F)					
Waste tipping fees increased at Moama \$230K (F)					
Private Works increased due to State Roads extra work \$1,632K (F)					
<b>Interest and investment revenue</b>	<b>1,160</b>	<b>1,603</b>	<b>443</b>	38%	<b>F</b>
Extra income due to grant funds on merger received and mostly unspent for the year \$220K (F)					
Sound liquidity position with up to \$60 million invested. Part of this due to unspent grants and works program.					
<b>Other revenues</b>	<b>852</b>	<b>1,147</b>	<b>295</b>	35%	<b>F</b>
Agency commission - additional transactions at agencies \$38K (F).					
Insurance claims / rebates - workers compensation claims and CTP insurance rebates/refunds under budgeted in original estimates \$165K (F).					
Rental income - Some caravan park lease estimates included under User Charges & Fees \$220K (F).					
Rental income - Retirement Villages S355 management committees income not included in original estimates \$60K (F) ,Gravel Pits, Diesel Fuel Rebate income & Staff Vehicle contributions estimates incorrectly coded under Other Revenues \$201K (U).					
<b>Operating grants and contributions</b>	<b>16,499</b>	<b>17,260</b>	<b>761</b>	5%	<b>F</b>
<b>Capital grants and contributions</b>	<b>5,300</b>	<b>4,040</b>	<b>(1,260)</b>	(24%)	<b>U</b>
Developer Contributions - extra development \$709 K (F)					
Flood Damage Grant - works budgeted but works incomplete \$964 K (U)					
Roadworks Grant - works budgeted but works incomplete \$1,078 K (U)					

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>11,988</b>	<b>15,006</b>	<b>(3,018)</b>	(25%)	<b>U</b>
Restructure of the organisation for termination payments and lump sum leave payments \$596K (U) Extra positions in various areas to cover identified needs in operational areas \$540K (U) and reduced contractors Reduced wages booked to capital projects, plus Payroll tax obligations Increased private works that is covered by extra income.					
<b>Borrowing costs</b>	<b>188</b>	<b>191</b>	<b>(3)</b>	(2%)	<b>U</b>
<b>Materials and contracts</b>	<b>9,242</b>	<b>7,551</b>	<b>1,691</b>	18%	<b>F</b>
Council's budget is based on a "normal" mix of self-constructed and contract work. Any change in the mix during the year can result in significant budget variations in this item. Some of the activities under spent were Sewerage Operations \$115K (F), Waste Management \$44K (F), Information Technology \$343K (F), Stronger Communities Grant Program \$294K (F) and as above extra wages in various areas to cover identified needs in operations areas \$540K (F).					
<b>Depreciation and amortisation</b>	<b>12,001</b>	<b>12,843</b>	<b>(842)</b>	(7%)	<b>U</b>
<b>Other expenses</b>	<b>3,856</b>	<b>4,350</b>	<b>(494)</b>	(13%)	<b>U</b>
Retirement Villages S355 management committees expenses not included in original estimates \$246K (U). Councillors elections cost over budget by \$27K (U). Councillors and Administrators expenses over budget \$35K (U). Contributions/levies to other levels of Government over budget \$12K (U). Street Lighting and other Electricity expenses over budget \$134K (U)					
<b>Net losses from disposal of assets</b>	<b>-</b>	<b>57</b>	<b>(57)</b>	0%	<b>U</b>
Actual asset sales shown. Profit on Industrial land balanced by loss on plant. Infrastructure loss of \$60K this relates to the closure of Yanga Pit and Other Structures on the Recreation Reserves.					
<b>Joint ventures and associates – net losses</b>	<b>-</b>	<b>44</b>	<b>(44)</b>	0%	<b>U</b>
The loss for associates - Central Murray County Council (predominantly) not shown in Council's budget					

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

<b>Cash flows from operating activities</b>	<b>18,701</b>	<b>19,273</b>	<b>572</b>	3.1%	<b>F</b>
<b>Cash flows from investing activities</b>	<b>(21,668)</b>	<b>(41,284)</b>	<b>(19,616)</b>	90.5%	<b>U</b>
Capital works expenditure - incomplete program \$17,103K (F) particularly grant funded projects Council taking advantage of higher Investments returns on longer term interest rates having no on call or term deposits investments maturing < 90 days at 30 June. However Council's investment portfolio is structured so that term deposits are maturing on a fortnightly basis to satisfy cash management needs \$14,141K (U). Real Estate Land Sales \$452K (F) - extra land sales in Moama					
<b>Cash flows from financing activities</b>	<b>(858)</b>	<b>(890)</b>	<b>(32)</b>	3.7%	<b>U</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment      – Financial assets and liabilities      – Intangible assets

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:

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Available for sale'	30/06/18	–	–	2	2
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>2</b>	<b>2</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13 & 30/06/15	–	–	9,312	9,312
Office Equipment	30/06/13 & 30/06/15	–	–	1,408	1,408
Furniture & Fittings	30/06/13 & 30/06/15	–	–	343	343
Operational Land	30/06/18	–	7,975	–	7,975
Community Land	30/06/18	–	–	10,521	10,521
Land under roads (post 30/06/08)	30/06/09 & 30/06/11	–	–	19	19
Land Improvements depreciable	30/06/17	–	–	4,058	4,058
Buildings - non-specialised	30/06/17	–	8,971	–	8,971
Buildings - specialised	30/06/17	–	–	21,251	21,251
Other Structures	30/06/17	–	–	12,535	12,535
Roads	01/07/14 & 30/06/15	–	–	215,715	215,715
Bridges	01/07/14 & 30/06/15	–	–	47,585	47,585
Footpaths	01/07/14 & 30/06/15	–	–	7,097	7,097
Bulk Earthworks	01/07/14 & 30/06/15	–	–	204,457	204,457
Stormwater Drainage	30/06/14 & 30/06/15	–	–	31,519	31,519
Water Supply Network	30/06/17	–	–	39,855	39,855
Sewerage Network	30/06/17	–	–	37,600	37,600
Swimming Pools	30/06/17	–	–	17	17
Heritage Collections	30/06/17	–	–	303	303
Library Books	30/06/15	–	–	5	5
Other Assets	30/06/17	–	–	460	460
Tip Assets	30/06/17	–	–	963	963
Quarry Assets	30/06/17	–	–	68	68
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>16,946</b>	<b>645,091</b>	<b>662,037</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Intangible Assets</b>					
Water Access Licences	30/06/18	1,492	–	–	1,492
<b>Total Intangible Assets</b>		<b>1,492</b>	<b>–</b>	<b>–</b>	<b>1,492</b>
<b>2017</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Available for sale'	30/06/17	–	–	2	2
<b>Total financial assets</b>		<b>–</b>	<b>–</b>	<b>2</b>	<b>2</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13 & 30/06/15	–	–	9,794	9,794
Office Equipment	30/06/13 & 30/06/15	–	–	953	953
Furniture & Fittings	30/06/13 & 30/06/15	–	–	354	354
Operational Land	30/06/13 & 30/06/14	–	7,689	–	7,689
Community Land	30/06/11 & 30/06/14	–	–	8,410	8,410
Land Improvements non-depreciable	30/06/09 & 30/06/11	–	–	19	19
Land Improvements depreciable	30/06/17	–	–	4,183	4,183
Buildings - non-specialised	30/06/17	–	9,257	–	9,257
Buildings - specialised	30/06/17	–	–	22,333	22,333
Other Structures	30/06/17	–	–	12,378	12,378
Roads	01/07/14 & 30/06/15	–	–	212,389	212,389
Bridges	01/07/14 & 30/06/15	–	–	47,819	47,819
Footpaths	01/07/14 & 30/06/15	–	–	7,009	7,009
Bulk Earthworks	01/07/14 & 30/06/15	–	–	203,924	203,924
Stormwater Drainage	30/06/14 & 30/06/15	–	–	32,021	32,021
Water Supply Network	30/06/17	–	–	38,909	38,909
Sewerage Network	30/06/17	–	–	37,433	37,433
Swimming Pools	30/06/17	–	–	29	29
Heritage Collections	30/06/17	–	–	280	280
Library Books	30/06/15	–	–	7	7
Other Assets	30/06/17	–	–	397	397
Tip Assets	30/06/17	–	–	1,027	1,027
Quarry Assets	30/06/17	–	–	188	188
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>16,946</b>	<b>639,856</b>	<b>656,802</b>
<b>Intangible Assets</b>					
Water Access Licences	13/05/16	639	–	–	639
<b>Total Intangible Assets</b>		<b>639</b>	<b>–</b>	<b>–</b>	<b>639</b>

## (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.

## Murray River Council

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

#### Note 20. Fair value measurement (continued)

---

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

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

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

##### **Plant and equipment, office equipment and furniture and fittings**

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2013 for former Murray Shire and 30 June 2015 for former Wakool Shire. Quoted prices in an active market for similar items and asset conditions have been used to revalue these assets.

Examples of assets within these classes are as follows:

- Plant & Equipment – graders, trucks, rollers, tractors & motor vehicles
- Office Equipment – computers, photocopiers, phone systems etc.
- Furniture & Fittings – chairs, desks, cabinets etc.

There has been no change to the valuation process during the year.

##### **Operational and Community land**

Community Land is based on Land Value provided by the Valuer-General for rating purposes for which the Valuer-General provides new valuations every 3 years. The new valuations were applied as at 30 June 2018.

Operational Land is valued based on purchase price and valuations provided by commercial valuers. A commercial valuer revalued operational land as at 30 June 2018.

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

##### **Buildings – non-specialised and specialised**

Buildings Specialised and Non - Specialised are based on cost price and valuations provided by commercial valuers. Council engaged commercial valuers to value all Council's buildings as at 30 June 2017.

Valuation techniques remained the same for the reporting period.

##### **Other structures**

Other Structures comprise of sundry recreational assets, signage, shade sails, irrigation systems, lights, fencing, cemeteries, wharfs, boat ramps, skate parks, pounds, sheds, carports, bus shelters, playground equipment and caravan parks assets etc.

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2017. Quoted prices in an active market for similar items and condition assessment have been used to revalue these assets

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

##### **Roads, bridges and footpaths**

Former Wakool Shire's roads, bridges and footpaths were re-valued on 1<sup>st</sup> July 2014. The 'Cost Approach' using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department with assistance from

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

Jeff Roorda & Associates Pty Ltd. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Former Murray Shire's roads, bridges and footpaths were re-valued on 30 June 2015. The valuation technique used was based on suitably qualified Council staff undertaking an internal valuation. The calculation is based on unit costs by assessing recent similar construction projects and an assessment of the useful life and remaining useful life of the assets through a condition assessment process.

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

##### **Drainage infrastructure**

Assets within this class comprise pits, pipes, pump stations and detention basins.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally the limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Former Wakool Shire Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2014 and former Murray Shire's were undertaken as at 30 June 2015.

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

##### **Water supply network**

Assets within this class comprise reservoirs, pumping station, treatment plants and reticulation and delivery mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on their final determination of fair value. Additionally due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Re-valuation was undertaken in-house by the Engineering Department as at 30 June 2017.

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

##### **Sewerage network**

Assets within this class comprise treatment plants, oxidation ponds, pumping stations and mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair



## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

---

value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Re-valuation was undertaken in-house by the Engineering Department as at 30 June 2017.

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

##### **Swimming Pools**

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2017. Quoted prices in an active market for similar items and condition assessment have been used to revalue these assets

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

##### **Other Assets**

Assets within this class comprise library books, heritage collections and reinstatement of tip and quarry assets etc.

Council's Engineering Department undertook a re-valuation for these assets as at 30 June 2017. Quoted prices in an active market for similar items and condition assessment have been used to revalue these assets

Tip and Quarry assets were re assessed again as at 30 June 2018. This included a recalculation of tip remediation costs, which have a bearing on the asset valuation. The remediation costs were based on Engineering Department costs to remediate the assets.

#### **Financial Assets - Non-current assets classified as "available for sale"**

##### **Shares**

Council values the shares held at their original purchase prices as there are no quoted prices in an active market.

---

#### **Intangible Assets**

##### **Water Access Licences**

Council values water access licences based on quoted prices in an active market. These were changed for the current year and the previous year due to the recognition of previously unrecognised water rights.

---

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

	Plant and Equipment	Office Equipment	Furniture and Fittings	Total
<b>Opening balance – 13/5/16</b>	9,643	634	305	10,582
Transfers from/(to) another asset class	(76)	–	–	(76)
Purchases (GBV)	2,798	460	88	3,346
Disposals (WDV)	(954)	–	(3)	(957)
Depreciation and impairment	(1,617)	(141)	(36)	(1,794)
<b>Closing balance – 30/6/17</b>	<b>9,794</b>	<b>953</b>	<b>354</b>	<b>11,101</b>
Purchases (GBV)	1,504	644	26	2,174
Disposals (WDV)	(743)	–	–	(743)
Depreciation and impairment	(1,243)	(189)	(37)	(1,469)
<b>Closing balance – 30/6/18</b>	<b>9,312</b>	<b>1,408</b>	<b>343</b>	<b>11,063</b>

	Community Land	Land Improvement Depreciable	Buildings Specialised	Total
<b>Opening balance – 13/5/16</b>	8,410	3,279	19,616	31,305
Transfers from/(to) another asset class	–	(1,159)	(849)	(2,008)
Purchases (GBV)	–	–	383	383
Disposals (WDV)	–	(11)	–	(11)
Depreciation and impairment	–	(145)	(1,228)	(1,373)
Revaluation Increments to Equity	–	2,219	4,411	6,630
<b>Closing balance – 30/6/17</b>	<b>8,410</b>	<b>4,183</b>	<b>22,333</b>	<b>34,926</b>
Transfers from/(to) another asset class	31	–	–	31
Purchases (GBV)	–	–	85	85
Depreciation and impairment	–	(125)	(1,167)	(1,292)
Revaluation Increments to Equity	2,080	–	–	2,080
<b>Closing balance – 30/6/18</b>	<b>10,521</b>	<b>4,058</b>	<b>21,251</b>	<b>35,830</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Other Structures	Roads, Bridges and Footpaths	Bulk Earthworks	Total
<b>Opening balance – 13/5/16</b>	6,868	267,622	201,510	476,000
Transfers from/(to) another asset class	1,838	(3)	–	1,835
Purchases (GBV)	1,117	8,224	2,414	11,755
Disposals (WDV)	(155)	(8,626)	–	(8,781)
Depreciation and impairment	(353)	–	–	(353)
Revaluation Increments to Equity	3,063	–	–	3,063
<b>Closing balance – 30/6/17</b>	<b>12,378</b>	<b>267,217</b>	<b>203,924</b>	<b>483,519</b>
Purchases (GBV)	688	10,330	533	11,551
Disposals (WDV)	(52)	(2)	–	(54)
Depreciation and impairment	(479)	(7,148)	–	(7,627)
<b>Closing balance – 30/6/18</b>	<b>12,535</b>	<b>270,397</b>	<b>204,457</b>	<b>487,389</b>

	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
<b>Opening balance – 13/5/16</b>	31,147	37,078	28,673	96,898
Transfers from/(to) another asset class	–	46	14	60
Purchases (GBV)	1,495	405	273	2,173
Disposals (WDV)	(17)	(323)	(213)	(553)
Depreciation and impairment	(604)	(1,221)	(1,167)	(2,992)
Revaluation Increments to Equity	–	2,924	9,853	12,777
<b>Closing balance – 30/6/17</b>	<b>32,021</b>	<b>38,909</b>	<b>37,433</b>	<b>108,363</b>
Purchases (GBV)	53	1,203	85	1,341
Depreciation and impairment	(555)	(1,074)	(704)	(2,333)
Revaluation Increments to Equity	–	817	786	1,603
<b>Closing balance – 30/6/18</b>	<b>31,519</b>	<b>39,855</b>	<b>37,600</b>	<b>108,974</b>

## Murray River Council

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

## Note 20. Fair value measurement (continued)

\$ '000

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

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Swimming Pools	Tip & Quarry Assets	Other Assets	Total
<b>Opening balance – 13/5/16</b>	299	1,366	151	1,816
Transfers from/(to) another asset class	–	–	188	188
Purchases (GBV)	–	–	7	7
Disposals (WDV)	–	–	(20)	(20)
Depreciation and impairment	(2)	(59)	–	(61)
Revaluation Increments to Equity	(268)	–	377	109
Reinstatement	–	(92)	–	(92)
<b>Closing balance – 30/6/17</b>	<b>29</b>	<b>1,215</b>	<b>703</b>	<b>1,947</b>
Purchases (GBV)	–	18	146	164
Disposals (WDV)	–	(12)	–	(12)
Depreciation and impairment	(12)	(46)	(62)	(120)
Reinstatement	–	(144)	–	(144)
<b>Closing balance – 30/6/18</b>	<b>17</b>	<b>1,031</b>	<b>787</b>	<b>1,835</b>

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

##### 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.

##### I, PP&E

Class	Fair value (30/06/18) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment	9,312	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Office equipment	1,408	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Furniture and fittings	343	Depreciated Replacement Cost	Purchase Price Remaining useful life Residue Value
Community land	10,521	Valuer General	Rateable Land Values
Land Under Road	19	Valuer General	Rateable Land Values
Land improvements – depreciable	4,058	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Buildings – specialised	21,251	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Other structures	12,535	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful Life
Roads, bridges and footpaths	270,397	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Bulk earthworks	204,457	Depreciated Replacement Cost	Gross Replacement Cost

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

Class	Fair value (30/06/18) \$'000	Valuation technique/s	Unobservable inputs
Stormwater drainage	31,519	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Water supply network	39,855	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Sewerage network	37,600	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Swimming Pools	17	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Tips and Quarries	1,031	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life
Other Assets	768	Depreciated Replacement Cost	Gross Replacement Cost Asset Condition Remaining useful life

#### Non-current assets classified as 'held for sale'

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Shares	2	Original Purchase Price	Current value indefinable as not traded in an active share market

#### c. The valuation process for level 3 fair value measurements

Council uses a combination of commercial Valuers and Council's Engineering Department staff.

Valuation Technique – where the Council staff are suitably qualified and are appropriately resourced to undertake the asset valuation, then an internal valuation will be undertaken. The calculation is based on the components unit costs of the asset class as disclosed in Note 20 (3). Recent similar construction projects are assessed to determine the appropriate unit costs. This determines the “Gross carrying Amount”. An assessment of the useful life and remaining useful life of the assets components, through a condition assessment is undertaken. This determines the “Accumulated Depreciation and Impairment” and the “Net Carrying Amount”.

## Murray River Council

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

#### Note 20. Fair value measurement (continued)

---

If suitably qualified staff are not available then the Council will employ contractors to do part or all of the above process.

Post Valuation - The Council's Director Engineering Services overviews the valuation process.

#### **(5). Highest and best use**

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

## Murray River Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Related party transactions

---

\$ '000

---

##### a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

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

<b>Compensation:</b>	<b>2018</b>
Short-term benefits	1,080
Post-employment benefits	142
Other long-term benefits	11
Termination benefits	396
<b>Total</b>	<b>1,629</b>

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

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



## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Related party transactions (continued)

## c. Other related party transactions

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>					
Plant maintenance and servicing	554	-	Normal creditor terms	-	-
Catering services	216	-	Normal creditor terms	-	-

Council has engaged with KMP or their related parties to acquire the above transactions which are on normal business terms.

This expenditure relates to the procurement of services and materials from a garage of which a Councillor has an interest.

This expenditure relates to the procurement of goods from a café of which a Councillor has an interest.

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1	18	–	–	(17)	–	2	–
Roads	586	195	–	12	(103)	–	690	–
Open space	4	54	–	1	(16)	–	43	–
Community facilities	13	8	–	–	–	–	21	–
<b>S7.11 contributions – under a plan</b>	<b>604</b>	<b>275</b>	<b>–</b>	<b>13</b>	<b>(136)</b>	<b>–</b>	<b>756</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>149</b>	<b>142</b>	<b>–</b>	<b>7</b>	<b>(9)</b>	<b>–</b>	<b>289</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>753</b>	<b>417</b>	<b>–</b>	<b>20</b>	<b>(145)</b>	<b>–</b>	<b>1,045</b>	<b>–</b>
S7.11 not under plans	47	–	–	1	(32)	–	16	–
S64 contributions	997	483	–	16	(597)	–	899	–
<b>Total contributions</b>	<b>1,797</b>	<b>900</b>	<b>–</b>	<b>37</b>	<b>(774)</b>	<b>–</b>	<b>1,960</b>	<b>–</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN (former Murray Shire)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	11	–	–	(10)	–	1	
Roads	370	99	–	7	(77)	–	399	
Open space	–	42	–	–	–	–	42	
Domestic Waste	–	1	–	–	(1)	–	–	
<b>Total</b>	<b>370</b>	<b>153</b>	<b>–</b>	<b>7</b>	<b>(88)</b>	<b>–</b>	<b>442</b>	<b>–</b>

## CONTRIBUTION PLAN (former Wakool)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1	7	–	–	(7)	–	1	
Roads	216	96	–	5	(26)	–	291	
Open space	4	12	–	1	(16)	–	1	
Community facilities	13	8	–	–	–	–	21	
<b>Total</b>	<b>234</b>	<b>123</b>	<b>–</b>	<b>6</b>	<b>(49)</b>	<b>–</b>	<b>314</b>	<b>–</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.12 LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN (former Murray Shire)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	149	142	–	7	(9)	–	289	
<b>Total</b>	<b>149</b>	<b>142</b>	<b>–</b>	<b>7</b>	<b>(9)</b>	<b>–</b>	<b>289</b>	<b>–</b>

## S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

## S94 CONTRIBUTIONS – NOT UNDER A PLAN (former Wakool)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	32	–	–	–	(32)	–	–	
Kerb & Gutter	15	–	–	1	–	–	16	
<b>Total</b>	<b>47</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>(32)</b>	<b>–</b>	<b>16</b>	<b>–</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S64 contributions

## S64 contributions (former Murray Shire)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Sewer	382	95	–	11	(25)	–	463	
Water	449	159	–	4	(348)	–	264	
<b>Total</b>	<b>831</b>	<b>254</b>	<b>–</b>	<b>15</b>	<b>(373)</b>	<b>–</b>	<b>727</b>	<b>–</b>

## S64 contributions (former Wakool)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water	75	101	–	–	(176)	–	–	
Sewerage	91	128	–	1	(48)	–	172	
<b>Total</b>	<b>166</b>	<b>229</b>	<b>–</b>	<b>1</b>	<b>(224)</b>	<b>–</b>	<b>172</b>	<b>–</b>

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	2,435	2,237	10,980
User charges and fees	1,833	282	5,024
Interest and investment revenue	216	215	1,172
Other revenues	126	11	1,010
Grants and contributions provided for operating purposes	44	42	17,174
Grants and contributions provided for capital purposes	335	223	3,482
<b>Total income from continuing operations</b>	<b>4,989</b>	<b>3,010</b>	<b>38,842</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,527	912	12,567
Borrowing costs	7	–	184
Materials and contracts	682	372	6,497
Depreciation and amortisation	1,141	708	10,994
Other expenses	449	349	3,682
Net losses from the disposal of assets	–	–	57
Share of interests in joint ventures and associates using the equity method	–	–	44
<b>Total expenses from continuing operations</b>	<b>3,805</b>	<b>2,342</b>	<b>34,025</b>
<b>Operating result from continuing operations</b>	<b>1,184</b>	<b>669</b>	<b>4,816</b>
<b>Net operating result for the year</b>	<b>1,184</b>	<b>669</b>	<b>4,816</b>
<b>Net result attributable to each council fund</b>	<b>1,184</b>	<b>669</b>	<b>4,816</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>849</b>	<b>446</b>	<b>1,335</b>

<sup>1</sup> 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.

## Murray River Council

## Notes to the Financial Statements

as at 30 June 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	2,200	1,978	(1,416)
Investments	4,290	6,513	48,448
Receivables	991	301	5,279
Inventories	–	–	1,815
Other	–	–	71
<b>Total current assets</b>	<b>7,481</b>	<b>8,792</b>	<b>54,198</b>
<b>Non-current assets</b>			
Investments	–	–	2
Receivables	–	–	387
Inventories	–	–	2,188
Infrastructure, property, plant and equipment	41,919	38,834	581,283
Investments accounted for using the equity method	–	–	377
Intangible assets	1,492	–	0
<b>Total non-current assets</b>	<b>43,411</b>	<b>38,834</b>	<b>584,237</b>
<b>TOTAL ASSETS</b>	<b>50,892</b>	<b>47,626</b>	<b>638,435</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	36	13	3,757
Income received in advance	–	–	259
Borrowings	59	–	738
Provisions	–	–	3,763
<b>Total current liabilities</b>	<b>96</b>	<b>13</b>	<b>8,517</b>
<b>Non-current liabilities</b>			
Borrowings	37	–	1,622
Provisions	–	–	1,266
<b>Total non-current liabilities</b>	<b>37</b>	<b>–</b>	<b>2,888</b>
<b>TOTAL LIABILITIES</b>	<b>132</b>	<b>13</b>	<b>11,405</b>
<b>Net assets</b>	<b>50,760</b>	<b>47,613</b>	<b>627,030</b>
<b>EQUITY</b>			
Accumulated surplus	46,405	36,565	613,977
Revaluation reserves	4,355	11,049	13,052
<b>Total equity</b>	<b>50,760</b>	<b>47,613</b>	<b>627,030</b>

<sup>1</sup> 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.

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,730</u>	<b>6.40%</b>	17.68%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>42,671</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>25,411</u>	<b>54.40%</b>	39.39%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>46,711</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>37,898</u>	<b>5.92x</b>	5.09x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>6,402</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>15,764</u>	<b>14.58x</b>	17.85x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,081</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>1,758</u>	<b>10.31%</b>	7.15%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>17,052</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>62,014</u>	<b>24.51 mths</b>	20.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>2,530</u>			

## Notes

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

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

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

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

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



## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>4.90%</b>	19.81%	<b>12.61%</b>	12.40%	<b>15.73%</b>	-7.00%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>47.42%</b>	32.15%	<b>86.39%</b>	86.61%	<b>91.20%</b>	88.29%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>5.92x</b>	5.09x	<b>75.18x</b>	97.61x	<b>627.46x</b>	1,019.71x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>							

## Notes

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

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

## Murray River Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
	<b>12.81x</b>	17.54x	<b>23.56x</b>	14.07x	<b>0.00x</b>	240.25x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding							
	<b>10.58%</b>	7.84%	<b>10.23%</b>	5.62%	<b>9.08%</b>	5.76%	< 10% regional & rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
	<b>21.71</b>	17.43	<b>28.54</b>	28.88	<b>62.36</b>	48.75	> 3 months
Monthly payments from cash flow of operating and financing activities							

## Notes

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

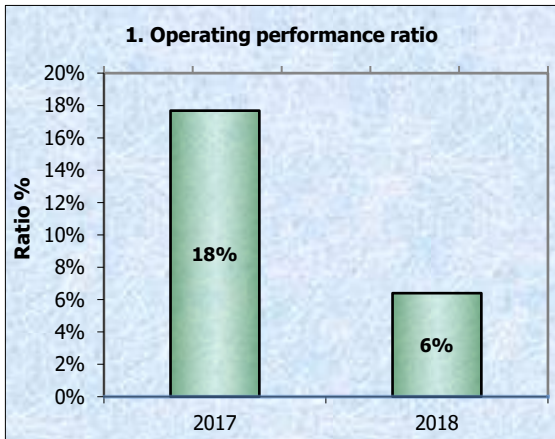
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

**END OF AUDITED FINANCIAL STATEMENTS**

# Murray River Council

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

### Note 24(c). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

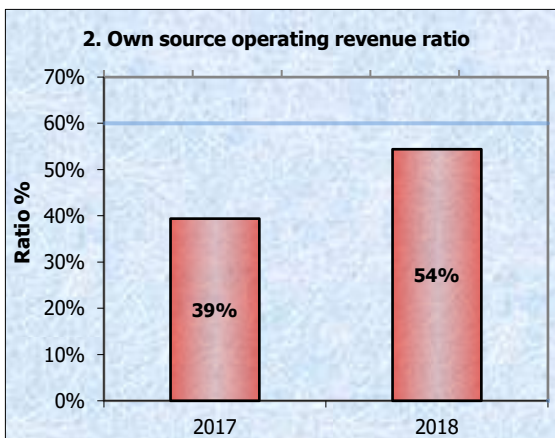
**2017/18 ratio 6.40%**

2018 figure is above the benchmark and sound. 2017 figure distorted by the receipt of the substantial amalgamation funds.

Benchmark: — Minimum  $\geq 0.00\%$

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2017/18 result**

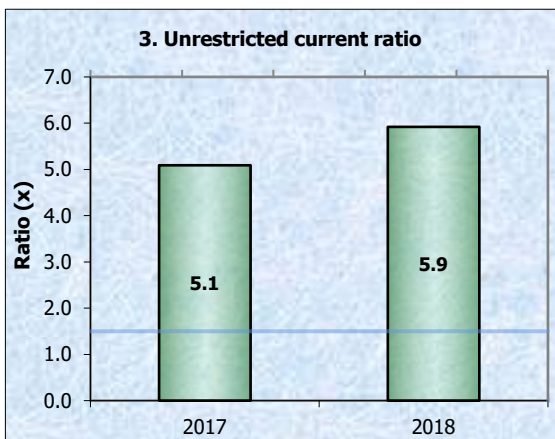
**2017/18 ratio 54.40%**

Improved position on last year. There are still additional operational costs with the amalgamation that impacted on the result in 2018.

Benchmark: — Minimum  $\geq 60.00\%$

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2017/18 result**

**2017/18 ratio 5.92x**

Sound liquidity position, which is assisted by some incomplete capital expenditure projects.

Benchmark: — Minimum  $\geq 1.50$

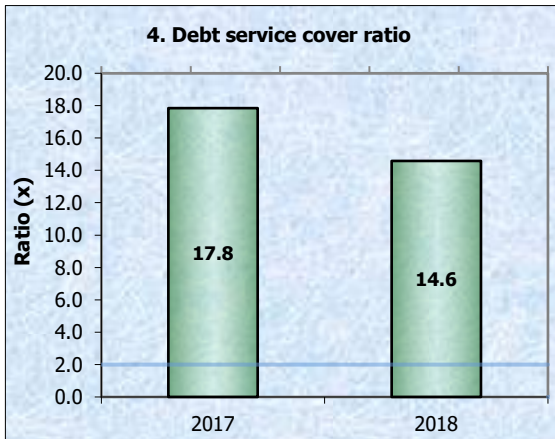
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

# Murray River Council

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

### Note 24(c). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

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



**Commentary on 2017/18 result**

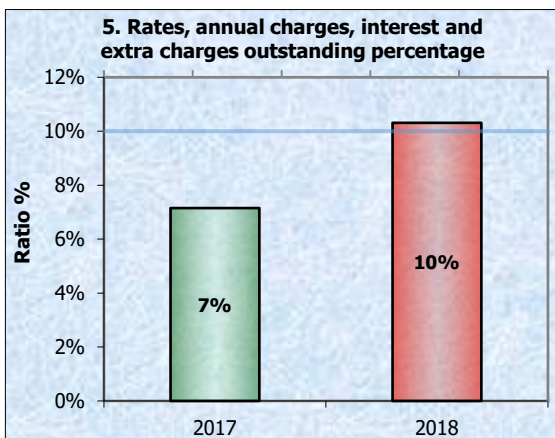
**2017/18 ratio 14.58x**

Council's continued loan repayment program ensures that this ratio is sound. No new loans taken in the reporting period.

Benchmark: ——— Minimum  $\geq 2.00$

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

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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



**Commentary on 2017/18 result**

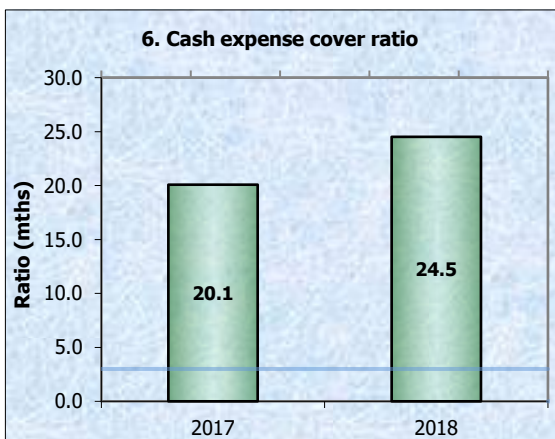
**2017/18 ratio 10.31%**

Outstanding rates is just above the benchmark due to the prevailing economic conditions. In particular our rural communities are under pressure.

Benchmark: ——— Maximum  $< 10.00\%$

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

 Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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



**Commentary on 2017/18 result**

**2017/18 ratio 24.51 mths**

Sound liquidity position as explained at graph 3 above.

Benchmark: ——— Minimum  $\geq 3.00$

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

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Murray River Council

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

### Note 25. Council information and contact details

---

**Principal place of business:**

21 Conargo Street  
Mathoura NSW 2710

**Contact details****Mailing address:**

PO Box 21  
Mathoura NSW 2710

**Opening hours:**

Opening hours for all service centres are  
Monday to Friday 9.00 am to 4.00 pm

**Telephone:** 1300 087 004

**Internet:** [www.murrayriver.nsw.gov.au](http://www.murrayriver.nsw.gov.au)  
**Email:** [admin@murrayriver.nsw.gov.au](mailto:admin@murrayriver.nsw.gov.au)

**Officers****GENERAL MANAGER**

Des Bilske

**RESPONSIBLE ACCOUNTING OFFICER**

Ross Mallett

**PUBLIC OFFICER**

Ross Mallett

**AUDITORS**

Auditor General  
GPO Box 12  
SYDNEY NSW 2001

**Elected members****MAYOR**

Chris Bilkey

**COUNCILLORS**

Gen Campbell (Deputy Mayor)  
Tony Aquino  
Nikki Cohen  
Ann Crowe  
Neil Gorey  
Alan Mathers  
Geoff Wise  
Thomas Weyrich

**Other information**

**ABN:** 30 30 8161 484



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Murray River Council**

To the Councillors of the Murray River Council

## **Opinion**

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

In my opinion,

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

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

## **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Caroline Karakatsanis  
Director

18 December 2018  
SYDNEY



Chris Bilkey  
Mayor  
Murray River Council  
PO Box 21  
MATHOURA NSW 2710

Contact: Caroline Karakatsanis  
Phone no: (02) 9275 7143  
Our ref: D1829780/1763

18 December 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Murray River Council**

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

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

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

**INCOME STATEMENT**

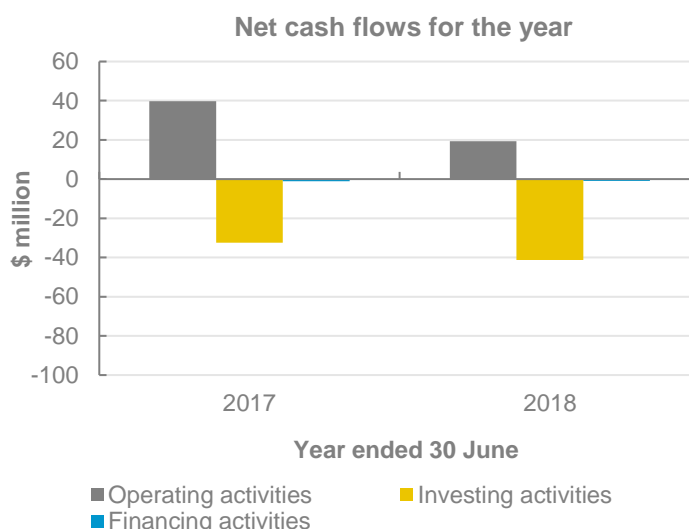
**Operating result**

	2018 \$'000	13/5/16 to 30/6/17 \$'000	Variance %
<b>Rates and annual charges revenue</b>	15,522	15,808	↓ 1.8
<b>Grants and contributions revenue</b>	21,300	40,985	↓ 48.0
<b>Operating result for the year</b>	6,669	22,003	↓ 69.7
<b>Net operating result before capital amounts</b>	2,629	8,887	↓ 70.4

- Rates and annual charges revenue was \$15.5 million in 2017–18 (\$15.8 million for the period ended 30 June 2017). The decrease is due to the Council having a longer reporting period in 2016–17 from 13 May 2016 to 30 June 2017. There was a permissible rate increase of 1.5 per cent granted by the Minister for Local Government and a rise in the total number of rateable properties.
- Grants and contribution revenue was \$21.3 million in 2017–18 (\$40.9 million for the period ended 30 June 2017). The downward movement is mainly due to merger funding provided in the prior year as a result of the amalgamation of the former Councils. This includes the Stronger Communities funding of \$15 million. There was also a reduction in financial assistance grants of \$3.4 million in 2017–18.
- Council’s operating result for the year was a surplus of \$6.7 million (\$22 million for the period ended 30 June 2017). The decrease is mainly due to the merger grant funding received in the prior period.
- Council’s net operating result before capital grants and contributions was a surplus of \$2.6 million (\$8.9 million surplus for the period ended 30 June 2017). The decrease is due to the reduction in operating grant income, offset by lower expenditure to an extent.

## STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalent and investments was \$62.0 million as at 30 June 2018 (\$56.6 million as at 30 June 2017). Council recorded a net increase of \$5.4 million.
- Net cash provided by operating activities decreased by \$20.5 million. This is due to the reduction in receipts from grants and contributions. In the prior year, the council received one-off merger funding of \$15 million for stronger communities.
- Net cash used in investing activities increased by \$8.9 million. This is mainly due to the rise in net purchases of investment securities and infrastructure, property, plant and equipment of \$9.8 million.
- There was minimal movement in net cash used in financing activities.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	31,219	31,669	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have decreased by \$0.45 million primarily due to the reduction in specific purpose unexpended grants.</li> </ul>
Internal restrictions	24,042	22,019	
Unrestricted	6,753	2,930	
<b>Cash and investments</b>	<b>62,014</b>	<b>56,618</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments are restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Council's internally restricted cash and investments have increased by \$2.0 million due to funds allocated for industrial development and plant replacement.</li> <li>Unrestricted cash has increased by \$3.8 million as a result of; an operating surplus and a decrease in external restrictions, as noted above.</li> </ul>

### Debt

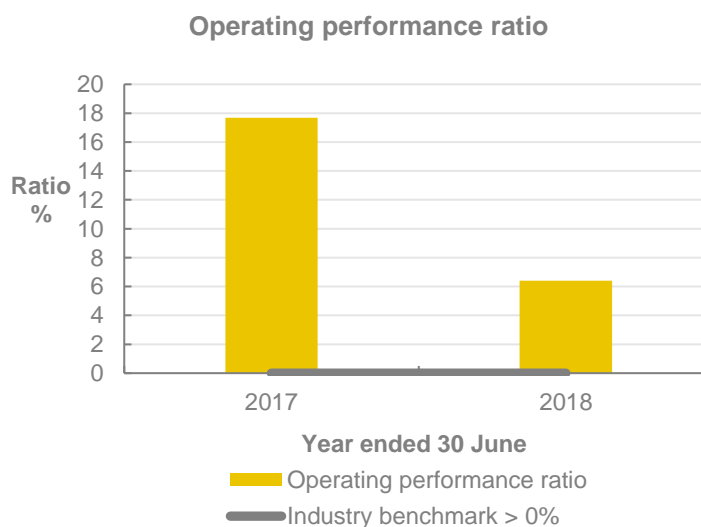
- Council has \$2.5 million of borrowings as at 30 June 2018 (2017: \$3.3 million).
- Council repaid \$0.8 million of borrowings in 2017–18.

## PERFORMANCE RATIOS

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

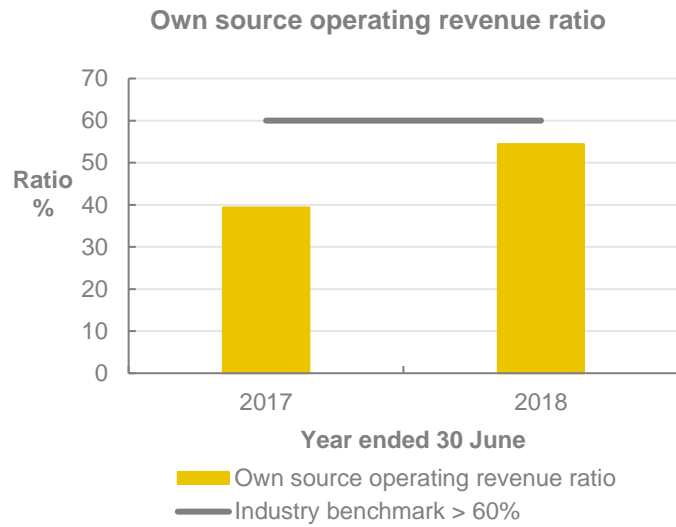
### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- Council's operating performance ratio of 6.4 per cent is above the industry benchmark of greater than zero per cent.
- The operating performance ratio decreased to 6.4 per cent (2017: 17.7 per cent) due to a reduction in grants and contributions provided for capital and operating purposes.



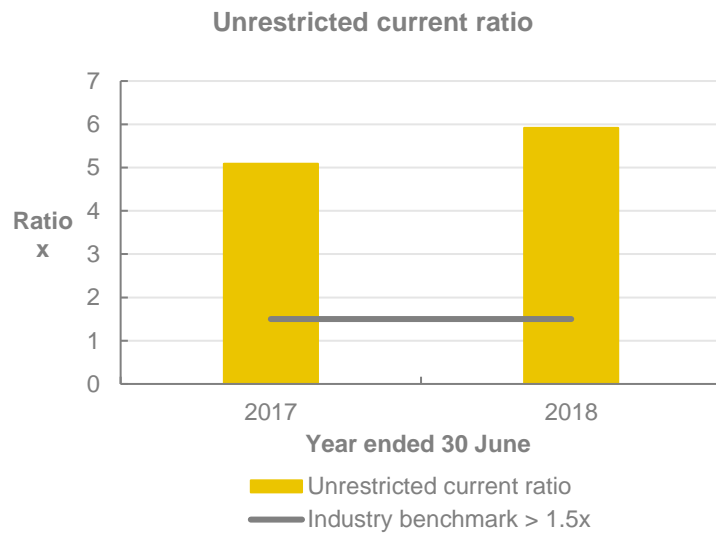
## Own source operating revenue ratio

- 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 ratio of 54.4 per cent is below the industry benchmark of 60 per cent (2017: 39.4 per cent). Council continues to apply the maximum rate peg allowable in accordance with the general rating cap set by the State Government through the Independent Pricing & Regulatory Tribunal (IPART).



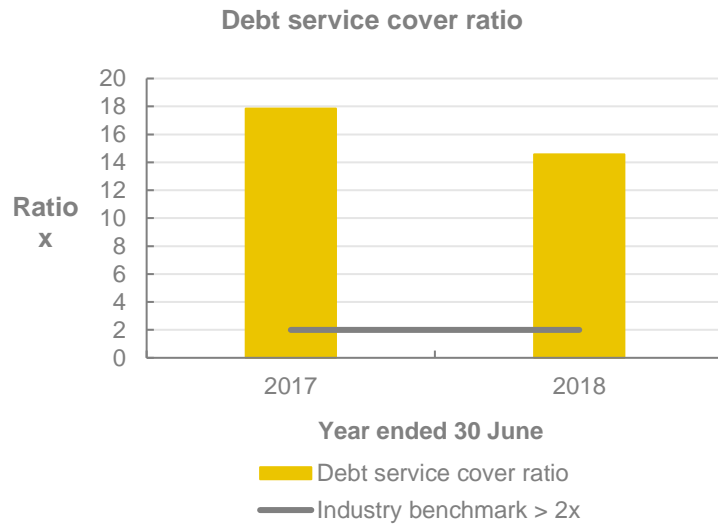
## Unrestricted current ratio

- 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 unrestricted current ratio of 5.9 times is greater than the industry benchmark minimum of greater than 1.5 times.
- The ratio indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



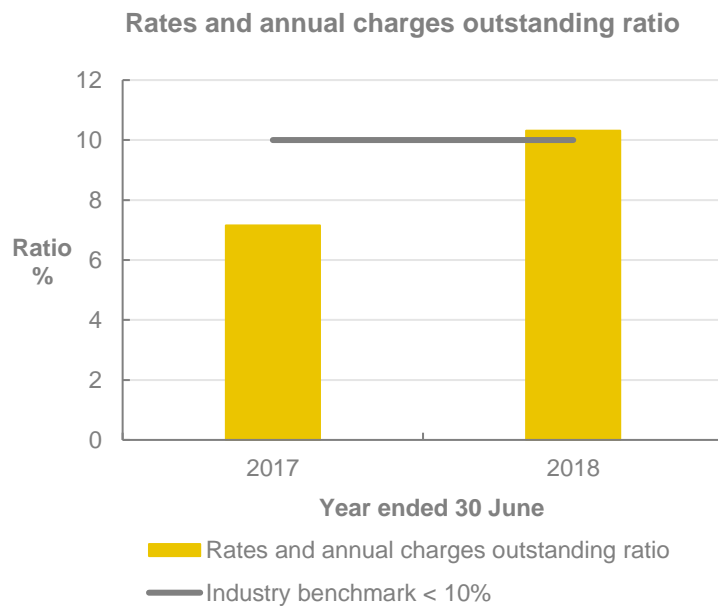
### Debt service cover ratio

- 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 is greater than the industry benchmark of greater than two times.
- The ratio indicates that Council has 14.6 times in operating cash available to service its debts, essentially indicating that Council generates sufficient cash from its operations to fund its debt obligations.



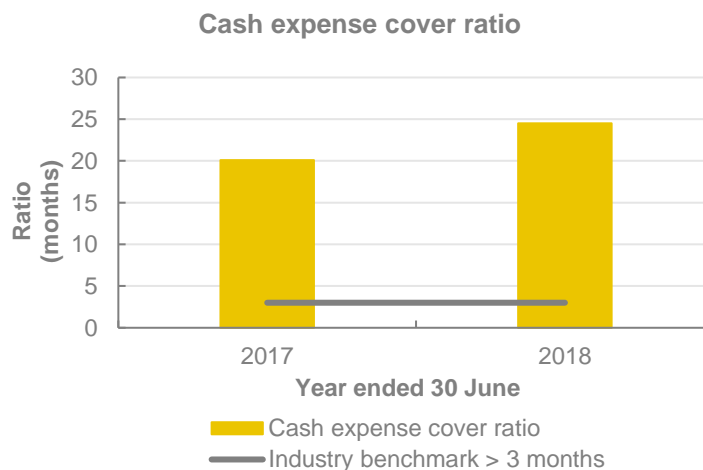
### Rates and annual charges outstanding ratio

- 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 regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 10.3 per cent (2017: 7.2 per cent) is above the industry benchmark of less than 10 per cent for regional councils.
- This indicates that Council's debt recovery processes may require improvement.



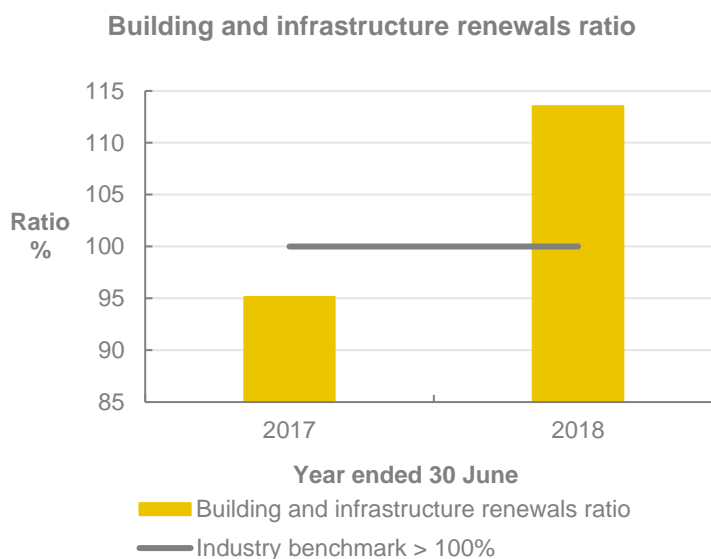
### Cash expense cover ratio

- 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 24.5 months, which is above the industry benchmark of greater than 3 months.
- This indicates that Council had the capacity to cover 24.5 months of cash expenditure without additional cash inflows at 30 June 2018.



## Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent. This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The ratio of 113.5 per cent (2017: 95.1 per cent) is above the industry benchmark of 100 per cent.
- The increase in ratio was mainly due to continued capital spend on asset renewals of \$15.4 million (2017: \$18 million).



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

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

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

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

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

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

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

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

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

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

---

## Legislative compliance

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

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



Caroline Karakatsanis  
Director, Financial Audit Services

cc: Ross Mallet, Director – Corporate Services  
Des Bilske, General Manager  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Murray River Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---



# Murray River Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
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
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor’s Report</b>	17

---

### 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).
-

## Murray River Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

### Statement by Councillors and Management

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 27 November 2018.**



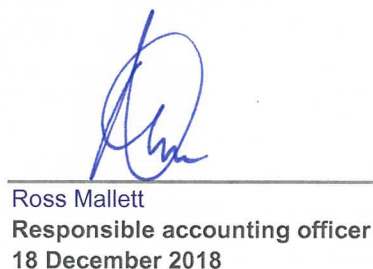
Chris Bilkey  
Mayor  
18 December 2018



Gen Campbell  
Councillor  
18 December 2018



Des Bilske  
General manager  
18 December 2018



Ross Mallett  
Responsible accounting officer  
18 December 2018

## Murray River Council

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

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
<b>Income from continuing operations</b>		
Access charges	2,435	2,663
User charges	1,793	1,790
Fees	39	53
Interest	216	202
Grants and contributions provided for non-capital purposes	44	95
Other income	126	150
<b>Total income from continuing operations</b>	<b>4,654</b>	<b>4,953</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,527	1,254
Borrowing costs	7	19
Materials and contracts	682	1,049
Depreciation, amortisation and impairment	1,141	1,226
Water purchase charges	156	148
Loss on sale of assets	–	323
Debt guarantee fee (if applicable)	1	–
Other expenses	293	306
<b>Total expenses from continuing operations</b>	<b>3,806</b>	<b>4,325</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>848</b>	<b>628</b>
Grants and contributions provided for capital purposes	335	656
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,183</b>	<b>1,284</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,183</b>	<b>1,284</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(254)	(188)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>929</b>	<b>1,096</b>
Plus opening retained profits	45,221	43,937
Plus/less: prior period adjustments	445	–
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	1	–
– Corporate taxation equivalent	254	188
<b>Closing retained profits</b>	<b>46,850</b>	<b>45,221</b>
<b>Return on capital %</b>	<b>2.0%</b>	<b>1.6%</b>
<b>Subsidy from Council</b>	<b>248</b>	<b>303</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	929	1,096
Less: capital grants and contributions (excluding developer contributions)	(335)	(656)
<b>Surplus for dividend calculation purposes</b>	<b>593</b>	<b>440</b>
<b>Potential dividend calculated from surplus</b>	<b>297</b>	<b>220</b>

## Murray River Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
<b>Income from continuing operations</b>		
Access charges	2,237	2,320
User charges	42	21
Liquid trade waste charges	220	301
Fees	20	11
Interest	215	225
Grants and contributions provided for non-capital purposes	42	77
Other income	11	18
<b>Total income from continuing operations</b>	<b>2,787</b>	<b>2,973</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	912	725
Materials and contracts	372	711
Depreciation, amortisation and impairment	708	1,169
Loss on sale of assets	–	213
Calculated taxation equivalents	7	–
Other expenses	349	363
<b>Total expenses from continuing operations</b>	<b>2,349</b>	<b>3,181</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>439</b>	<b>(208)</b>
Grants and contributions provided for capital purposes	223	307
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>662</b>	<b>99</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>662</b>	<b>99</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(132)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>530</b>	<b>99</b>
Plus opening retained profits	35,896	35,797
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	–
– Corporate taxation equivalent	132	–
<b>Closing retained profits</b>	<b>36,565</b>	<b>35,896</b>
<b>Return on capital %</b>	<b>1.1%</b>	<b>-0.5%</b>
<b>Subsidy from Council</b>	<b>583</b>	<b>1,116</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	530	99
Less: capital grants and contributions (excluding developer contributions)	(223)	(307)
<b>Surplus for dividend calculation purposes</b>	<b>307</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>153</b>	<b>–</b>

## Murray River Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,200	6,953
Investments	4,290	–
Receivables	991	892
<b>Total current assets</b>	<b>7,481</b>	<b>7,845</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	41,919	39,895
Intangible assets	1,492	638
<b>Total non-current assets</b>	<b>43,411</b>	<b>40,533</b>
<b>TOTAL ASSETS</b>	<b>50,892</b>	<b>48,378</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	36	13
Borrowings	59	62
<b>Total current liabilities</b>	<b>96</b>	<b>75</b>
<b>Non-current liabilities</b>		
Borrowings	37	99
<b>Total non-current liabilities</b>	<b>37</b>	<b>99</b>
<b>TOTAL LIABILITIES</b>	<b>132</b>	<b>174</b>
<b>NET ASSETS</b>	<b>50,760</b>	<b>48,204</b>
<b>EQUITY</b>		
Accumulated surplus	46,405	45,221
Revaluation reserves	4,355	2,983
<b>TOTAL EQUITY</b>	<b>50,760</b>	<b>48,204</b>

## Murray River Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,978	5,117
Investments	6,513	2,207
Receivables	301	287
<b>Total current Assets</b>	<b>8,792</b>	<b>7,611</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	38,834	38,145
<b>Total non-current assets</b>	<b>38,834</b>	<b>38,145</b>
<b>TOTAL ASSETS</b>	<b>47,626</b>	<b>45,756</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	13	6
Borrowings	–	1
<b>Total current liabilities</b>	<b>13</b>	<b>7</b>
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>13</b>	<b>7</b>
<b>NET ASSETS</b>	<b>47,613</b>	<b>45,749</b>
<b>EQUITY</b>		
Accumulated surplus	36,565	35,896
Revaluation reserves	11,049	9,853
<b>TOTAL EQUITY</b>	<b>47,613</b>	<b>45,749</b>

## Murray River Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

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

## Murray River Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

#### Note 1. Significant accounting policies

---

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

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

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

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

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### 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)

##### a. Water Supply

Provision and distribution of water to the towns within the boundaries of the Council.



## Murray River Council

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

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

---

##### b. Sewerage

Treatment of wastewater to the towns within the boundaries of the Council.

##### Category 2

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

Council has no Category 2 Businesses.

##### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

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

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

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

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

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

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

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

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

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

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

Council paid Payroll tax on its Category 1 businesses in 2017/18.

## Murray River Council

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

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

---

##### 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.

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

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

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

## Murray River Council

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

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

---

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 2.63% at 30/6/18.

#### *(iv) Dividends*

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

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

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

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

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

## Murray River Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements

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

2018

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

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

(i)	Calculated tax equivalents	1,000
(ii)	Number of assessments multiplied by \$3/assessment	15,384
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	1,000
(iv)	Amounts actually paid for tax equivalents	

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	296,634
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	152,840
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	1,032,869

2018 Surplus	593,269	2017 Surplus	439,600	2016 Surplus	
		2017 Dividend	-	2016 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	152,840
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Murray River Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


---

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

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,797
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	44.85%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	41,912
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,568
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,204
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.60%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Murray River Council

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

#### Note 3. Sewerage business best-practice management disclosure requirements

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

2018

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

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

(i)	Calculated tax equivalents	7,000
(ii)	Number of assessments multiplied by \$3/assessment	15,240
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	7,000
(iv)	Amounts actually paid for tax equivalents	

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	153,498
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	145,400
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	98,996

2018 Surplus	306,996	2017 Surplus	(208,000)	2016 Surplus	
		2017 Dividend	-	2016 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	98,996
(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? <sup>a</sup>	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)	YES
(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]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Murray River Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


---

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

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,809
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	38,834
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,580
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	85
<b>NWI F18</b>	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)]	%	1.34%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

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

<b>NWI F3</b>	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	7,607
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.13%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,289
<b>NWI F19</b>	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)]	%	1.99%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Murray River Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-15.13%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,853
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	86

- 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.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007





**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Murray River Council**

To the Councillors of the Murray River Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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 report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis  
Director

18 December 2018  
SYDNEY

# Murray River Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

---

# Murray River Council

## Special Schedules

for the year ended 30 June 2018

### Contents

Page

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

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	6
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	9
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	12
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	13
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	16
<b>Notes to Special Schedules 3 and 5</b>		17
<b>Special Schedule 7</b>	Report on Infrastructure Assets	18

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

---

#### Background

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

## Murray River Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	912	–	–	(912)
<b>Administration</b>	5,387	1,009	–	(4,378)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	898	235	–	(663)
Beach control	–	–	–	–
Enforcement of local government regulations	129	1	–	(128)
Animal control	180	20	–	(160)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,207</b>	<b>256</b>	<b>–</b>	<b>(951)</b>
<b>Health</b>	<b>330</b>	<b>23</b>	<b>–</b>	<b>(307)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	237	59	–	(178)
Other environmental protection	64	2	–	(62)
Solid waste management	1,550	1,961	1	412
Street cleaning	211	–	–	(211)
Drainage	827	121	19	(687)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>2,889</b>	<b>2,143</b>	<b>20</b>	<b>(726)</b>
<b>Community services and education</b>				
Administration and education	5	–	–	(5)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	1,314	1,180	–	(134)
Children's services	229	19	–	(210)
<b>Total community services and education</b>	<b>1,548</b>	<b>1,199</b>	<b>–</b>	<b>(349)</b>
<b>Housing and community amenities</b>				
Public cemeteries	144	130	–	(14)
Public conveniences	152	–	–	(152)
Street lighting	222	52	–	(170)
Town planning	1,027	385	142	(500)
Other community amenities	82	–	–	(82)
<b>Total housing and community amenities</b>	<b>1,627</b>	<b>567</b>	<b>142</b>	<b>(918)</b>
<b>Water supplies</b>	<b>3,786</b>	<b>4,454</b>	<b>335</b>	<b>1,003</b>
<b>Sewerage services</b>	<b>2,329</b>	<b>2,744</b>	<b>223</b>	<b>638</b>

## Murray River Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	893	79	18	(796)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	353	73	–	(280)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	187	–	11	(176)
Sporting grounds and venues	1,304	65	688	(551)
Swimming pools	196	12	–	(184)
Parks and gardens (lakes)	857	20	71	(766)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>3,790</b>	<b>249</b>	<b>788</b>	<b>(2,753)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	634	380	–	(254)
Other mining, manufacturing and construction	46	60	–	14
<b>Total mining, manufacturing and const.</b>	<b>680</b>	<b>440</b>	–	<b>(240)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	918	67	101	(750)
Urban roads – regional	1,172	21	–	(1,151)
Sealed rural roads (SRR) – local	3,344	3,455	928	1,039
Sealed rural roads (SRR) – regional	3,335	3,516	–	181
Unsealed rural roads (URR) – local	2,791	78	1,351	(1,362)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	206	58	121	(27)
Bridges on SRR – local	218	–	–	(218)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	323	–	–	(323)
Parking areas	–	–	–	–
Footpaths	234	–	31	(203)
Aerodromes	–	–	–	–
Other transport and communication	71	–	–	(71)
<b>Total transport and communication</b>	<b>12,612</b>	<b>7,195</b>	<b>2,532</b>	<b>(2,885)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	122	326	–	204
Other economic affairs	2,779	3,060	–	281
<b>Total economic affairs</b>	<b>2,901</b>	<b>3,386</b>	–	<b>485</b>
<b>Totals – functions</b>	<b>39,998</b>	<b>23,665</b>	<b>4,040</b>	<b>(12,293)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>19,006</b>		<b>19,006</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>44</b>	–		<b>(44)</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>40,042</b>	<b>42,671</b>	<b>4,040</b>	<b>6,669</b>

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

## Murray River Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
		Former Council Murray Shire	Former Council Wakool Shire	Murray River Council	Former Council Murray Shire	Former Council Wakool Shire	Murray River Council
<b>Notional general income calculation <sup>(1)</sup></b>							
Last year notional general income yield	a	5,445	4,489	9,934	5,317	4,414	9,731
Plus or minus adjustments <sup>(2)</sup>	b	71	46	117	54	–	54
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>5,516</b>	<b>4,535</b>	<b>10,051</b>	<b>5,371</b>	<b>4,414</b>	<b>9,785</b>
<b>Permissible income calculation</b>							
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%		0.00%	0.00%	
Or rate peg percentage	e	2.30%	2.30%		1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	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	127	104	231	81	66	147
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>5,643</b>	<b>4,639</b>	<b>10,282</b>	<b>5,452</b>	<b>4,480</b>	<b>9,932</b>
Plus (or minus) last year's carry forward total	l	8	(10)	(2)	1	1	2
Less valuation objections claimed in the previous year	m	–	–	–	–	(2)	(2)
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>8</b>	<b>(10)</b>	<b>(2)</b>	<b>1</b>	<b>(1)</b>	<b>–</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>5,650</b>	<b>4,630</b>	<b>10,280</b>	<b>5,453</b>	<b>4,479</b>	<b>9,932</b>
Less notional general income yield	p	5,649	4,628	10,277	5,445	4,489	9,934
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>(10)</b>	<b>(2)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–	–	–	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–	–	–	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>(10)</b>	<b>(2)</b>



## Murray River Council

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

---

---

#### Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Murray River Council

To the Councillors of Murray River Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', written in a cursive style.

Caroline Karakatsanis  
Director

18 December 2018  
SYDNEY

## Murray River Council

## Special Schedule 3 – Water Supply Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	392	368
b. Engineering and supervision	291	338
<b>2. Operation and maintenance expenses</b>		
<b>– dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
<b>– Mains</b>		
c. Operation expenses	52	91
d. Maintenance expenses	288	262
<b>– Reservoirs</b>		
e. Operation expenses	10	9
f. Maintenance expenses	22	28
<b>– Pumping stations</b>		
g. Operation expenses (excluding energy costs)	67	67
h. Energy costs	129	128
i. Maintenance expenses	58	57
<b>– Treatment</b>		
j. Operation expenses (excluding chemical costs)	733	723
k. Chemical costs	64	108
l. Maintenance expenses	192	234
<b>– Other</b>		
m. Operation expenses	66	88
n. Maintenance expenses	49	22
o. Purchase of water	156	157
<b>3. Depreciation expenses</b>		
a. System assets	1,133	1,214
b. Plant and equipment	7	12
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	7	19
b. Revaluation decrements	–	–
c. Other expenses	90	77
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>3,805</b>	<b>4,002</b>

## Murray River Council

## Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,958	1,905
b. Usage charges	1,592	1,499
<b>7. Non-residential charges</b>		
a. Access (including rates)	477	758
b. Usage charges	201	291
<b>8. Extra charges</b>	24	24
<b>9. Interest income</b>	192	178
<b>10. Other income</b>	166	203
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	16
b. Grants for pensioner rebates	44	46
c. Other grants	–	33
<b>12. Contributions</b>		
a. Developer charges	335	383
b. Developer provided assets	–	–
c. Other contributions	–	273
<b>13. Total income</b>	<b>4,989</b>	<b>5,609</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	(323)
<b>15. Operating result</b>	<b>1,184</b>	<b>1,284</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	1,184	1,268

## Murray River Council

## Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	47	71
c. Renewals	1,157	337
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	65	113
<b>18. Totals</b>	<b>1,269</b>	<b>521</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	4,092	4,213
b. Residential (unoccupied, ie. vacant lot)	398	417
c. Non-residential (occupied)	616	623
d. Non-residential (unoccupied, ie. vacant lot)	22	20
<b>23. Number of ETs for which developer charges were received</b>	143 ET	132 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 80,409	\$ 84,224

## Murray River Council

## Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	264	–	264
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,226	–	6,226
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	271	–	271
c. User charges	720	–	720
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	41,912	41,912
b. Plant and equipment	–	7	7
<b>29. Other assets</b>	–	1,492	1,492
<b>30. Total assets</b>	<u>7,481</u>	<u>43,411</u>	<u>50,892</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	36	–	36
<b>33. Borrowings</b>	59	37	96
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>95</u>	<u>37</u>	<u>132</u>
<b>36. NET ASSETS COMMITTED</b>	<u>7,386</u>	<u>43,374</u>	<u>50,760</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			46,405
<b>38. Asset revaluation reserve</b>			4,355
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<u>50,760</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			61,604
<b>42. Accumulated current cost</b> depreciation of system assets			(19,692)
<b>43. Written down current cost</b> of system assets			<u>41,912</u>



## Murray River Council

### Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	362	334
b. Engineering and supervision	251	269
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	11	39
b. Maintenance expenses	113	110
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	201	236
d. Energy costs	183	186
e. Maintenance expenses	140	186
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	126	160
g. Chemical costs	2	2
h. Energy costs	71	71
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	60	99
<b>– Other</b>		
l. Operation expenses	60	57
m. Maintenance expenses	1	2
<b>3. Depreciation expenses</b>		
a. System assets	708	1,169
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	54	47
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>2,342</b>	<b>2,967</b>

## Murray River Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,910	1,929
<b>7. Non-residential charges</b>		
a. Access (including rates)	328	391
b. Usage charges	–	–
<b>8. Trade waste charges</b>		
a. Annual fees	148	–
b. Usage charges	72	302
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	13	13
<b>10. Interest income</b>	202	211
<b>11. Other income</b>	74	49
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	42	44
c. Other grants	–	33
<b>13. Contributions</b>		
a. Developer charges	223	307
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<b>3,011</b>	<b>3,279</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	(213)
<b>16. Operating result</b>	<b>669</b>	<b>99</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	669	99

## Murray River Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	32	–
c. Renewals	53	273
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	1	4
<b>19. Totals</b>	<b>86</b>	<b>277</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	4,091	3,909
b. Residential (unoccupied, ie. vacant lot)	409	345
c. Non-residential (occupied)	557	590
d. Non-residential (unoccupied, ie. vacant lot)	23	22
<b>24. Number of ETs for which developer charges were received</b>	143 ET	132 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 76,006	\$ 77,681

## Murray River Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

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

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	635	–	635
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,856	–	7,856
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	219	–	219
c. User charges	82	–	82
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	38,834	38,834
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>8,792</b>	<b>38,834</b>	<b>47,626</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	13	–	13
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>13</b>	<b>–</b>	<b>13</b>
<b>37. NET ASSETS COMMITTED</b>	<b>8,779</b>	<b>38,834</b>	<b>47,613</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			36,564
<b>39. Asset revaluation reserve</b>			11,049
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>47,613</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			58,283
<b>43. Accumulated current cost</b> depreciation of system assets			(19,449)
<b>44. Written down current cost</b> of system assets			<b>38,834</b>

## Murray River Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

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

(item 1a of Special Schedules 3 and 5) comprises the following:

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

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

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

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

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

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

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

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

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

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

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

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

## Murray River Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	1,188	1,188	175	175	30,222	59,379	10%	33%	49%	6%	2%
	<b>Sub-total</b>	<b>1,188</b>	<b>1,188</b>	<b>175</b>	<b>175</b>	<b>30,222</b>	<b>59,379</b>	<b>10.0%</b>	<b>33.0%</b>	<b>49.0%</b>	<b>6.0%</b>	<b>2.0%</b>
<b>Other structures</b>	Other structures	160	160	56	56	12,535	15,975	53%	26%	17%	3%	1%
	<b>Sub-total</b>	<b>160</b>	<b>160</b>	<b>56</b>	<b>56</b>	<b>12,535</b>	<b>15,975</b>	<b>53.0%</b>	<b>26.0%</b>	<b>17.0%</b>	<b>3.0%</b>	<b>1.0%</b>
<b>Roads</b>	Sealed roads	2,972	2,972	3,164	3,164	200,865	297,162	17%	47%	20%	15%	1%
	Unsealed roads	263	263	1,840	1,840	14,850	26,286	7%	27%	43%	22%	1%
	Bridges	–	–	46	46	47,585	69,003	45%	38%	13%	4%	0%
	Footpaths	102	102	75	75	7,097	10,192	14%	49%	23%	13%	1%
	Bulk earthworks	–	–	–	–	204,457	204,457	93%	4%	2%	1%	0%
	<b>Sub-total</b>	<b>3,337</b>	<b>3,337</b>	<b>5,125</b>	<b>5,125</b>	<b>474,854</b>	<b>607,100</b>	<b>45.3%</b>	<b>30.7%</b>	<b>14.2%</b>	<b>9.3%</b>	<b>0.5%</b>
<b>Water supply network</b>	Water supply network	–	–	597	597	39,855	58,470	49%	36%	7%	6%	2%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>597</b>	<b>597</b>	<b>39,855</b>	<b>58,470</b>	<b>49.0%</b>	<b>36.0%</b>	<b>7.0%</b>	<b>6.0%</b>	<b>2.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	312	312	37,600	56,979	27%	44%	16%	8%	5%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>312</b>	<b>312</b>	<b>37,600</b>	<b>56,979</b>	<b>27.0%</b>	<b>44.0%</b>	<b>16.0%</b>	<b>8.0%</b>	<b>5.0%</b>

## Murray River Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	468	468	171	171	31,519	46,820	52%	38%	6%	3%	1%
	<b>Sub-total</b>	<b>468</b>	<b>468</b>	<b>171</b>	<b>171</b>	<b>31,519</b>	<b>46,820</b>	<b>52.0%</b>	<b>38.0%</b>	<b>6.0%</b>	<b>3.0%</b>	<b>1.0%</b>
Open space/recreational assets	Swimming pools	506	506	17	17	17	550	0%	8%	0%	0%	92%
	<b>Sub-total</b>	<b>506</b>	<b>506</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>550</b>	<b>0.0%</b>	<b>8.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>92.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>5,659</b>	<b>5,659</b>	<b>6,453</b>	<b>6,453</b>	<b>626,602</b>	<b>845,273</b>	<b>42.3%</b>	<b>32.4%</b>	<b>15.8%</b>	<b>8.3%</b>	<b>1.1%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Murray River Council

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

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>				
Asset renewals <sup>(2)</sup>	<u>13,027</u>	<b>113.53%</b>	95.13%	>= 100%
Depreciation, amortisation and impairment	<u>11,475</u>			
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>				
Estimated cost to bring assets to a satisfactory standard	<u>5,659</u>	<b>0.90%</b>	3.45%	< 2.00%
Net carrying amount of infrastructure assets	<u>630,660</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>6,453</u>	<b>100.00%</b>	100.00%	> 100%
Required asset maintenance	<u>6,453</u>			
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<u>5,659</u>	<b>0.67%</b>	1.09%	
Gross replacement cost	<u>845,273</u>			

## Notes

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

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

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



# Murray River Council

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

<p><b>1. Buildings and infrastructure renewals ratio</b></p> <p>Benchmark: <span style="color: blue;">——</span> Minimum <math>\geq 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 113.53%</b></p> <p>Council has maintained its Asset Renewal program</p>
<p><b>2. Infrastructure backlog ratio</b></p> <p>Benchmark: <span style="color: blue;">——</span> Maximum <math>&lt; 2.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 0.90%</b></p> <p>Backlog figures relate to roadworks predominantly</p>
<p><b>3. Asset maintenance ratio</b></p> <p>Benchmark: <span style="color: blue;">——</span> Minimum <math>&gt; 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 100.00%</b></p> <p>Council caters for the maintenance requirements of its assets in the budget</p>
<p><b>4. Cost to bring assets to agreed service level</b></p>	<p><b>Purpose of agreed service level ratio</b></p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 0.67%</b></p> <p>The blk of Council's assets are at the required standard</p>

## Murray River Council

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

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>121.06%</b>	109.52%	<b>112.01%</b>	28.58%	<b>12.07%</b>	23.39%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>1.02%</b>	4.20%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	<b>100.00%</b>	100.00%	> 100%
Required asset maintenance							
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>0.78%</b>	1.25%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	
Gross replacement cost							

**Notes**

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.