



**Edward
River**
COUNCIL

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

Edward River Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

180 Cressy Street
Deniliquin 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.edwardriver.nsw.gov.au.

Edward 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.

Edward 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 18 October 2018.



Mr Norm Brennan
Mayor
18 October 2018



Ms Patricia Fogarty
Councillor
18 October 2018



Mr Adam McSwain
General Manager
18 October 2018



Ms Colleen O'Connor
Responsible Accounting Officer
18 October 2018

Edward 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
Income from continuing operations				
Revenue:				
12,287	Rates and annual charges	3a	12,347	12,086
3,184	User charges and fees	3b	4,006	4,738
890	Interest and investment revenue	3c	1,047	1,284
242	Other revenues	3d	436	541
8,901	Grants and contributions provided for operating purposes	3e,f	9,288	17,840
2,000	Grants and contributions provided for capital purposes	3e,f	634	11,207
Other income:				
552	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	14	20	–
28,056	Total income from continuing operations		27,778	47,696
Expenses from continuing operations				
9,385	Employee benefits and on-costs	4a	8,371	8,474
150	Borrowing costs	4b	148	278
5,780	Materials and contracts	4c	4,145	8,278
8,823	Depreciation and amortisation	4d	7,964	8,610
3,458	Other expenses	4e	3,521	11,819
–	Net losses from the disposal of assets	5	266	327
–	Net share of interests in joint ventures and associates using the equity method	14	–	68
27,596	Total expenses from continuing operations		24,415	37,854
460	Operating result from continuing operations		3,363	9,842
460	Net operating result for the year		3,363	9,842
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	401,822
460	Net result for the year		3,363	411,664
460	Net result attributable to Council		3,363	411,664
(1,540)	Net operating result for the year before grants and contributions provided for capital purposes		2,729	(1,365)

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

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Edward River Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Net result for the year (as per Income Statement)	3,363	411,664
Other comprehensive income:		
Nil		
Total comprehensive income for the year	3,363	411,664
Total comprehensive income attributable to Council	3,363	411,664

Edward River Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	23,487	22,372
Investments	6b	20,755	21,000
Receivables	7	4,486	4,171
Other	8	25	108
Total current assets		48,753	47,651
Non-current assets			
Infrastructure, property, plant and equipment	9	372,725	371,864
Intangible assets	10	164	375
Investments accounted for using the equity method	14	769	841
Total non-current assets		373,658	373,080
TOTAL ASSETS		422,411	420,731
LIABILITIES			
Current liabilities			
Payables	11	1,347	1,976
Income received in advance	11	336	308
Borrowings	11	589	589
Provisions	12	2,580	3,042
Total current liabilities		4,852	5,915
Non-current liabilities			
Payables	11	50	51
Borrowings	11	1,951	2,540
Provisions	12	531	561
Total non-current liabilities		2,532	3,152
TOTAL LIABILITIES		7,384	9,067
Net assets		415,027	411,664
EQUITY			
Accumulated surplus		415,027	411,664
Total equity		415,027	411,664

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

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Edward River Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	2018 Accumulated surplus	Total equity	13/5/16 to 30/6/17 Accumulated surplus	Total equity
Opening balance	411,664	411,664	–	–
Net result for the year	3,363	3,363	411,664	411,664
Total comprehensive income	3,363	3,363	411,664	411,664
Equity – balance at end of the reporting period	415,027	415,027	411,664	411,664

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

Edward 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
Cash flows from operating activities				
Receipts:				
11,894	Rates and annual charges		11,954	12,820
2,106	User charges and fees		2,928	5,118
994	Investment and interest revenue received		1,151	1,098
11,134	Grants and contributions		10,155	30,652
–	Bonds, deposits and retention amounts received		–	119
2,563	Other		2,757	1,214
Payments:				
(9,387)	Employee benefits and on-costs		(8,931)	(8,485)
(6,586)	Materials and contracts		(4,874)	(8,698)
(145)	Borrowing costs		(148)	(200)
–	Bonds, deposits and retention amounts refunded		(5)	–
(4,478)	Other		(4,518)	(5,743)
8,095	Net cash provided (or used in) operating activities	13b	10,469	27,895
Cash flows from investing activities				
Receipts:				
12,500	Sale of investment securities		9,250	13,160
370	Sale of infrastructure, property, plant and equipment		444	851
Payments:				
(12,500)	Purchase of investment securities		(9,005)	(22,910)
(9,789)	Purchase of infrastructure, property, plant and equipment		(9,454)	(13,296)
–	Contributions paid to joint ventures and associates		–	(475)
(9,419)	Net cash provided (or used in) investing activities		(8,765)	(22,670)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(589)	Repayment of borrowings and advances		(589)	(583)
(589)	Net cash flow provided (used in) financing activities		(589)	(583)
(1,913)	Net increase/(decrease) in cash and cash equivalents		1,115	4,642
22,372	Plus: cash and cash equivalents – beginning of year	13a	22,372	–
–	Plus: cash transferred on amalgamation of councils		–	17,730
20,459	Cash and cash equivalents – end of the year	13a	23,487	22,372
	plus: Investments on hand – end of year	6b	20,755	21,000
	Total cash, cash equivalents and investments		44,242	43,372

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

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Notes to the Financial Statements

for the year ended 30 June 2018

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Edward 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 18/10/2018. Council has the power to amend and reissue these financial statements.

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

Basis of preparation

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

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

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

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

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

Note 20 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) 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

Due to their immaterial nature, the following Section 355 committees have been excluded from these financial statements:

- Deniliquin Floodplain Risk Management Advisory Committee
- Cemetery Advisory Committee
- Deniliquin Council Tidy Towns committee
- Deniliquin Council Heritage Committee
- Memorial Park Users Advisory Committee
- Deniliquin Council Community Safety & Crime Prevention Advisory Committee
- Deniliquin Council Airport Advisory Committee
- Deniliquin Council Community Garden Committee
- Memorial Hall Committee
- Oval Management Committee
- Park Management Committee

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(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.

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.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- *AASB 9 Financial Instruments*

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

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

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

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

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.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Edward 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	692	15,538	2,354	5,278	(1,662)	10,260	419	15,000	111	130
Administration	1,257	2,279	5,095	7,567	(3,838)	(5,288)	40	–	57,338	58,521
Public order & safety	398	559	651	681	(253)	(122)	378	520	550	652
Health	12	15	352	147	(340)	(132)	–	–	1,919	2,250
Environment	1,720	1,648	1,130	1,669	590	(21)	313	114	41,421	42,160
Community services & education	42	3	91	43	(49)	(40)	42	–	–	–
Housing & community amenities	318	439	585	560	(267)	(121)	39	–	401	484
Water supplies	3,713	3,544	2,595	5,862	1,118	(2,318)	34	37	41,279	39,105
Sewerage services	3,273	3,341	2,136	4,907	1,137	(1,566)	33	35	36,467	36,810
Recreation & culture	296	258	2,239	2,603	(1,943)	(2,345)	6	161	27,819	27,626
Mining, manufacturing & construction	7	1	247	316	(240)	(315)	–	–	15	17
Transport and communication	2,237	3,904	5,848	6,909	(3,611)	(3,005)	1,387	3,810	206,883	203,841
Economic affairs	851	764	1,092	1,244	(241)	(480)	220	101	8,208	8,294
Share of gains/(losses) in associates and joint ventures	20	–	–	68	20	(68)	90	–	–	841
General purpose income	12,942	15,403	–	–	12,942	15,403	5,359	7,578	–	–
Total functions and activities	27,778	47,696	24,415	37,854	3,363	9,842	8,360	27,356	422,411	420,731

Edward 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 & 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 & 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 & community amenities

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

Water supplies

Sewerage services

Recreation & 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 & construction

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

Transport and communication

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

Economic affairs

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

Edward 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
(a) Rates and annual charges		
Ordinary rates		
Residential	3,426	3,342
Farmland	2,639	2,606
Business	981	984
Other	29	27
Less: pensioner rebates (mandatory)	(144)	(141)
Total ordinary rates	6,931	6,818
Special rates		
Business promotion levy	80	79
Total special rates	80	79
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,170	1,267
Stormwater management services	77	77
Water supply services	1,304	1,205
Sewerage services	2,815	2,683
Waste management services (non-domestic)	144	139
Less: pensioner rebates (mandatory)	(174)	(182)
Total annual charges	5,336	5,189
TOTAL RATES AND ANNUAL CHARGES	12,347	12,086

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.

Edward 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) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	15	14
Water supply services	2,173	2,022
Sewerage services	357	406
Waste management services (non-domestic)	87	155
Total specific user charges	2,632	2,597
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	33	42
Development fees	42	51
Impounding fees	3	3
Inspection services	32	52
Other – certificates and permits	9	11
Private works – section 67	128	127
Regulatory/ statutory fees	22	27
Re-zoning fees	12	14
Section 149 certificates (EPA Act)	16	22
Section 603 certificates	26	26
Total fees and charges – statutory/regulatory	323	375
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	107	103
Agistment	4	4
Animal control	1	2
Caravan park	56	68
Cemeteries	74	133
Gravel pits	7	7
Leaseback fees – Council vehicles	5	6
Library and art gallery	15	10
Medical centre	93	114
Murray Valley industrial park	30	21
Museum donations	17	13
Other lease rentals	11	7
Park rents	7	5
Radio tower leases	14	16
RMS (formerly RTA) charges (state roads not controlled by Council)	509	1,097
Sewerage connection fees	–	40
Truckwash	81	84
Water connection fees	–	3
Other	20	33
Total fees and charges – other	1,051	1,766
TOTAL USER CHARGES AND FEES	4,006	4,738

Accounting policy for user charges and fees

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

Edward 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
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	36	36
– Cash and investments	954	1,219
– Other	57	20
Dividend income	–	9
TOTAL INTEREST AND INVESTMENT REVENUE	<u>1,047</u>	<u>1,284</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	36	17
General Council cash and investments	340	698
Restricted investments/funds – external:		
Development contributions		
Water fund operations	221	155
Sewerage fund operations	131	72
Domestic waste management operations	42	50
Restricted investments/funds – internal:		
Internally restricted assets	277	292
Total interest and investment revenue recognised	<u>1,047</u>	<u>1,284</u>

Accounting policy for interest and investment revenue

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

Edward 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
(d) Other revenues		
Rental income – other council properties	50	64
Fines	19	23
Legal fees recovery – rates and charges (extra charges)	69	83
Commissions and agency fees	15	7
Diesel rebate	139	102
Insurance claim recoveries	4	43
Insurance rebates	45	92
Recycling income (non-domestic)	14	24
Royalties	7	8
Sales – general	38	58
Workers compensation reimbursement	29	19
Other	7	18
<u>TOTAL OTHER REVENUE</u>	<u>436</u>	<u>541</u>

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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.

Edward 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
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,863	3,124	–	–
Financial assistance – local roads component	742	1,820	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,912	1,820	–	–
Financial assistance – local roads component	764	731	–	–
Other				
Pensioners' rates subsidies – general component	78	83	–	–
Total general purpose	5,359	7,578	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	34	37	–	–
– Sewerage	33	35	–	–
– Domestic waste management	28	29	–	–
Crown reserve	210	–	–	75
Economic development	5	101	215	–
Employment and training programs	40	–	–	–
Environmental protection	75	85	–	–
Heritage and cultural	6	17	–	–
Library – per capita	90	60	–	–
Library – special projects	–	6	–	–
Merger funding – new Council implementation	–	5,000	–	–
Merger funding – stronger communities	–	–	419	10,000
NSW rural fire services	378	416	–	104
Recreation and culture	42	3	–	–
Street lighting	39	44	–	–
Transport (roads to recovery)	1,387	2,155	–	–
Transport (other roads and bridges funding)	–	85	–	1,026
Transport (flood repair works)	–	500	–	–
Total specific purpose	2,367	8,573	634	11,205
Total grants	7,726	16,151	634	11,205
Grant revenue is attributable to:				
– Commonwealth funding	6,663	9,651	–	–
– State funding	975	6,500	634	11,205
– Other funding	88	–	–	–
	7,726	16,151	634	11,205

Edward 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
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		36	37	–	–
S 64 – sewerage service contributions		35	54	–	–
Total developer contributions – cash		71	91	–	–
Total developer contributions	21	71	91	–	–
Other contributions:					
Cash contributions					
Emergency services property levy contribution		–	56	–	–
Human resources		–	25	–	–
Economic Development		41	–	–	–
Library services		45	53	–	–
Other (planning – LEP)		–	1	–	–
Transport (Other Roads)		59	–	–	–
Recreation and culture		–	–	–	2
RMS contributions (regional roads, block grant)		1,341	1,450	–	–
Other		5	13	–	–
Total other contributions – cash		1,491	1,598	–	2
Total other contributions		1,491	1,598	–	2
Total contributions		1,562	1,689	–	2
TOTAL GRANTS AND CONTRIBUTIONS		9,288	17,840	634	11,207

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.

Edward 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
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	14,840	1,035
Add: operating grants recognised in the current period but not yet spent	834	14,840
Less: operating grants recognised in a previous reporting period now spent	(4,606)	(1,035)
Unexpended and held as restricted assets (operating grants)	<u>11,068</u>	<u>14,840</u>
Contributions		
Unexpended at the close of the previous reporting period	39	39
Unexpended and held as restricted assets (contributions)	<u>39</u>	<u>39</u>

Edward 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
(a) Employee benefits and on-costs		
Salaries and wages	7,091	6,878
Employee termination costs	134	229
Employee leave entitlements (ELE)	1,221	1,272
Superannuation	872	799
Workers' compensation insurance	216	120
Fringe benefit tax (FBT)	67	96
Training costs (other than salaries and wages)	118	66
Protective clothing	4	25
Uniform clothing	39	75
Recruitment costs	–	42
OH&S expenses	7	13
Other	8	15
Total employee costs	9,777	9,630
Less: capitalised costs	(1,406)	(1,156)
TOTAL EMPLOYEE COSTS EXPENSED	8,371	8,474
Number of 'full-time equivalent' employees (FTE) at year end	109	99
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	113	106

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Edward 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) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		145	200
Total interest bearing liability costs expensed		145	200
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	3	78
Total other borrowing costs		3	78
TOTAL BORROWING COSTS EXPENSED		148	278

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		1,502	2,920
Contractor and consultancy costs			
– Contractor engineering services		36	263
– Contractor merger related		227	1,660
– Contractor road services		256	685
– Contractor waste services		44	366
– Contractor water and sewer services		111	221
– Contractor IT related		103	–
– Contractor sports and recreation		224	–
– Contractor other		406	982
– Consultancy merger related		194	171
– Consultancy other		331	277
Auditors remuneration ⁽²⁾		72	74
Legal expenses:			
– Legal expenses: planning and development		10	8
– Legal expenses: debt recovery		53	67
– Legal expenses: other		25	20
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽¹⁾		186	57
Other		367	507
TOTAL MATERIALS AND CONTRACTS		4,145	8,278

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:

Buildings		181	47
Other		5	10
		186	57

Edward 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
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	72	74
Remuneration for audit and other assurance services	72	74
Total Auditor-General remuneration	72	74
Total Auditor remuneration	72	74
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	1,091	1,194
Office equipment	109	131
Furniture and fittings	28	28
Land improvements (depreciable)	72	79
Infrastructure:		
– Buildings – non-specialised	180	199
– Buildings – specialised	717	810
– Other structures	119	135
– Roads	3,202	3,270
– Bridges	83	94
– Footpaths	258	292
– Other road assets	57	65
– Stormwater drainage	346	378
– Water supply network	647	735
– Sewerage network	609	689
– Swimming pools	69	79
– Other open space/recreational assets	108	139
Other assets:		
– Library books	29	29
– Other	18	20
Reinstatement, rehabilitation and restoration assets:		
– Tip assets	48	48
Intangible assets	174	196
Total depreciation and amortisation costs	7,964	8,610
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED	7,964	8,610

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

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 are not yet available for use at the end of the reporting period 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.

Edward 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
(e) Other expenses		
Advertising	100	255
Bad and doubtful debts	120	43
Bank and centrepay charges	45	40
Contributions/levies to other levels of government	–	1
– Central Murray County Council	137	135
– Emergency services levy (includes FRNSW, SES, and RFS levies)	308	307
Councillor expenses – mayoral fee	29	–
Councillor expenses – councillors' fees	82	–
Councillors' expenses (incl. mayor) – other (excluding fees above)	71	–
Donations, contributions and assistance to other organisations (Section 356)	453	–
– Crown reserves contribution program	17	29
– ERC merger stronger communities contribution program	–	941
– ERC merger section 355 contribution program	6	8
– ERC merger ute muster contribution	–	200
– Other organisations	114	74
Election expenses	63	–
Electricity and heating	557	543
Fire and emergency services levy (FESL) implementation costs	–	1
Fair valuation decrements - I,PP&E	–	7,081
Information technology	169	285
Insurance	482	472
Licences, fees and permits	69	103
Merger administrator expenses	4	38
Merger committee expenses	–	242
Office expenses	20	45
Postage	35	51
Printing and stationery	31	34
Promotion material	143	297
Street lighting	140	149
Subscriptions and publications	99	141
Telephone and communications	105	127
Travel expenses	35	84
Valuation fees	78	48
Other	9	45
<u>TOTAL OTHER EXPENSES</u>	<u>3,521</u>	<u>11,819</u>

Accounting policy for other expenses

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

Edward 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
Plant and equipment	9		
Proceeds from disposal – plant and equipment		444	535
Less: carrying amount of plant and equipment assets sold/written off		(245)	(523)
Net gain/(loss) on disposal		199	12
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(465)	(339)
Net gain/(loss) on disposal		(465)	(339)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		9,250	13,160
Less: carrying amount of financial assets sold/redeemed/matured		(9,250)	(13,160)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(266)	(327)

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

Cash and cash equivalents		
Cash on hand and at bank	6,317	3,542
Cash-equivalent assets		
– Deposits at call	2,066	2,028
– Short-term deposits	15,104	16,802
Total cash and cash equivalents	23,487	22,372

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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	20,755	–	21,000	–
Total investments	20,755	–	21,000	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>44,242</u>	<u>–</u>	<u>43,372</u>	<u>–</u>
Held to maturity investments				
Long term deposits	20,755	–	21,000	–
Total	20,755	–	21,000	–

Accounting policy for investments**Classification**

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

Held to maturity investments

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

Recognition and de-recognition

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

Edward 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	44,242	–	43,372	–
attributable to:				
External restrictions (refer below)	14,506	–	15,479	–
Internal restrictions (refer below)	18,418	–	20,176	–
Unrestricted	11,318	–	7,717	–
	44,242	–	43,372	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	39	39
Specific purpose unexpended grants	1,017	3,483
Water supplies	6,978	6,727
Sewerage services	4,542	3,372
Domestic waste management	1,300	1,300
Business promotion levy	30	30
Conargo milestones / interpretative	17	17
Conargo Oval M&R	20	20
Deniliquin band committee	19	19
Deniliquin community gardens	3	2
EPA waste	36	36
Library reserve	502	431
Regional arts	3	3
External restrictions – other	14,506	15,479
Total external restrictions	14,506	15,479

Edward 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
Internal restrictions		
Plant and vehicle replacement	1,799	1,799
Infrastructure replacement	3,113	3,113
Employees leave entitlement	692	1,142
Deposits, retentions and bonds	235	235
Airport industrial land	50	50
Asset management	14	14
Airport runway development	241	241
Blighty-upgrade power	70	70
Building maintenance	50	50
Cemetery upgrade	9	9
Conargo landscaping project	85	85
Depot office and gates upgrade	41	41
Dog trial	3	3
Election reserve	12	13
Fencing Conargo	7	7
Gravel pits	14	14
Human resources	18	18
Internal audit	6	6
Land development fund	400	400
Landscaping plans	90	90
Merger operational	2,133	2,547
Merger stronger communities	7,878	8,771
Recreation reserves / village landscaping	1,113	1,113
Risk management	5	5
Wanganella hall community	5	5
Shire – entrance signage	5	5
Tourism/industry promotion	18	18
Town planning plans, surveys and studies	103	103
Waste facilities	150	150
Water infrastructure	57	57
Website development	2	2
Total internal restrictions	18,418	20,176
TOTAL RESTRICTIONS	32,924	35,655

Edward 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
Purpose				
Rates and annual charges	1,152	–	720	–
Interest and extra charges	127	–	97	–
User charges and fees	2,178	–	908	–
Private works	22	–	69	–
Accrued revenues				
– Interest on investments	338	–	472	–
– Other income accruals	39	–	206	–
Amounts due from other councils	26	–	13	–
Government grants and subsidies	–	–	233	–
Loan to Dongmun Greentek	746	–	732	–
Net GST receivable	77	–	341	–
RMCC state roads	–	–	476	–
Other debtors	7	–	10	–
Total	4,712	–	4,277	–
Less: provision for impairment				
Rates and annual charges	(102)	–	(63)	–
Other debtors	(124)	–	(43)	–
Total provision for impairment – receivables	(226)	–	(106)	–
TOTAL NET RECEIVABLES	4,486	–	4,171	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	94	–	95	–
– Other	1,276	–	469	–
Sewerage services				
– Rates and availability charges	232	–	166	–
– Other	163	–	95	–
Total external restrictions	1,765	–	825	–
Unrestricted receivables	2,721	–	3,346	–
TOTAL NET RECEIVABLES	4,486	–	4,171	–
Movement in provision for impairment of receivables			2018	13/5/16
Balance at the beginning of the year			106	108
+ new provisions recognised during the year			135	38
– amounts provided for but recovered during the year			(15)	(40)
Balance at the end of the year			226	106

Edward 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

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. 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 receivables the amount of the impairment 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. Other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Other assets				
Prepayments	25	–	108	–
TOTAL OTHER ASSETS	25	–	108	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Edward River Council

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

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,739	–	1,739	2,086	536	–	–	(1,651)	2,710	–	2,710
Plant and equipment	13,973	8,869	5,104	1,303	–	(245)	(1,091)	–	14,287	9,216	5,071
Office equipment	2,848	2,407	441	13	–	–	(109)	–	2,861	2,516	345
Furniture and fittings	277	151	126	–	–	–	(28)	–	277	179	98
Land:											
– Operational land	4,929	–	4,929	51	–	–	–	–	4,980	–	4,980
– Community land	1,944	–	1,944	20	–	–	–	–	1,964	–	1,964
Land improvements – depreciable	3,669	1,262	2,407	77	–	–	(72)	–	3,746	1,334	2,412
Infrastructure:											
– Buildings – non-specialised	10,382	4,085	6,297	–	–	–	(180)	–	10,382	4,265	6,117
– Buildings – specialised	48,929	11,428	37,501	–	–	–	(716)	116	49,046	12,145	36,901
– Other structures	18,857	712	18,145	–	–	–	(119)	–	18,857	831	18,026
– Roads	200,597	57,458	143,139	3,255	–	(364)	(3,202)	745	204,597	61,024	143,573
– Bridges	7,135	2,164	4,971	–	–	–	(83)	–	7,135	2,247	4,888
– Footpaths and kerb and gutter	21,673	5,952	15,721	248	–	(64)	(258)	–	21,921	6,274	15,647
– Other road assets	4,089	583	3,506	–	–	–	(57)	–	4,089	640	3,449
– Bulk earthworks (non-depreciable)	27,471	–	27,471	–	–	–	–	–	27,471	–	27,471
– Stormwater drainage	33,681	11,879	21,802	39	–	–	(346)	–	33,720	12,225	21,495
– Water supply network	58,063	22,877	35,186	1,258	–	(37)	(647)	519	58,899	22,620	36,279
– Sewerage network	54,956	21,082	33,874	438	–	–	(609)	93	55,487	21,691	33,796
– Swimming pools	4,043	900	3,143	–	–	–	(69)	–	4,043	969	3,074
– Other open space/recreational assets	4,332	898	3,434	–	–	–	(109)	–	4,332	1,007	3,325
Other assets:											
– Library books	1,105	968	137	–	37	–	(29)	–	1,142	997	145
– Other	826	76	750	–	–	–	(18)	178	1,004	94	910
Reinstatement, rehabilitation and restoration assets:											
– Tip assets (refer Note 12)	430	333	97	–	–	–	(48)	–	431	382	49
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	525,948	154,084	371,864	8,788	573	(710)	(7,790)	–	533,381	160,656	372,725

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

Edward 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.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 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	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

Edward 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 (continued)**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".

Council recognise rural fire service assets for land and buildings.

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	37	–	37	519	–	519
Plant and equipment	102	97	5	102	86	16
Office equipment	5	4	1	5	4	1
Infrastructure	58,380	22,620	35,760	58,063	22,877	35,186
Other assets	–	–	–	37	–	37
Total water supply	58,524	22,721	35,803	58,726	22,967	35,759
Sewerage services						
WIP	93	–	93	93	–	93
Plant and equipment	46	41	5	46	40	6
Office equipment	4	3	1	4	3	1
Infrastructure	55,394	21,691	33,703	54,956	21,082	33,874
Total sewerage services	55,537	21,735	33,802	55,099	21,125	33,974
TOTAL RESTRICTED IPP&E	114,061	44,456	69,605	113,825	44,092	69,733

Edward 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:		
Opening values:		
Gross book value (1/7)	932	891
Accumulated amortisation (1/7)	(557)	(363)
Net book value – opening balance	375	528
Movements for the year		
– Purchases	–	46
– Other capitalised costs	(37)	–
– Amortisation charges	(174)	(196)
– Gross book value written off	–	(5)
– Accumulated amortisation charges written off	–	2
Closing values:		
Gross book value (30/6)	896	932
Accumulated amortisation (30/6)	(732)	(557)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	164	375
¹ The net book value of intangible assets represent:		
– Software	164	375
	164	375

Accounting policy for intangible assets**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Edward 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
Payables				
Goods and services – operating expenditure	383	–	827	–
Goods and services – capital expenditure	199	–	329	–
Accrued expenses:				
– Salaries and wages	317	–	362	–
– Other expenditure accruals	130	–	125	–
Long service levy	4	–	10	–
Rural fire service liability	64	–	64	–
Security bonds, deposits and retentions	180	50	185	50
Workers compensation	68	–	54	1
Other	2	–	20	–
Total payables	1,347	50	1,976	51
Income received in advance				
Payments received in advance	336	–	308	–
Total income received in advance	336	–	308	–
Borrowings				
Loans – secured ¹	589	1,951	589	2,540
Total borrowings	589	1,951	589	2,540
TOTAL PAYABLES AND BORROWINGS	2,272	2,001	2,873	2,591

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	29	–	19	–
Sewer	387	589	303	758
Payables and borrowings relating to externally restricted assets	416	589	322	758
Total payables and borrowings relating to restricted assets	416	589	322	758
Total payables and borrowings relating to unrestricted assets	1,856	1,412	2,551	1,833
TOTAL PAYABLES AND BORROWINGS	2,272	2,001	2,873	2,591

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

Edward River Council

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

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	50	50
Other liabilities: workers compensation oncost	–	1
	<u>50</u>	<u>51</u>

(c) 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	3,129	(589)	–	–	–	2,540
TOTAL	3,129	(589)	–	–	–	2,540

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.

Edward 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
Provisions				
Employee benefits:				
Annual leave	676	–	871	–
Sick leave	226	–	227	–
Long service leave	1,286	238	1,757	54
RDO leave	16	–	36	–
Time in lieu leave	50	–	24	–
ELE on-costs	100	8	124	2
Sub-total – aggregate employee benefits	2,354	246	3,039	56
Asset remediation/restoration:				
Asset remediation/restoration (future works)	226	285	3	505
Sub-total – asset remediation/restoration	226	285	3	505
<u>TOTAL PROVISIONS</u>	<u>2,580</u>	<u>531</u>	<u>3,042</u>	<u>561</u>

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,929	1,882
	<u>1,929</u>	<u>1,882</u>

Edward 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	Other provisions	
	Asset remediation	Total
At beginning of year	508	508
Changes to provision:		
<u>Remeasurement effects</u>	3	3
Total other provisions at end of year	511	511
2017		
At beginning of year	–	–
Changes to provision:		
<u>Additional provisions</u>	508	508
Total other provisions at end of year	508	508

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

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

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

Edward 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, eg 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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	23,487	22,372
Balance as per the Statement of Cash Flows		23,487	22,372
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,363	9,842
Adjust for non-cash items:			
Depreciation and amortisation		7,964	8,610
Net losses/(gains) on disposal of assets		266	327
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		–	7,081
Other non cash items		92	–
Amortisation of premiums, discounts and prior period fair valuations			
Unwinding of discount rates on reinstatement provisions		–	78
Share of net (profits) or losses of associates/joint ventures		(20)	68
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(435)	942
Increase/(decrease) in provision for doubtful debts		120	(2)
Decrease/(increase) in other assets		83	29
Increase/(decrease) in payables		(444)	394
Increase/(decrease) in other accrued expenses payable		(40)	(103)
Increase/(decrease) in other liabilities		12	332
Increase/(decrease) in employee leave entitlements		(495)	(133)
Increase/(decrease) in other provisions		3	430
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,469	27,895

Note 14. 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	20	(68)	769	841
Total	20	(68)	769	841

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities (continued)

\$ '000

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	2018	2017
Central Murray Regional Library	Associate	% Net assets	392	403
Central Murray County Council	Associate	% Net assets	378	438
Total carrying amounts – material associates			770	841

(b) Details

Name of entity	Principal activity	Place of business
Central Murray Regional Library	Provision of Library Services	Deniliquin
Central Murray County Council	Noxious Weeds Control	Deniliquin

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Central Murray Regional Library	392	403	87%	87%	87%	87%	50%	50%
Central Murray County Council	378	438	36%	36%	36%	36%	33%	33%

(d) Summarised financial information for associates

	Central Murray Regional Library		Central Murray County Council	
Statement of financial position	2018	2017	2018	2017
Current assets				
Cash and cash equivalents	502	431	514	346
Other current assets	–	12	9	59
Non-current assets	180	182	662	970
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	36	40	21	53
Other current liabilities	102	102	113	105
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	95	124	–	–
Net assets	449	359	1,051	1,217
Reconciliation of the carrying amount				
Opening net assets (1 July)	359	250	1,212	1,401
Profit/(loss) for the period	90	109	(161)	(189)
Closing net assets	449	359	1,051	1,212
Council's share of net assets (%)	87.0%	87.0%	36.0%	36.0%
Council's share of net assets (\$)	392	403	378	438

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities (continued)

\$ '000

Associates (continued)

(d) Summarised financial information for associates (continued)

	Central Murray Regional Library		Central Murray County Council	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
Statement of comprehensive income				
Income	505	546	821	917
Interest income	10	8	8	8
Depreciation and amortisation	(38)	(37)	(101)	(130)
Interest expense	(7)	(9)	–	–
Other expenses	(380)	(399)	(889)	(979)
Profit/(loss) from continuing operations	90	109	(161)	(184)
Profit/(loss) for period	90	109	(161)	(184)
Total comprehensive income	90	109	(161)	(184)
Share of income – Council (%)	87.0%	87.0%	36.0%	36.0%
Profit/(loss) – Council (\$)	78	95	(58)	(66)
Total comprehensive income – Council (\$)	78	95	(58)	(66)

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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	133	–
Open space and recreational assets	367	–
Water infrastructure	243	671
Sewer infrastructure	148	–
Roads	147	–
Total commitments	1,038	671
These expenditures are payable as follows:		
Within the next year	1,038	671
Total payable	1,038	671
Sources for funding of capital commitments:		
Unrestricted general funds	647	–
Externally restricted reserves	391	671
Total sources of funding	1,038	671

Details of capital commitments

Commitments exist for various stronger communities grant funded projects, roads, water and sewer projects.

(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	181	181
Later than one year and not later than 5 years	165	289
Total non-cancellable operating lease commitments	346	470

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

Three year lease on office building. Commenced May 2017.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

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

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies (continued)

benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

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

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

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 Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$202,884.20.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 12/12/17 and covers the period ended 30/06/17.

Council's expected contribution to the Fund for the next annual reporting period is \$185,719.88.

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

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

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation.

Edward River Council

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

Note 16. Contingencies (continued)

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 per annum 0.26% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub- group.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2018 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

Edward River Council

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

Note 16. Contingencies (continued)

(ii) 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 June 2008.

(ii) Mortgage over land

Council has a first mortgage over land in return for a \$700,000 bank guarantee. The mortgage was entered into on the 7 March 2016 and remained in place until such time the bank guarantee is either no longer required (approximately six months from the mortgage date) or called on by the Favouree. The Favouree called the bank guarantee in August 2016. In August 2018 Council sold one lot of the property with on-going proceedings to recover the rest.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

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

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
Financial assets				
Cash and cash equivalents	23,487	22,372	23,487	22,372
Investments				
– 'Held to maturity'	20,755	21,000	20,755	21,000
Receivables	4,486	4,171	4,486	4,171
Total financial assets	48,728	47,543	48,728	47,543
Financial liabilities				
Payables	1,397	2,027	1,397	2,027
Loans/advances	2,540	3,129	2,828	3,437
Total financial liabilities	3,937	5,156	4,225	5,464

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 mkt 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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

2018	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	444	444	(444)	(444)
13/5/16 to 30/6/17				
Possible impact of a 1% movement in interest rates	434	434	(434)	(434)

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	22%	7%	0%	43%
Overdue	78%	93%	100%	57%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			250	–
< 1 year overdue			453	489
1 – 2 years overdue			279	159
2 – 5 years overdue			132	54
> 5 years overdue			38	18
			<u>1,152</u>	<u>720</u>
Other receivables				
Current			253	–
0 – 30 days overdue			2,231	1,541
31 – 60 days overdue			13	294
61 – 90 days overdue			34	130
> 91 days overdue			1,029	1,592
			<u>3,560</u>	<u>3,557</u>

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

Payment terms can (in extenuating circumstances) also be extended.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	230	1,111	50	–	1,391	1,397
Loans and advances	5.17%	288	589	1,951	–	2,828	2,540
Total financial liabilities		518	1,700	2,001	–	4,219	3,937
2017							
Trade/other payables	0.00%	235	1,741	51	–	2,027	2,027
Loans and advances	5.12%	308	589	2,356	184	3,437	3,437
Total financial liabilities		543	2,330	2,407	184	5,464	5,464

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	12,287	12,347	60	0%	F
User charges and fees	3,184	4,006	822	26%	F
Increase in water revenue from adverse weather conditions and RMS unanticipated revenue.					
Interest and investment revenue	890	1,047	157	18%	F
Council took a conservative approach when it came to the budget for interest on investments. Budget was set at the lower end of the estimate on the basis that Cash and Investments would not increase significantly in balance.					
Other revenues	242	436	194	80%	F
Council received some unanticipated insurance claims during the year.					
Operating grants and contributions	8,901	9,288	387	4%	F
Capital grants and contributions	2,000	634	(1,366)	(68%)	U
RFS Fire Control Centre refurbishment grant received only after milestones are reached and milestones were reached after reporting period. Carried forward to 2018-19 financial year.					
Net gains from disposal of assets	552	–	(552)	(100%)	U
Replacement of roads, kerb & gutter, footpaths and water infrastructure resulted in loss on disposals instead of the anticipated gain.					
Joint ventures and associates - net profits	–	20	20	100%	F
Council did not anticipate a net profit from associates.					

Edward River Council

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

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance* -----		
EXPENSES					
Employee benefits and on-costs	9,385	8,371	1,014	11%	F
Effective leave management of staff resulting in reduced costs compared to last year.					
Borrowing costs	150	148	2	1%	F
Materials and contracts	5,780	4,145	1,635	28%	F
The budget was based on a consolidated pre-merger position and also the shift in focus from operational to capital projects resulting in reduced spend.					
Depreciation and amortisation	8,823	7,964	859	10%	F
Reduced depreciation and amortisation charges as a result of carry over of capital works programs.					
Other expenses	3,458	3,521	(63)	(2%)	U
Net losses from disposal of assets	–	266	(266)	0%	U
Replacement of roads, kerb & gutter, footpaths and water infrastructure resulted in loss on disposals.					

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

Cash flows from operating activities	8,095	10,469	2,374	29.3%	F
Increased cash flow from budget with operating result better than budgeted due to reduced costs. The main variations were under expenditure in material and contracts budgeted at \$5,780 against an actual of \$4,145 and employee costs at \$9,385 against \$8,406.					
Cash flows from investing activities	(9,419)	(8,765)	654	(6.9%)	F
Cash flows from financing activities	(589)	(589)	–	0.0%	F

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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).

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

2018		Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	Plant and equipment	30/06/17	–	–	5,071	5,071
	Office equipment	30/06/17	–	–	345	345
	Furniture and fittings	30/06/17	–	–	98	98
	Operational land	30/06/15	–	–	4,980	4,980
	Community land	30/06/15	–	–	1,964	1,964
	Land improvements – depreciable	30/06/15	–	–	2,412	2,412
	Buildings – non-specialised	30/06/15	–	–	6,117	6,117
	Buildings – specialised	30/06/15	–	–	36,901	36,901
	Other structures	30/06/15	–	–	18,026	18,026
	Roads	30/06/15	–	–	143,573	143,573
	Bridges	30/06/15	–	–	4,888	4,888
	Footpaths and kerb	30/06/15	–	–	15,647	15,647
	Bulk earthworks	30/06/15	–	–	27,471	27,471
	Other road assets	30/06/15	–	–	3,449	3,449
	Stormwater drainage	30/06/15	–	–	21,495	21,495
	Water supply network	30/06/17	–	–	36,279	36,279
	Sewerage network	30/06/17	–	–	33,796	33,796
	Swimming pools	30/06/15	–	–	3,074	3,074
	Other open spaces/recreational assets	30/06/15	–	–	3,325	3,325
	Library books	30/06/15	–	–	145	145
	Other assets	30/06/15	–	–	910	910
	Tip assets	30/06/17	–	–	49	49
	Total infrastructure, property, plant and equipment		–	–	370,015	370,015

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	—	—	5,104	5,104
Office equipment	30/06/17	—	—	441	441
Furniture and fittings	30/06/17	—	—	126	126
Operational land	30/06/15	—	—	4,929	4,929
Community land	30/06/15	—	—	1,944	1,944
Land improvements – depreciable	30/06/15	—	—	2,407	2,407
Buildings – non-specialised	30/06/15	—	—	6,297	6,297
Buildings – specialised	30/06/15	—	—	37,501	37,501
Other structures	30/06/15	—	—	18,145	18,145
Roads	30/06/15	—	—	143,139	143,139
Bridges	30/06/15	—	—	4,971	4,971
Footpaths and kerb	30/06/15	—	—	15,721	15,721
Bulk earthworks	30/06/15	—	—	3,506	3,506
Other road assets	30/06/15	—	—	27,471	27,471
Stormwater drainage	30/06/15	—	—	21,802	21,802
Water supply network	30/06/17	—	—	35,186	35,186
Sewerage network	30/06/17	—	—	33,874	33,874
Swimming pools	30/06/15	—	—	3,143	3,143
Other open spaces/recreational assets	30/06/15	—	—	3,434	3,434
Library books	30/06/15	—	—	137	137
Other assets	30/06/15	—	—	750	750
Tip assets	30/06/17	—	—	97	97
Total infrastructure, property, plant and equipment		—	—	370,125	370,125

(b) 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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

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

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

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

Work in Progress - This class of asset category is not valued at fair value. The category is at depreciated historical cost, but is disclosed as fair value.

Plant and Equipment - This class of asset category is not valued at fair value. The category is at depreciated historical cost, but is disclosed as fair value.

Office Equipment - Same as Plant and Equipment above.

Furniture and Fittings - Same as Plant and Equipment above.

Operational Land - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Operational Land should be valued at market value after considering the buyers and sellers in the market and, where possible, include elements such as zoning limitations, alternative use and size of the land.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, PDSLIVE property searches, Benchmarking, APV database of recent projects and on-site visits.

Community Land - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Council is unable to provide neither observable nor unobservable valuation techniques and therefore it is reported as a Level 3.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, PDSLIVE property searches, Benchmarking, APV database of recent projects and on-site visits.

Land Improvements (Depreciable) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide, Benchmarking, APV database of recent projects and on-site visits.

Buildings (Non - Specialised) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately. This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Buildings (Specialised) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Buildings (Non-Specialised) above for valuation method and data sources.

Other Structures - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide, Benchmarking, APV database of recent projects and on-site visits.

Roads & Bulk Earthworks - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual construction or purchase prices, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Bridges - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Footpaths - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Stormwater - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Water Supply Network - The latest valuation was conducted by APV Valuers during the 2016/17 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual construction or purchase prices, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Sewer Network - The latest valuation was conducted by APV Valuers during the 2016/17 financial year. Refer to Water Supply Network above for valuation method and data sources.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Swimming Pools - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Other Open Spaces/ Recreational Assets - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Swimming Pools above for valuation method and data sources.

Library Books - Same as Plant and Equipment above.

Other Assets - Refer to Swimming Pools above for valuation method and data sources.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

(d). 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	Operational land	Total
Balance on transfer from former Councils	5,281	355	119	4,541	10,296
Transfers from/(to) another asset class	–	–	–	48	48
Purchases (GBV)	1,540	217	35	340	2,132
Disposals (WDV)	(523)	–	–	–	(523)
Depreciation and impairment	(1,194)	(131)	(28)	–	(1,353)
Closing balance – 30/6/17	5,104	441	126	4,929	10,600
Purchases (GBV)	1,303	13	–	51	1,367
Disposals (WDV)	(245)	–	–	–	(245)
Depreciation and impairment	(1,091)	(109)	(28)	–	(1,228)
Closing balance – 30/6/18	5,071	345	98	4,980	10,494

	Community land	Land improvement	Buildings non- specialised	Buildings specialised	Total
Balance on transfer from former Councils	1,944	2,008	6,476	37,857	48,285
Transfers from/(to) another asset class	–	66	–	73	139
Purchases (GBV)	–	412	20	382	814
Disposals (WDV)	–	–	–	(139)	(139)
Depreciation and impairment	–	(79)	(199)	(810)	(1,088)
Amalgamations transfer	–	–	–	138	138
Closing balance – 30/6/17	1,944	2,407	6,297	37,501	48,149
Transfers from/(to) another asset class	–	–	–	116	116
Purchases (GBV)	20	77	–	–	97
Depreciation and impairment	–	(72)	(180)	(716)	(968)
Closing balance – 30/6/18	1,964	2,412	6,117	36,901	47,394

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

(d). 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	Footpaths	Total
Balance on transfer from former Councils	18,280	152,505	5,065	15,933	191,783
Transfers from/(to) another asset class	–	131	–	–	131
Purchases (GBV)	–	4,084	–	80	4,164
Depreciation and impairment	(135)	(3,270)	(94)	(292)	(3,791)
Adjustments and transfers	–	(10,311)	–	–	(10,311)
Closing balance – 30/6/17	18,145	143,139	4,971	15,721	181,976
Purchases (GBV)	–	3,255	–	248	3,503
Disposals (WDV)	–	(364)	–	(64)	(428)
Depreciation and impairment	(119)	(3,202)	(83)	(258)	(3,662)
Adjustments and transfers	–	745	–	–	745
Closing balance – 30/6/18	18,026	143,573	4,888	15,647	182,134

	Bulk earthworks	Other road assets	Stormwater drainage	Water supply network	Total
Balance on transfer from former Councils	20,731	–	22,180	37,831	80,742
Transfers from/(to) another asset class	–	–	–	46	46
Purchases (GBV)	–	–	–	1,997	1,997
Disposals (WDV)	–	–	–	(144)	(144)
Depreciation and impairment	–	(65)	(378)	(735)	(1,178)
FV gains – Income Statement ¹	–	–	–	(3,809)	(3,809)
Adjustments and transfers	6,740	3,571	–	–	10,311
Closing balance – 30/6/17	27,471	3,506	21,802	35,186	87,965
Purchases (GBV)	–	–	39	1,777	1,816
Depreciation and impairment	–	(57)	(346)	(647)	(1,050)
FV gains – Income Statement ¹	–	–	–	(37)	(37)
Closing balance – 30/6/18	27,471	3,449	21,495	36,279	88,694

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

(d). 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)

	Sewerage network	Swimming pools	Other open spaces	Library books	Total
Balance on transfer from former Councils	37,348	3,222	3,573	124	44,267
Transfers from/(to) another asset class	54	–	–	–	54
Purchases (GBV)	489	–	–	42	531
Disposals (WDV)	(56)	–	–	–	(56)
Depreciation and impairment	(689)	(79)	(139)	(29)	(936)
FV gains – Income Statement ¹	(3,272)	–	–	–	(3,272)
Closing balance – 30/6/17	33,874	3,143	3,434	137	40,588
Purchases (GBV)	531	–	–	37	568
Depreciation and impairment	(609)	(69)	(109)	(29)	(816)
Closing balance – 30/6/18	33,796	3,074	3,325	145	40,340

	Other assets	Tip assets	Total
Balance on transfer from former Councils	651	–	651
Purchases (GBV)	119	–	119
Depreciation and impairment	(20)	(48)	(68)
Amalgamations transfer	–	145	145
Closing balance – 30/6/17	750	97	847
Transfers from/(to) another asset class	178	–	178
Depreciation and impairment	(18)	(48)	(66)
Closing balance – 30/6/18	910	49	959

Edward River Council

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

Note 19. Fair value measurement (continued)

\$ '000

(d). Fair value measurements using significant unobservable inputs (level 3) (continued)**b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.**

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Work in progress	2,710	Cost approach	At cost.
Plant and equipment	5,071	Cost approach	Gross replacement cost, remaining useful life and residual value.
Office equipment	345	Cost approach	Gross replacement cost, remaining useful life and residual value.
Furniture and fittings	98	Cost approach	Gross replacement cost, remaining useful life and residual value.
Operational land	4,980	Market value approach	Comparison to other similar land sales/ property prices, use of land and land area.
Community land	1,964	Market value/ cost approach	Use of land, zoning conditions and unit rates per square metre.
Land improvements – depreciable	2,412	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Buildings – non- specialised	6,117	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Buildings – specialised	36,901	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Other structures	18,026	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Roads	143,573	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.

Edward River Council

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

Note 19. Fair value measurement (continued)

\$ '000

(d). Fair value measurements using significant unobservable inputs (level 3) (continued)**b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.** (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (cont'd)			
Bridges	4,888	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Footpaths and kerb	15,647	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Bulk earthworks	27,471	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Other road assets	3,449	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Stormwater drainage	21,495	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Water supply network	36,279	Cost approach - depreciated replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Sewerage network	33,796	Cost approach - depreciated replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Swimming pools	3,074	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Other open spaces/recreational assets	3,325	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Library books	145	Cost approach	Gross replacement cost and remaining useful life
Other assets	910	Cost approach - depreciated replacement	Gross replacement cost and remaining useful life
Tip assets	49	Cost approach - depreciated replacement	Gross replacement cost and remaining useful life

(e). Highest and best use

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

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions

 \$ '000

a. Key management personnel

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

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

Compensation:	2018
Short-term benefits	793
Post-employment benefits	63
Other long-term benefits	1
Termination benefits	<u>25</u>
Total	<u>882</u>

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.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Real Estate	1	11,700	–	–	–	–
Grading Services	2	8,676	–	–	–	–

- 1 Council paid \$11,700 to Big River Real Estate, which a member of the KMP is employed by and previously owned, for a deposit towards the purchase of a property.
- 2 Members of Council's KMP purchased grading services, via arm's length transaction, from Council's works department. The total value of these transactions was \$8,676.

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset
		Cash	Non-cash				
Roads	11	–	–	–	–	–	11
Parking	8	–	–	–	–	–	8
Open space	4	–	–	–	–	–	4
Community facilities	9	–	–	–	–	–	9
Other	1	71	–	–	(71)	–	1
S7.11 contributions – under a plan	33	71	–	–	(71)	–	33
Total S7.11 and S7.12 revenue under plans	33	71	–	–	(71)	–	33
S7.11 not under plans	6	–	–	–	–	–	6
Total contributions	39	71	–	–	(71)	–	39

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

(continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Deniliquin)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset
		Cash	Non-cash				
Roads	11	–	–	–	–	–	11
Parking	8	–	–	–	–	–	8
Open space	4	–	–	–	–	–	4
Community facilities	9	–	–	–	–	–	9
Other	1	71	–	–	(71)	–	1
Total	33	71	–	–	(71)	–	33

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,241	2,755	8,351
User charges and fees	2,181	354	1,471
Interest and investment revenue	221	131	695
Other revenues	–	–	436
Grants and contributions provided for operating purposes	34	33	9,221
Grants and contributions provided for capital purposes	36	35	563
Other income			
Share of interests in joint ventures and associates using the equity method	–	–	20
Total income from continuing operations	3,713	3,308	20,757
Expenses from continuing operations			
Employee benefits and on-costs	417	304	7,650
Borrowing costs	–	43	105
Materials and contracts	1,209	909	2,027
Depreciation and amortisation	657	612	6,695
Other expenses	301	223	2,997
Net losses from the disposal of assets	37	–	229
Total expenses from continuing operations	2,621	2,091	19,703
Operating result from continuing operations	1,092	1,217	1,054
Net operating result for the year	1,092	1,217	1,054
Net result attributable to each council fund	1,092	1,217	1,054
Net operating result for the year before grants and contributions provided for capital purposes	1,056	1,182	491

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

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

Edward River Council

Notes to the Financial Statements

as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,601	2,305	17,581
Investments	3,378	2,237	15,140
Receivables	1,336	327	2,823
Other	–	–	25
Total current assets	8,315	4,869	35,569
Non-current assets			
Receivables	34	68	(102)
Infrastructure, property, plant and equipment	35,803	33,802	303,120
Investments accounted for using the equity method	–	–	769
Intangible assets	–	–	164
Total non-current assets	35,837	33,870	303,951
TOTAL ASSETS	44,152	38,739	339,520
LIABILITIES			
Current liabilities			
Payables	29	219	1,099
Income received in advance	–	–	336
Borrowings	–	168	421
Provisions	–	–	2,580
Total current liabilities	29	387	4,436
Non-current liabilities			
Payables	–	–	50
Borrowings	–	589	1,362
Provisions	–	–	531
Total non-current liabilities	–	589	1,943
TOTAL LIABILITIES	29	976	6,379
Net assets	44,123	37,763	333,141
EQUITY			
Accumulated surplus	44,123	37,763	333,141
Total equity	44,123	37,763	333,141

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

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

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,975</u>	10.97%	16.75%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>27,124</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>17,836</u>	64.26%	39.10%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>27,758</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>32,482</u>	13.2x	8.56x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,457</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>11,087</u>	15.0x	25.64x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>737</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,177</u>	8.9%	5.49%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>13,206</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>44,242</u>	27.8 mths	22.0 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>1,589</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

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

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3.8%	39.28%	28.42%	-93.09%	35.81%	-74.54%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	52.8%	29.45%	98.11%	97.87%	97.94%	97.25%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	13.2x	8.56x	287.86x	383.74x	12.76x	11.99x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a above.

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

Edward River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	14.4x	18.97x	0.00x	0.00x	8.66x	7.16x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	9.2%	5.17%	7.57%	7.88%	8.42%	5.59%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	24.0	19.42	0.00	0.00	0.00	0.00	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

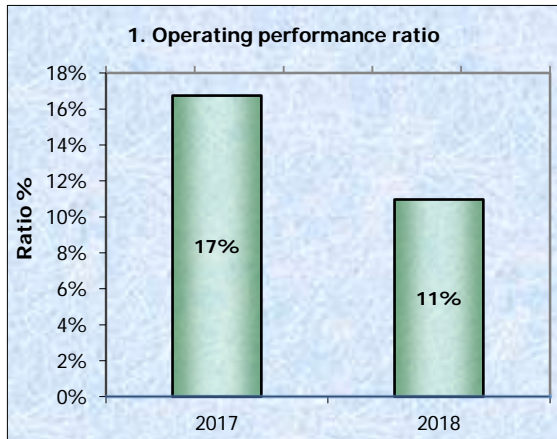
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Edward River Council

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

Note 23(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

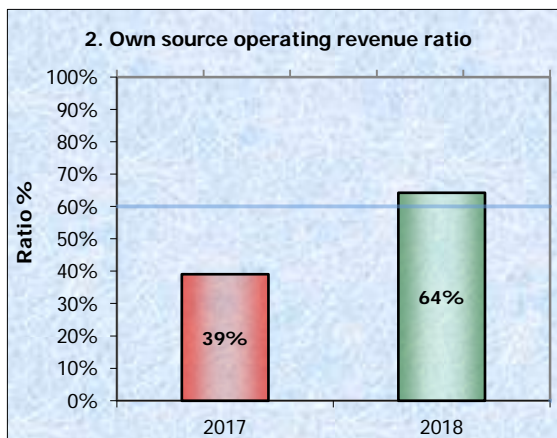
2017/18 ratio 11%

The Operating Performance ratio is well above the 0.00% benchmark set out by NSW OLG.

Benchmark: ——— Minimum >=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

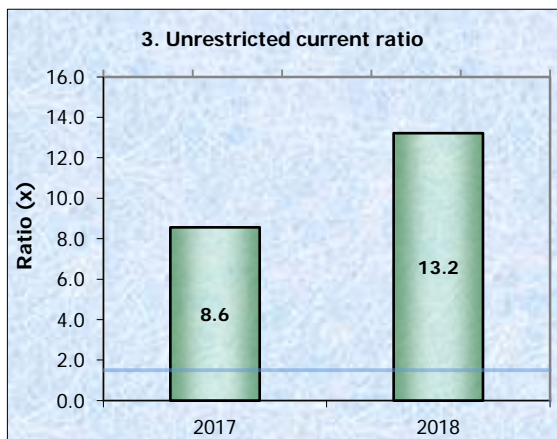
2017/18 ratio 64%

Council's reliance on external funding such as Merger grant funding has improved and is now within acceptable levels.

Benchmark: ——— Minimum >=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 13.2x

The 2018 Current Ratio illustrates the above average capacity Edward River Council has to meet its short-term obligations. Council experienced a year on year improvement in this ratio.

Benchmark: ——— Minimum >=1.50

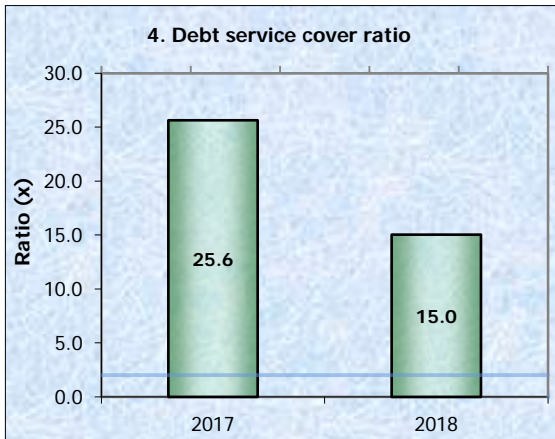
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Edward River Council

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

Note 23(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

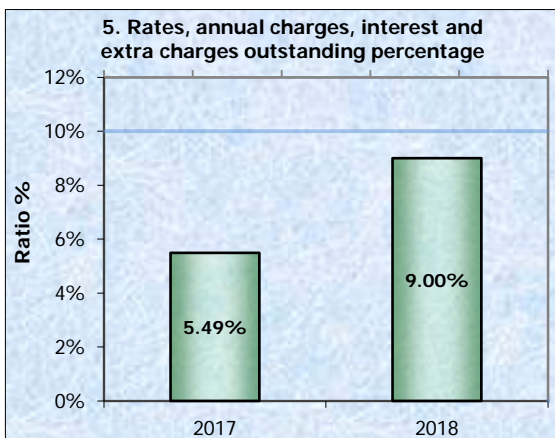
2017/18 ratio 15.0x

Although the Debt Service Cover Ratio decreased year on year, Council has the ability to service its debt obligation by at 14.51 times more than annual principal and interest payments on its loans.

Benchmark: ——— Minimum ≥ 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

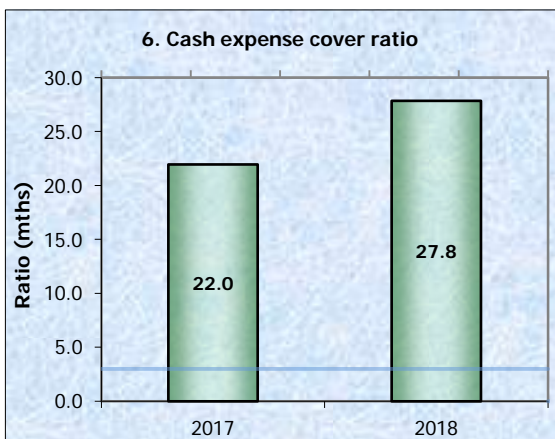
2017/18 ratio 9.0%

The Rates and Charges ratio of 9% is below the regional industry benchmark of 10% as Council continues to convert receivable to cash.

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 27.8 mths

Edward River Council's outstanding cash expense cover ratio as at 30 June 2018 indicate that the cash balances are at levels that would support it's operations for a period of 27.9 months.

Benchmark: ——— Minimum ≥ 3.00

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

 Ratio achieves benchmark
 Ratio is outside benchmark

Edward River Council

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

Note 24. Council information and contact details

Principal place of business:

180 Cressy Street
Deniliquin NSW 2710

Contact details

Mailing address:

PO Box 270
Deniliquin NSW 2710

Opening hours:

8.30am to 5.00pm
Monday to Friday

Telephone: 03 5898 3000

Facsimile: 03 5898 3021

Internet: www.edwardriver.nsw.gov.au

Email: council@edwardriver.nsw.gov.au

Officers

GENERAL MANAGER

Mr Adam McSwain

Elected members

MAYOR

Mr Norm Brennan

RESPONSIBLE ACCOUNTING OFFICER

Ms Colleen O'Connor

AUDITORS

Audit Office of New South Wales
Lvl 15,1 Margaret Street
Sydney NSW 2001

Other information

ABN: 90 407 359 958



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

To the Councillors of the Edward River Council

Opinion

I have audited the accompanying financial report of Edward 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. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director

18 October 2018
SYDNEY

Norman Brennan
Mayor
Edward River Council
PO Box 270
DENILIQUN NSW 2710

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: D1823789/FA1721

18 October 2018

Dear Mayor

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

I have audited the general purpose financial statements of the Edward 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 a 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

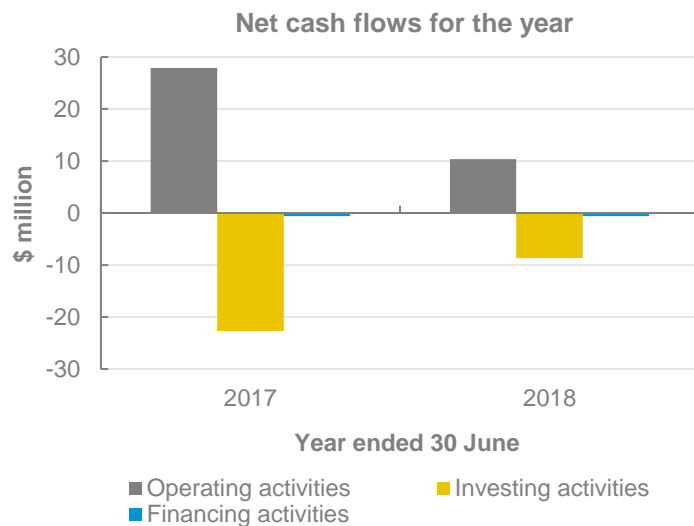
	2018 \$'000	2017 \$'000	Variance %
Rates and annual charges revenue	12,347	12,086	↑ 2
User charges and fees	4,006	4,738	↓ 15
Grants and contributions revenue	9,922	29,047	↓ 66
Materials and contracts	4,145	8,278	↓ 50
Other expenses	3,486	11,735	↓ 70
Operating result for the year	3,363	9,842	↓ 66
Net operating result before capital amounts	2,729	(1,365)	↑ 300

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

- Rates and annual charges revenue was \$12.3 million (\$12.1 million for the year ended 30 June 2017). The movement is mainly due to the permissible rate increase of 1.5 per cent granted by the Minister for Local Government and the rise in the total number of rateable properties.
- User charges and fees revenue was \$4.0 million (\$4.7 million for the year ended 30 June 2017). The movement is mainly attributable to the decrease in Roads and Maritime Service charges.
- Grants and contributions revenue was \$10.0 million (\$29.0 million for the year ended 30 June 2017). The decrease is due to one-off merger funding for new council implementation (\$5 million) and stronger communities (\$10 million) received in the prior year.
- Materials and contracts expense was \$4.1 million (\$8.3 million for the year ended 30 June 2017). The movement is due to a decrease in raw materials and consumables and contractor and consultancy costs related to the Council merger. Also note that for merger councils, the 2016–2017 reporting period was over six weeks longer, from 13 May 2016 to 30 June 2017 compared with the 2017–2018 reporting period, from 1 July 2017 to 30 June 2018.
- Other expenses were \$3.5 million (\$11.7 million for the year ended 30 June 2017). This is mainly attributable to the fair value decrement to Infrastructure, Property, plant and equipment in the prior year of \$7.1 million.
- Council’s operating result for the year was a surplus of \$3.4 million (\$9.8 million for the year ended 30 June 2017). This decrease is mainly due to the reduction in grants and contributions for operating and capital purposes. The Council budgeted for a surplus of \$460,000.
- Council’s net operating result before capital grants and contributions was a surplus of \$2.7 million (\$1.4 million deficit for the year ended 30 June 2017). The increase is mainly due to the reduction in materials and contracts expense of \$4.1 million.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$23.5 million (22.4 million for the year ended 30 June 2017). The net increase in cash and cash equivalents of \$1.1 million at 30 June 2018.
- Net cash provided by operating activities decreased by \$17.5 million. This is due to the reduction in receipts from grants and contributions. In the prior year, the council received one-off merger funding for new council implementation (\$5 million) and stronger communities (\$10 million).
- Net cash used in investing activities decreased by \$14.0 million. This is due to the reduction in purchases of investment securities of \$14 million.
- There was minimal movement in net cash used in financing activities.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	14.5	15.5	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have decreased by \$1.0 million primarily due to the reduction in specific purpose unexpended grants. 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 decreased by \$1.8 million due to funds spent from the merger grants. Unrestricted cash has increased by \$3.6 million as a result of; an operating surplus and a decrease in external and internal restrictions. As noted above.
Internal restrictions	18.4	20.2	
Unrestricted	11.3	7.7	
Cash and investments	44.2	43.4	

Debt

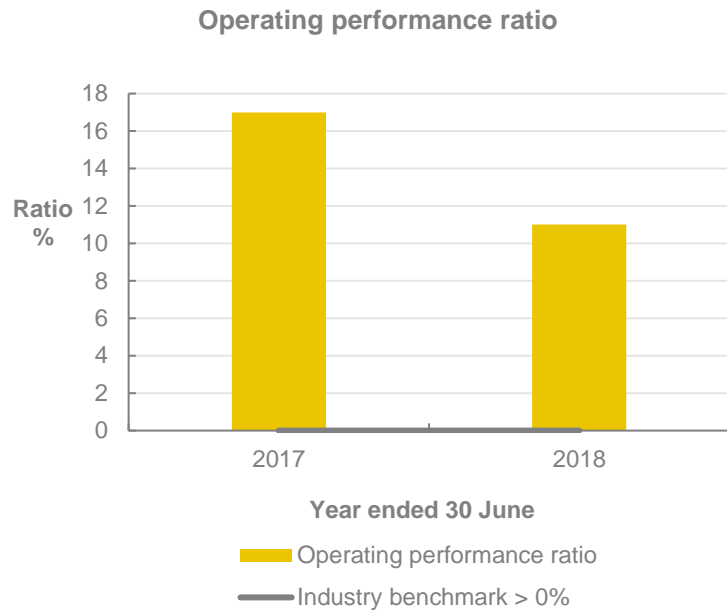
- Council has \$2.54 million of borrowings as at 30 June 2018 (2017: \$3.13 million). Council repaid \$0.59 million of borrowings.
- Council do not have an overdraft facility.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 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.

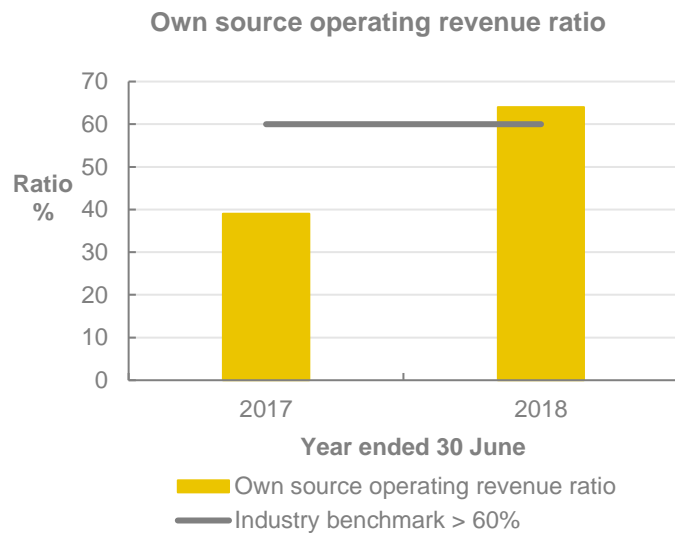
Operating performance ratio

- 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 11% is above the industry benchmark of greater than 0%.
- The operating performance ratio decreased to 11% (2017: 17%) due to a reduction in grants and contributions provided for operating purposes.



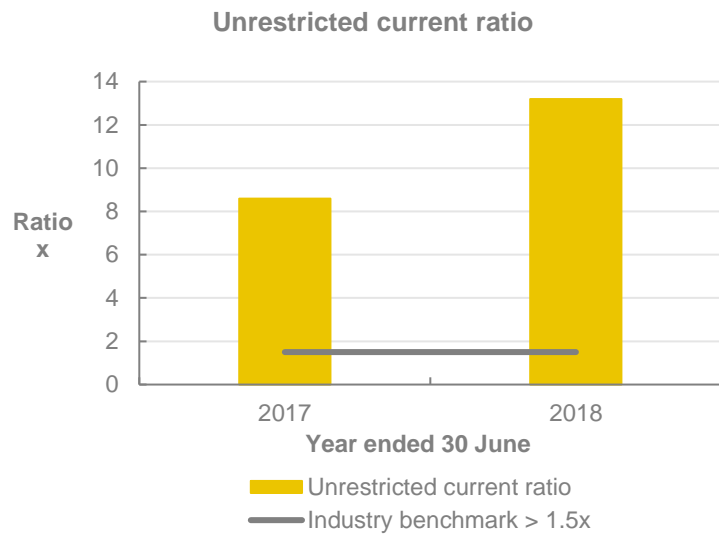
Own source operating revenue ratio

- 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 64% is above the industry benchmark of 60%.
- The own source operating revenue ratio increased to 64% (2017: 39%) as council is less reliant on grant funding.



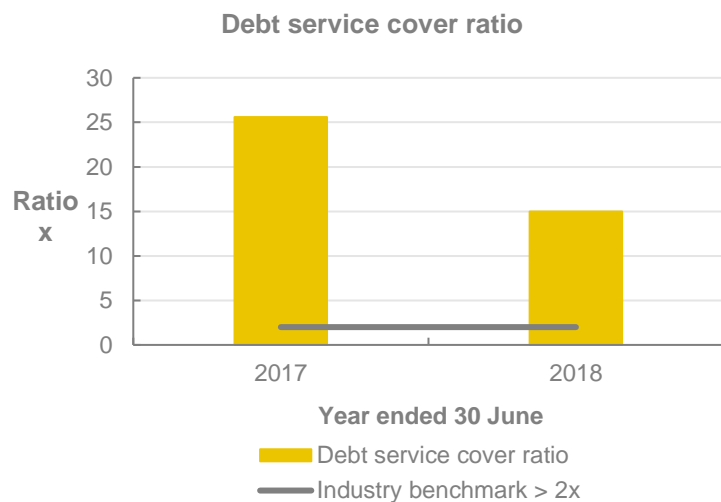
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 13.2 times is greater than the industry benchmark minimum of greater than 1.5 times.
- The Council's unrestricted current ratio of 13.2 times (2017: 8.6 times) increased as there was an increase in current assets and a decrease in current liabilities.
- The ratio indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



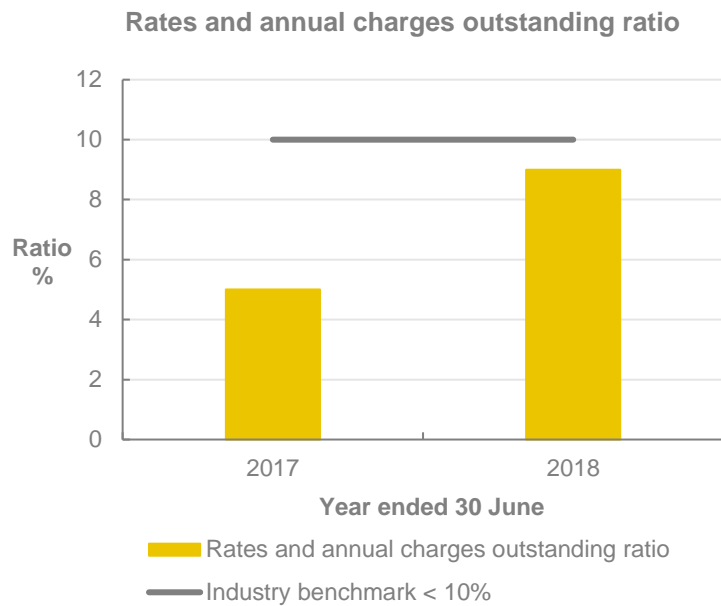
Debt service cover ratio

- 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 2 times.
- The debt service cover ratio has decreased from 26 times in 2017 to 15 times in 2018. This is due to a decrease in the operating result as a result of a reduction in grants and contributions provided for operating purposes.
- The ratio indicates that Council has 15 times in operating cash available to service its debts. Council generates sufficient cash from its operations to fund its debt obligations.



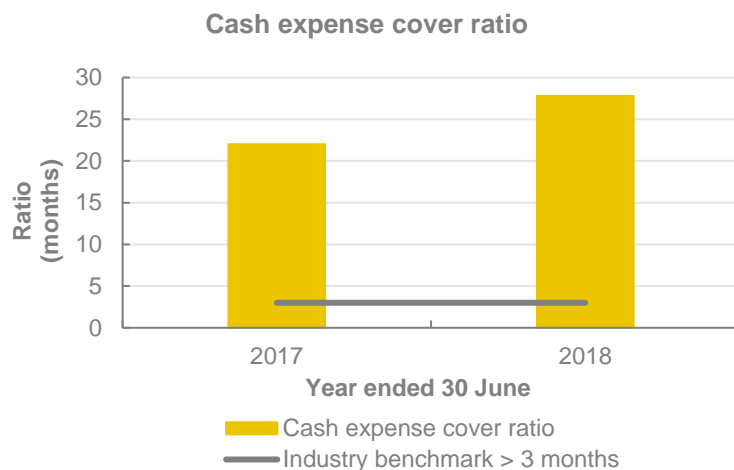
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 9% is under the industry benchmark of less than 10% for regional councils.
- The rate and annual charges outstanding ratio increased to 9% (2017: 5%). This indicates that Council's debt recovery processes may require improvement.



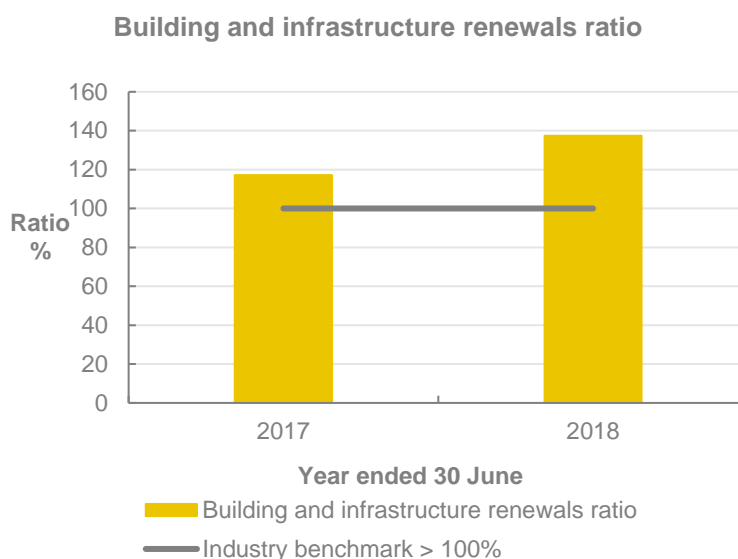
Cash expense cover ratio

- The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 28 months, which is above the industry benchmark of greater than 3 months.
- The council's cash expense cover ratio increased to 27.8 months (2017: 22 months) due to a decrease in payments from cash flows of operating activities
- This indicates that Council had the capacity to cover 27.8 months of operating cash expenditure without additional cash inflows at 30 June 2018.



Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%.
- This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The ratio of 137% is above the industry benchmark of 100%.
- The Council's building and infrastructure renewals ratio increased to 137% (2017: 117%) due to continued capital spend on asset renewals of \$8.8 million (2017: \$8.1 million).



OTHER MATTERS

New accounting standards implemented

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

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

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

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

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).

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

cc: Adam McSwain, General Manager
Colleen O'Connor, Finance Manager
Tim Hurst, Chief Executive of the Office of Local Government



General Purpose Financial Statements
for the year ended 30 June 2018



**Edward
River**
COUNCIL

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



Edward River Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
3. Notes to the Special Purpose Financial Statements	7
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a ‘level playing field’ between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

Edward 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 18 October 2018.



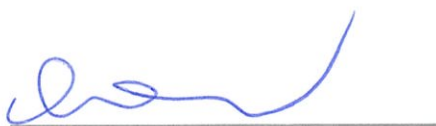
Mr Norm Brennan
Mayor
18 October 2018



Ms Patricia Fogarty
Councillor
18 October 2018



Mr Adam McSwain
General manager
18 October 2018



Ms Colleen O'Connor
Responsible accounting officer
18 October 2018

Edward 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
Income from continuing operations		
Access charges	1,241	1,205
User charges	2,181	2,045
Interest	221	155
Grants and contributions provided for non-capital purposes	34	37
Total income from continuing operations	3,677	3,442
Expenses from continuing operations		
Employee benefits and on-costs	417	437
Materials and contracts	1,209	1,172
Depreciation, amortisation and impairment	657	745
Loss on sale of assets	37	144
Calculated taxation equivalents	11	11
Loss on revaluation	–	3,808
Other expenses	301	329
Total expenses from continuing operations	2,632	6,646
Surplus (deficit) from continuing operations before capital amounts	1,045	(3,204)
Grants and contributions provided for capital purposes	36	37
Surplus (deficit) from continuing operations after capital amounts	1,081	(3,167)
Surplus (deficit) from all operations before tax	1,081	(3,167)
Less: corporate taxation equivalent (30%) [based on result before capital]	(314)	–
SURPLUS (DEFICIT) AFTER TAX	768	(3,167)
Plus opening retained profits	43,031	46,187
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	11	11
– Corporate taxation equivalent	314	–
Closing retained profits	44,123	43,031
Return on capital %	2.9%	-9.0%
Subsidy from Council	–	4,055
Calculation of dividend payable:		
Surplus (deficit) after tax	768	(3,167)
Surplus for dividend calculation purposes	768	–
Potential dividend calculated from surplus	384	–

Edward 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
Income from continuing operations		
Access charges	2,755	2,683
User charges	333	361
Fees	21	69
Interest	131	72
Grants and contributions provided for non-capital purposes	33	36
Total income from continuing operations	3,273	3,221
Expenses from continuing operations		
Employee benefits and on-costs	304	350
Borrowing costs	43	59
Materials and contracts	909	913
Depreciation, amortisation and impairment	612	694
Loss on sale of assets	–	56
Calculated taxation equivalents	10	10
Loss on revaluation	–	3,272
Other expenses	223	268
Total expenses from continuing operations	2,101	5,622
Surplus (deficit) from continuing operations before capital amounts	1,172	(2,401)
Grants and contributions provided for capital purposes	35	54
Surplus (deficit) from continuing operations after capital amounts	1,207	(2,347)
Surplus (deficit) from all operations before tax	1,207	(2,347)
Less: corporate taxation equivalent (30%) [based on result before capital]	(352)	–
SURPLUS (DEFICIT) AFTER TAX	855	(2,347)
Plus opening retained profits	36,546	38,883
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	10
– Corporate taxation equivalent	352	–
Closing retained profits	37,763	36,546
Return on capital %	3.6%	-6.9%
Subsidy from Council	–	3,151
Calculation of dividend payable:		
Surplus (deficit) after tax	855	(2,347)
Surplus for dividend calculation purposes	855	–
Potential dividend calculated from surplus	428	–

Edward River Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,601	2,654
Investments	3,378	4,073
Receivables	1,336	551
Other	–	13
Total current assets	8,315	7,291
Non-current assets		
Receivables	34	–
Infrastructure, property, plant and equipment	35,803	35,759
Total non-current assets	35,837	35,759
TOTAL ASSETS	44,152	43,050
LIABILITIES		
Current liabilities		
Payables	29	19
Total current liabilities	29	19
Non-current liabilities		
Nil		
TOTAL LIABILITIES	29	19
NET ASSETS	44,123	43,031
EQUITY		
Accumulated surplus	44,123	43,031
TOTAL EQUITY	44,123	43,031

Edward River Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	2,305	2,348
Investments	2,237	1,024
Receivables	327	229
Other	–	32
Total current Assets	4,869	3,633
Non-current assets		
Receivables	68	–
Infrastructure, property, plant and equipment	33,802	33,974
Total non-current assets	33,870	33,974
TOTAL ASSETS	38,739	37,607
LIABILITIES		
Current liabilities		
Payables	219	135
Borrowings	168	168
Total current liabilities	387	303
Non-current liabilities		
Borrowings	589	758
Total non-current liabilities	589	758
TOTAL LIABILITIES	976	1,061
NET ASSETS	37,763	36,546
EQUITY		
Accumulated surplus	37,763	36,546
TOTAL EQUITY	37,763	36,546

Edward 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

Edward 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 business activity

b. Sewer business activity

Edward River Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

Nil

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

Edward River Council

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

Note 1. Significant accounting policies (continued)

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

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

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

The rate applied of 30% is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Edward River Council

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

Note 1. Significant accounting policies (continued)

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Edward 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	11,000
(ii)	Number of assessments multiplied by \$3/assessment	11,121
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	11,000
(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]	383,750
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	100,210
(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	(2,399,500)

2018 Surplus	767,500	2017 Surplus	(3,167,000)	2016 Surplus	–
		2017 Dividend	–	2016 Dividend	–

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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

Edward 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

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,492
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	63.10%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	35,797
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,826
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,257
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.82%
NWI F26	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

Edward River Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 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	10,000
(ii)	Number of assessments multiplied by \$3/assessment	10,422
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	10,000
(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]	427,700
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	94,220
(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	(1,491,600)

2018 Surplus	855,400	2017 Surplus	(2,347,000)	2016 Surplus	–
		2017 Dividend	–	2016 Dividend	–

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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

Edward 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

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,163
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	33,796
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,344
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	455
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	3.57%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	6,618
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.01%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,712
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	3.18%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Edward 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)

NWI F22	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)]	%	<input type="text" value="-13.14%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="2,215"/> 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: <input type="text" value="(309)"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="> 100"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="2,309"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="67"/>

- 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
Edward River Council

To the Councillors of the Edward River Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Edward 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
- Sewage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan
Director, Financial Audit Services

18 October 2018
SYDNEY



Special Purpose Financial Statements
for the year ended 30 June 2018



Edward
River
COUNCIL

Special Schedules
for the year ended
30 June 2018

Edward River Council

Special Schedules

for the year ended 30 June 2018

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

Background

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

Edward 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	
Governance	2,354	692	–	(1,662)
Administration	5,095	863	394	(3,838)
Public order and safety				
Fire service levy, fire protection, emergency services	512	138	240	(134)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	139	20	–	(119)
Other	–	–	–	–
Total public order and safety	651	158	240	(253)
Health	352	12	–	(340)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	181	160	–	(21)
Solid waste management	520	1,560	–	1,040
Street cleaning	–	–	–	–
Drainage	429	–	–	(429)
Stormwater management	–	–	–	–
Total environment	1,130	1,720	–	590
Community services and education				
Administration and education	10	–	–	(10)
Social protection (welfare)	79	42	–	(37)
Aged persons and disabled	2	–	–	(2)
Children's services	–	–	–	–
Total community services and education	91	42	–	(49)
Housing and community amenities				
Public cemeteries	70	74	–	4
Public conveniences	6	–	–	(6)
Street lighting	140	39	–	(101)
Town planning	369	205	–	(164)
Other community amenities	–	–	–	–
Total housing and community amenities	585	318	–	(267)
Water supplies	2,595	3,713	–	1,118
Sewerage services	2,136	3,273	–	1,137

Edward 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	
Recreation and culture				
Public libraries	429	159	–	(270)
Museums	106	17	–	(89)
Art galleries	65	–	–	(65)
Community centres and halls	200	107	–	(93)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	11	–	–	(11)
Sporting grounds and venues	208	–	–	(208)
Swimming pools	311	–	–	(311)
Parks and gardens (lakes)	589	13	–	(576)
Other sport and recreation	320	–	–	(320)
Total recreation and culture	2,239	296	–	(1,943)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	247	7	–	(240)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	247	7	–	(240)
Transport and communication				
Urban roads (UR) – local	382	–	–	(382)
Urban roads – regional	188	590	–	402
Sealed rural roads (SRR) – local	267	–	–	(267)
Sealed rural roads (SRR) – regional	192	–	–	(192)
Unsealed rural roads (URR) – local	484	–	–	(484)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	84	–	–	(84)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	22	–	–	(22)
Parking areas	–	–	–	–
Footpaths	282	–	–	(282)
Aerodromes	162	–	–	(162)
Other transport and communication	3,785	1,647	–	(2,138)
Total transport and communication	5,848	2,237	–	(3,611)
Economic affairs				
Camping areas and caravan parks	26	56	–	30
Other economic affairs	1,066	795	–	(271)
Total economic affairs	1,092	851	–	(241)
Totals – functions	24,415	14,182	634	(9,599)
General purpose revenues ⁽¹⁾		12,942		12,942
Share of interests – joint ventures and associates using the equity method	–	20		20
NET OPERATING RESULT ⁽²⁾	24,415	27,144	634	3,363

(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

Edward 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	
		Deniliquin Council	Conargo Shire Council	Edward River Council	Deniliquin Council	Conargo Shire Council	Edward River Council	
Notional general income calculation ⁽¹⁾								
	Last year notional general income yield	a	4,564	2,594	7,158	4,497	2,576	7,073
	Plus or minus adjustments ⁽²⁾	b	9	(1)	8	–	–	–
	Notional general income	c = (a + b)	4,573	2,593	7,166	4,497	2,576	7,073
Permissible income calculation								
	Special variation percentage ⁽³⁾	d	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Or rate peg percentage	e	2.30%	2.30%	2.30%	1.50%	1.50%	1.50%
	Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Less expiring special variation amount	g	(80)	–	(80)	–	–	–
	Plus special variation amount	h = d x (c – g)	–	–	–	–	–	–
	Or plus rate peg amount	i = c x e	105	60	165	67	39	106
	Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–	–
	Sub-total	k = (c + g + h + i + j)	4,598	2,653	7,250	4,564	2,615	7,179
	Plus (or minus) last year's carry forward total	l	(17)	21	4	–	–	–
	Less valuation objections claimed in the previous year	m	–	–	–	–	–	–
	Sub-total	n = (l + m)	(17)	21	4	–	–	–
	Total permissible income	o = k + n	4,581	2,673	7,254	4,564	2,615	7,179
	Less notional general income yield	p	4,595	2,649	7,244	4,564	2,594	7,158
	Catch-up or (excess) result	q = o – p	(14)	24	10	0	21	21
	Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	–	–	–
	Less unused catch-up ⁽⁵⁾	s	–	–	–	(17)	–	(17)
	Carry forward to next year	t = q + r – s	(14)	24	10	(17)	21	4

Edward 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

Edward River Council

To the Councillors of Edward River Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Edward 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 the notes and explanations in Special Schedule 2 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule 2 may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director

18 October 2018
SYDNEY

Edward 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
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	453	331
b. Engineering and supervision	316	335
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	208	219
d. Maintenance expenses	143	112
– Reservoirs		
e. Operation expenses	3	3
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	3
h. Energy costs	211	215
i. Maintenance expenses	31	21
– Treatment		
j. Operation expenses (excluding chemical costs)	31	208
k. Chemical costs	163	186
l. Maintenance expenses	266	151
– Other		
m. Operation expenses	–	25
n. Maintenance expenses	1	6
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	647	735
b. Plant and equipment	10	9
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	3,809
c. Other expenses	101	123
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,584	6,491

Edward 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
Income		
6. Residential charges		
a. Access (including rates)	1,060	1,021
b. Usage charges	1,813	1,516
7. Non-residential charges		
a. Access (including rates)	197	192
b. Usage charges	352	517
8. Extra charges	–	–
9. Interest income	221	155
10. Other income	–	4
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	34	37
c. Other grants	–	–
12. Contributions		
a. Developer charges	36	37
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	<u>3,713</u>	<u>3,479</u>
14. Gain (or loss) on disposal of assets	(37)	(144)
15. Operating result	<u>1,092</u>	<u>(3,156)</u>
15a. Operating result (less grants for acquisition of assets)	1,092	(3,156)

Edward 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 Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	912	15
b. New assets for growth	246	2,200
c. Renewals	99	343
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	1,257	2,558
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	3,211	3,157
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	496	495
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 62,849	\$ 65,781

Edward 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
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,978	–	6,978
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	94	–	94
c. User charges	85	–	85
d. Other	1,191	–	1,191
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	35,797	35,797
b. Plant and equipment	–	7	7
29. Other assets	–	–	–
30. Total assets	8,348	35,804	44,152
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	29	–	29
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	29	–	29
36. NET ASSETS COMMITTED	8,319	35,804	44,123
EQUITY			
37. Accumulated surplus			44,123
38. Asset revaluation reserve			–
39. Other reserves			–
40. TOTAL EQUITY			44,123
Note to system assets:			
41. Current replacement cost of system assets			58,416
42. Accumulated current cost depreciation of system assets			(22,620)
43. Written down current cost of system assets			35,797

Edward 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
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	386	306
b. Engineering and supervision	331	306
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	189	224
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	121	172
i. Effluent management	3	1
j. Biosolids management	–	–
k. Maintenance expenses	227	303
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	87	141
3. Depreciation expenses		
a. System assets	609	689
b. Plant and equipment	4	6
4. Miscellaneous expenses		
a. Interest expenses	43	59
b. Revaluation decrements	–	3,272
c. Other expenses	77	77
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,077	5,556

Edward 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
Income		
6. Residential charges (including rates)	2,406	2,343
7. Non-residential charges		
a. Access (including rates)	348	340
b. Usage charges	258	285
8. Trade waste charges		
a. Annual fees	61	69
b. Usage charges	16	30
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	131	72
11. Other income	6	46
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	33	36
c. Other grants	–	–
13. Contributions		
a. Developer charges	35	54
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>3,294</u>	<u>3,275</u>
15. Gain (or loss) on disposal of assets	–	(56)
16. Operating result	<u>1,217</u>	<u>(2,337)</u>
16a. Operating result (less grants for acquisition of assets)	1,217	(2,337)

Edward 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 Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	455	583
d. Plant and equipment	–	–
18. Repayment of debt	168	168
19. Totals	623	751
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	2,969	2,957
b. Residential (unoccupied, ie. vacant lot)	72	68
c. Non-residential (occupied)	414	416
d. Non-residential (unoccupied, ie. vacant lot)	19	19
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 60,727	\$ 63,301

Edward 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
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,542	–	4,542
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	232	–	232
c. User charges	–	–	–
d. Other	163	–	163
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	33,796	33,796
b. Plant and equipment	–	6	6
30. Other assets	–	–	–
31. Total assets	<u>4,937</u>	<u>33,802</u>	<u>38,739</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	219	–	219
34. Borrowings	168	589	757
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>387</u>	<u>589</u>	<u>976</u>
37. NET ASSETS COMMITTED	<u>4,550</u>	<u>33,213</u>	<u>37,763</u>
EQUITY			
38. Accumulated surplus			37,763
39. Asset revaluation reserve			–
40. Other reserves			–
41. TOTAL EQUITY			<u>37,763</u>
Note to system assets:			
42. Current replacement cost of system assets			55,487
43. Accumulated current cost depreciation of system assets			(21,691)
44. Written down current cost of system assets			<u>33,796</u>

Edward River Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

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

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

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

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

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

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

Edward 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 ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	200	200	7	6	6,117	10,382	10%	35%	42%	11%	2%
	Buildings – specialised	480	480	175	178	36,900	49,045	25%	26%	31%	17%	1%
	Sub-total	680	680	182	184	43,018	59,427	22.4%	27.6%	32.9%	16.0%	1.2%
Other structures	Other structures	–	–	14	4	18,026	18,857	60%	30%	10%	0%	0%
	Sub-total	–	–	14	4	18,026	18,857	60.0%	30.0%	10.0%	0.0%	0.0%
Roads	Sealed roads	1,000	1,000	850	895	124,373	204,597	10%	49%	30%	10%	1%
	Unsealed roads	350	350	730	857	19,200	–	10%	20%	30%	40%	
	Bridges	75	75	62	84	4,888	7,135	10%	70%	15%	5%	0%
	Footpaths	100	100	200	284	4,152	7,279	5%	35%	50%	10%	0%
	Kerb and gutter	200	200	70	–	11,495	14,642	5%	35%	50%	10%	0%
	Other road assets	150	150	31	38	3,449	4,089	10%	25%	46%	15%	4%
	Bulk earthworks	–	–	–	–	27,471	27,471	35%	30%	33%	2%	0%
	Sub-total	1,875	1,875	1,943	2,158	195,028	265,213	12.2%	46.1%	31.8%	9.1%	0.8%

Edward 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 ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	–	–	987	988	36,279	58,899	1%	20%	59%	20%	0%
	Other	50	50	10	21	–	–	15%	70%	8%	6%	
	Sub-total	50	50	997	1,009	36,279	58,899	1.0%	20.0%	59.0%	20.0%	0.0%
Sewerage network	Sewerage network	500	500	908	609	33,796	55,487	18%	40%	36%	3%	3%
	Sub-total	500	500	908	609	33,796	55,487	18.0%	40.0%	36.0%	3.0%	3.0%
Stormwater drainage	Stormwater drainage	50	50	109	99	21,495	33,720	10%	25%	45%	20%	0%
	Sub-total	50	50	109	99	21,495	33,720	10.0%	25.0%	45.0%	20.0%	0.0%
Open space/recreational assets	Swimming pools	80	80	238	249	3,074	4,043	0%	40%	45%	13%	2%
	Other open space/recreational	80	80			3,325	4,332	45%	35%	10%	8%	2%
	Sub-total	160	160	238	249	6,399	8,375	23.3%	37.4%	26.9%	10.4%	2.0%
	TOTAL – ALL ASSETS	3,315	3,315	4,391	4,312	354,041	499,978	14.6%	38.0%	35.6%	10.9%	0.9%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Edward River Council

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

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>8,788</u>	137.42%	117.81%	>= 100%
Depreciation, amortisation and impairment	<u>6,395</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>3,315</u>	0.93%	1.45%	< 2.00%
Net carrying amount of infrastructure assets	<u>356,453</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>4,312</u>	98.20%	88.63%	> 100%
Required asset maintenance	<u>4,391</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>3,315</u>	0.66%	0.84%	
Gross replacement cost	<u>499,978</u>			

Notes

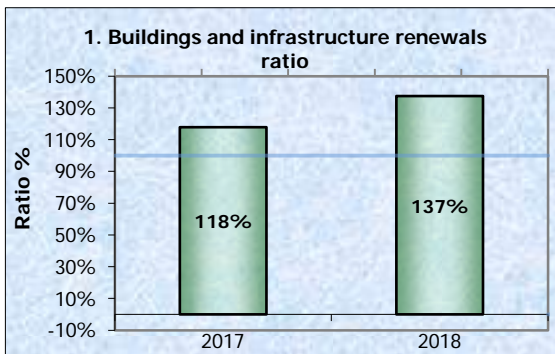
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

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

Edward River Council

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



Benchmark: —— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

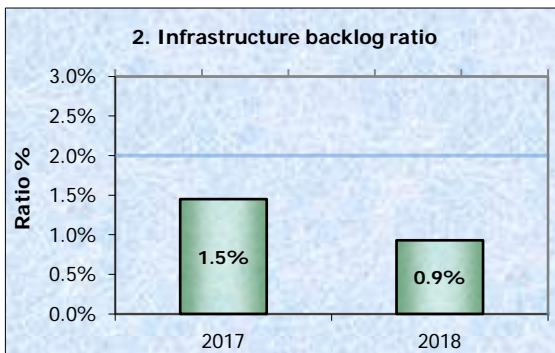
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 137.42%

This ratio improved as Council continues to invest in its assets

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: —— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

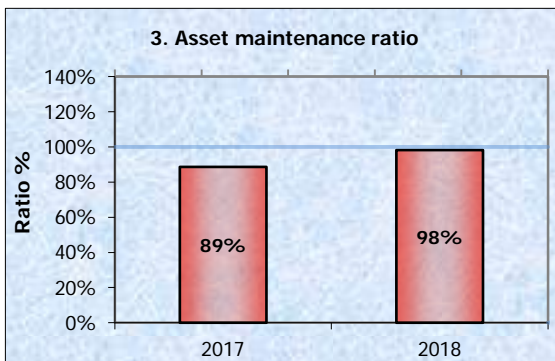
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 0.93%

Council has a limited unfunded infrastructure backlog

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: —— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

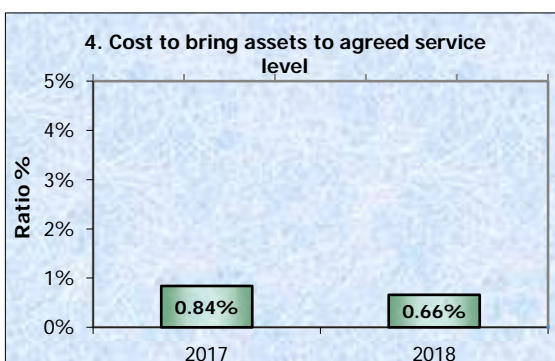
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 98.20%

Council has improved its planned maintenance in the reporting period

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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.

Commentary on 2017/18 result

2017/18 Ratio 0.66%

Council needs minimal investment to achieve the agreed service levels. The levels are being reviewed as part of Council continue improvement plan for assets

Edward River Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	171.01%	-454.94%	0.00%	34.29%	0.00%	70.97%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.97%	1.48%	0.14%	1.42%	1.48%	1.27%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	108.37%	90.55%	101.20%	101.16%	67.07%	70.26%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.72%	0.85%	0.08%	0.86%	0.90%	0.78%	
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.



Special Schedules
for the year ended 30 June 2018