



Edward River
COUNCIL

General Purpose Financial Statements

For the period 13 May 2016 to 30 June 2017



Edward River Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 15 December 2017. Council has the power to amend and reissue these financial statements.
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Edward River Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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 period 13 May 2016 to 30 June 2017.

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 period 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 period, listing all income and expenses.

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 period (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.

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 period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

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

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

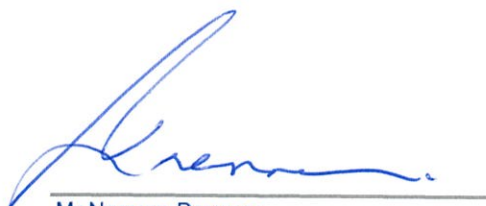
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 14 December 2017.



Mr Norman Brennan
Mayor



Ms Patricia Fogarty
Councillor



Mr Adam McSwain
General Manager



Ms Colleen O'Connor
Responsible accounting officer

Edward River Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
Revenue:		
Rates and annual charges	3a	12,086
User charges and fees	3b	4,738
Interest and investment revenue	3c	1,284
Other revenues	3d	541
Grants and contributions provided for operating purposes	3e,f	17,840
Grants and contributions provided for capital purposes	3e,f	11,207
Total income from continuing operations		47,696
Expenses from continuing operations		
Employee benefits and on-costs	4a	8,558
Borrowing costs	4b	278
Materials and contracts	4c	8,278
Depreciation and amortisation	4d	8,610
Loss on revaluation	4d	7,080
Other expenses	4e	4,655
Net losses from the disposal of assets	5	327
Net share of interests in joint ventures and associates using the equity method	19	68
Total expenses from continuing operations		37,854
Operating result from continuing operations		9,842
Discontinued operations		
Net profit/(loss) from discontinued operations	24	—
Net operating result for the period		9,842
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	28	401,822
Net result for the period		411,664
Net operating result attributable to Council		411,664
Net operating result attributable to non-controlling interests		—
Net operating result for the period before grants and contributions provided for capital purposes		(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 period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		411,664
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result Nil		
Amounts which will be reclassified subsequently to the operating result when specific conditions are met Nil		
Total comprehensive income for the period		411,664
Total comprehensive income attributable to Council		411,664
Total comprehensive income attributable to non-controlling interests		—

Edward River Council

Statement of Financial Position
as at 30 June 2017

		Actual
\$ '000	Notes	2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	22,372
Investments	6b	21,000
Receivables	7	4,171
Other	8	108
Total current assets		47,651
Non-current assets		
Infrastructure, property, plant and equipment	9	371,864
Investments accounted for using the equity method	19	841
Intangible assets	25	375
Total non-current assets		373,080
TOTAL ASSETS		420,731
LIABILITIES		
Current liabilities		
Payables	10	1,976
Income received in advance	10	308
Borrowings	10	589
Provisions	10	3,042
Total current liabilities		5,915
Non-current liabilities		
Payables	10	51
Borrowings	10	2,540
Provisions	10	561
Total non-current liabilities		3,152
TOTAL LIABILITIES		9,067
Net assets		411,664
EQUITY		
Retained earnings	20	411,664
Total equity		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 period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17

\$ '000	Notes	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance		—	—	—	—	—	—
a. Correction of prior period errors	20 (c)	—	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—	—
Revised opening balance		—	—	—	—	—	—
c. Net result for the period		411,664	—	—	411,664	—	411,664
d. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	—	—	—	—	—	—
– Revaluations: other reserves	20b (ii)	—	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	—	—	—	—	—
– Joint ventures and associates	19b	—	—	—	—	—	—
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income (c&d)		411,664	—	—	411,664	—	411,664
e. Distributions to/(contributions from) non-controlling interests		—	—	—	—	—	—
f. Transfers between equity		—	—	—	—	—	—
Equity – balance at end of the reporting period		411,664	—	—	411,664	—	411,664

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

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Edward River Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
<u>Receipts:</u>		
Rates and annual charges		12,820
User charges and fees		5,118
Investment and interest revenue received		1,098
Grants and contributions		30,652
Bonds, deposits and retention amounts received		119
Other		1,214
<u>Payments:</u>		
Employee benefits and on-costs		(8,485)
Materials and contracts		(8,698)
Borrowing costs		(200)
Other		(5,743)
Net cash provided (or used in) operating activities	11b	27,895
Cash flows from investing activities		
<u>Receipts:</u>		
Sale of investment securities		13,160
Sale of infrastructure, property, plant and equipment		851
<u>Payments:</u>		
Purchase of investment securities		(22,910)
Purchase of infrastructure, property, plant and equipment		(13,296)
Contributions paid to joint ventures and associates		(475)
Net cash provided (or used in) investing activities		(22,670)
Cash flows from financing activities		
<u>Receipts:</u>		
Nil		
<u>Payments:</u>		
Repayment of borrowings and advances		(583)
Net cash flow provided (used in) financing activities		(583)
Net increase/(decrease) in cash and cash equivalents		4,642
Plus: cash transferred on amalgamation of councils	29	17,730
Cash and cash equivalents – end of the year	11a	22,372
Additional Information:		
plus: Investments on hand – end of year	6b	21,000
Total cash, cash equivalents and investments		43,372

Please refer to Note 11 for additional cash flow information

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

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Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 2 former councils:

- Deniliquin Council
- Conargo Shire Council

to Edward River Council as at 13th May 2016.

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

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

Assets and liabilities of Deniliquin Council and Conargo Shire Council acquired as a result of amalgamation/boundary changes have been recognised by the Edward River Council at the carrying amount recorded by the former council.

Edward River Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016.

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

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

(i) Early adoption of standards

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

(ii) Historical cost convention

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

(iii) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- 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.

(ii) The Trust Fund

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

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

(iii) County Councils

Council is a member of the Central Murray County Council (CMCC), a body corporate established under the Local Government Act 1993 (NSW) to eradicate noxious weeds. Council is one of three constituent members and neither controls nor significantly influences the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Council is of the opinion that it has significant influence over the county council/s and has accordingly accounted for it as an associate.

Detailed information relating to Council's interest in the above county council can be found at Note 19 (b).

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 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 a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

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

(d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

(e) Impairment of assets

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

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

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

(f) Cash and cash equivalents

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

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

(g) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

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

Loans and receivables are included in receivables (note 7) in the Statement of Financial Position.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

Recognition and de-recognition

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have

expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council

holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(h) Fair value estimation – financial instruments

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

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

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

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

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

For the former Deniliquin Council, at reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Other assets

For the former Conargo Shire Council, at reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Water networks

Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any

such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all 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.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

Land

- council land	100% Capitalised
- open space	100% Capitalised

Plant and Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000

- Bridge: concrete	80 to 100 years
- Bridge: other	50 years
- Culverts	55 to 70 years
- Other road assets	10 to 50 years
- Road pavements	60 to 90 years
- Kerb, gutter and footpaths	40 years

Other Infrastructure Assets

Swimming Pools	> \$1,000
Other Open Space/Recreational Assets	> \$1,000
Other Infrastructure	> \$1,000

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	20 to 50 years
- Other open space/ recreational assets	10 to 20 years
- Other infrastructure	10 to 50 years

Depreciation

Land is not depreciated.

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

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 to 5 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

Water and sewer assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: other	25 to 80 years
- Pumps (structures)	60 to 75 years
- Pumps (mechanical and electrical)	15 to 25 years
- Tanks	25 years

Stormwater assets

- Drains	80 to 100 years
- Culverts	50 to 75 years

Transportation assets

- Subgrade formation	Indefinite
- Gravel pavement	10 to 20 years
- Sealed roads: surface	7 to 20 years
- Sealed roads: structure	20 to 50 years
- Unsealed roads	10 to 20 years

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

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

(j) 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.

(k) 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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(l) 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.

(m) 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.

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

However, when this information is not reliably available, Council can account 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.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 2 December 2016 and covers the period ended 30 June 2016. The position is monitored annually and the actuary has estimated that as at 30 June 2017 a deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$105,270 as at 30 June 2017.

As the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, Council's share of that deficit cannot be accurately calculated.

For this reason, no liability for the deficiency has been recognised in these financial statements. Council has however disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 30 June 2017 was \$208,161.

Defined Contribution Plans

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

(o) Land under roads

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

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

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

(p) 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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

of employees' time spent on the project. Amortisation is calculated on a straight-line basis over a five-year period.

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.

(q) 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.

(r) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all firefighting 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 firefighting equipment has been purchased or constructed".

Council does not consider that it has effective control of the purchase, disposal, disposition, maintenance, operation or other use of this fire fighting equipment. It does not have sufficient information about this equipment to allow it to reliably measure its value.

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant and vehicle assets.

(s) 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.

(t) 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 the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

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

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

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

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities

- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(u) Rounding of amounts

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

(v) Disclaimer

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current and non-current)
	Actual	Actual	Actual	Actual	Actual
	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17
Governance	15,538	5,278	10,260	15,000	130
Administration	2,279	7,567	(5,288)	–	58,521
Public order and safety	559	681	(122)	520	652
Health	15	147	(132)	–	2,250
Environment	1,648	1,669	(21)	114	42,160
Community services and education	3	43	(40)	–	–
Housing and community amenities	439	560	(121)	–	484
Water supplies	3,544	5,862	(2,318)	37	39,105
Sewerage services	3,341	4,907	(1,566)	35	36,810
Recreation and culture	258	2,603	(2,345)	161	27,626
Mining, manufacturing and construction	1	316	(315)	–	17
Transport and communication	3,904	6,909	(3,005)	3,810	203,841
Economic affairs	764	1,244	(480)	101	8,294
Total functions and activities	32,293	37,786	(5,493)	19,778	419,890
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	68	(68)	–	841
General purpose income ¹	15,403	–	15,403	7,578	–
Operating result from continuing operations	47,696	37,854	9,842	27,356	420,731

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		3,201
Farmland		2,606
Business		984
Other		27
Total ordinary rates		6,818
Special rates		
Business promotion levy		79
Total special rates		79
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		1,085
Stormwater management services		77
Water supply services		1,205
Sewerage services		2,683
Waste management services (non-domestic)		139
Total annual charges		5,189
TOTAL RATES AND ANNUAL CHARGES		12,086

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services		14
Water supply services		2,022
Sewerage services		406
Waste management services (non-domestic)		155
Total user charges		2,597
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation		42
Inspection services		52
Private works – section 67		127
Regulatory/ statutory fees		27
Section 149 certificates (EPA Act)		22
Section 603 certificates		26
Re-zoning fees		14
Other – certificates and permits		11
Impounding fees		3
Development fees		51
Total fees and charges – statutory/regulatory		375
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome		103
Agistment		4
Caravan park		68
Cemeteries		133
Gravel pits		7
Leaseback fees – Council vehicles		6
Library and art gallery		10
Other lease rentals		7
Park rents		5
Murray valley industrial park		21
Radio tower leases		16
RMS (formerly RTA) charges (state roads not controlled by Council)		1,097
Museum donations		13
Water connection fees		3
Sewerage connection fees		40
Medical centre		114
Animal control		2
Truckwash		84
Other		33
Total fees and charges – other		1,766
TOTAL USER CHARGES AND FEES		4,738

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

		Actual 13/5/16 to 30/6/17
\$ '000	Notes	
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		36
– Interest earned on investments (interest and coupon payment income)		1,219
– Interest (other)		20
Dividend income		9
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,284</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		17
General Council cash and investments		698
Restricted investments/funds – external:		
Water fund operations		155
Sewerage fund operations		72
Domestic waste management operations		50
Restricted investments/funds – internal:		
Internally restricted assets		292
Total interest and investment revenue recognised		<u>1,284</u>
(d) Other revenues		
Rental income – other council properties		64
Fines		23
Legal fees recovery – rates and charges (extra charges)		83
Commissions and agency fees		7
Diesel rebate		102
Insurance claim recoveries		43
Recycling income (non-domestic)		24
Royalties		8
Sales – general		58
Insurance rebates		92
Workers compensation reimbursement		19
Other		18
<u>TOTAL OTHER REVENUE</u>		<u>541</u>

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
\$ '000		
(e) Grants		
General purpose (untied)		
Financial assistance – general component	4,944	–
Financial assistance – local roads component	2,551	–
Pensioners' rates subsidies – general component	83	–
Total general purpose	7,578	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	37	–
– Sewerage	35	–
– Domestic waste management	29	–
Economic development	101	–
Environmental protection	85	–
Heritage and cultural	17	–
Library – per capita	60	–
Library – special projects	6	–
NSW rural fire services	416	104
Recreation and culture	3	–
Street lighting	44	–
Transport (roads to recovery)	2,155	–
Transport (other roads and bridges funding)	85	1,026
Transport (flood repair works)	500	–
Crown reserve	–	75
Merger Funding - Stronger Communities	–	10,000
Merger Funding - New Council Implementation	5,000	–
Total specific purpose	8,573	11,205
Total grants	16,151	11,205
Grant revenue is attributable to:		
– Commonwealth funding	9,651	–
– State funding	6,500	11,205
	16,151	11,205

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 64 – water supply contributions		37	–
S 64 – sewerage service contributions		54	–
Total developer contributions	17	91	–
Other contributions:			
Recreation and culture		–	2
RMS contributions (regional roads, block grant)		1,450	–
Library services		53	–
Human resources		25	–
Other (planning – LEP)		1	–
Emergency services property levy contribution		56	–
Other		13	–
Total other contributions		1,598	2
Total contributions		1,689	2
TOTAL GRANTS AND CONTRIBUTIONS		17,840	11,207

\$ '000	Actual 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:	
Unexpended at the close of the previous reporting period (former Councils)	1,035
Add: grants and contributions recognised in the current period but not yet spent:	14,840
Less: grants and contributions recognised in a previous reporting period now spent:	(1,035)
Net increase (decrease) in restricted assets during the period	13,805
Unexpended and held as restricted assets	14,840
Comprising:	
– Specific purpose unexpended grants	14,801
– Developer contributions	39
	14,840

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		6,878
Employee termination costs		229
Travel expenses		84
Employee leave entitlements (ELE)		1,272
Superannuation		799
Workers' compensation insurance		120
Fringe benefit tax (FBT)		96
Training costs (other than salaries and wages)		66
Uniform clothing		75
Protective clothing		25
Recruitment costs		42
OH&S expenses		13
Other		15
Total employee costs		9,714
Less: capitalised costs		(1,156)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>8,558</u>
Number of 'full-time equivalent' employees (FTE) at year end		99
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		106
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		200
Total interest bearing liability costs expensed		200
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	26	78
Total other borrowing costs		78
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>278</u>

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		2,920
Contractor and consultancy costs		
– Contractor Road Services		685
– Contractor Waste Services		366
– Contractor Water and Sewer Services		221
– Contractor Engineering Services		263
– Contractor Merger Related		1,660
– Contractor Other		982
– Consultancy Merger Related		171
– Consultancy Town Planning		94
– Consultancy		51
– Consultancy Other		132
Auditors remuneration ⁽¹⁾		74
Legal expenses:		
– Legal expenses: planning and development		8
– Legal expenses: debt recovery		67
– Legal expenses: other		20
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		57
Other		507
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>8,278</u>

1. Auditor remuneration

a. During the year, the following fees were incurred for services provided by the Auditor-General:

Nil

b. During the year, the following fees were incurred for services provided by the other Council's Auditors:

(i) Audit and other assurance services

Audit and review of financial statements: Council's Auditor

Remuneration for audit and other assurance services

Total remuneration of other Council's Auditors

Total Auditor remuneration

2. Operating lease payments are attributable to:

Buildings

Other

74
74
74
74
47
10
57

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		1,194
Office equipment		131
Furniture and fittings		28
Land improvements (depreciable)		79
Infrastructure:		
– Buildings – non-specialised		199
– Buildings – specialised		810
– Other structures		135
– Roads		3,270
– Bridges		94
– Footpaths		292
– Other road assets		65
– Stormwater drainage		378
– Water supply network		735
– Sewerage network		689
– Swimming pools		79
– Other open space/recreational assets		139
Other assets		
– Library books		29
– Other		20
Asset reinstatement costs	9 & 26	48
Intangible assets	25	196
Total depreciation and amortisation costs		8,610
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>8,610</u>

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		255
Bad and doubtful debts		43
Bank and centrepay charges		40
Contributions/levies to other levels of government		1
– Emergency services levy (includes FRNSW, SES, and RFS levies)		307
– Central Murray County Council		135
– ERC merger stronger communities contribution program		941
– ERC merger section 355 contribution program		8
– ERC merger ute muster contribution		200
– Crown reserves contribution program		29
– Other organisations		74
Electricity and heating		543
Fair value decrements – I,PP&E	9(a)	7,081
Fire and emergency services levy (FESL) implementation costs		1
Insurance		472
Office expenses		45
Postage		51
Printing and stationery		34
Street lighting		149
Subscriptions and publications		141
Telephone and communications		127
Valuation fees		48
Licences, fees and permits		103
Merger committee expenses		242
Merger administrator expenses		38
Information technology		285
Promotion material		297
Other		45
<u>TOTAL OTHER EXPENSES</u>		<u>11,735</u>

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

		Actual 13/5/16 to 30/6/17
\$ '000	Notes	
Plant and equipment		
Proceeds from disposal – plant and equipment		535
Less: carrying amount of plant and equipment assets sold/written off		(523)
Net gain/(loss) on disposal		12
Infrastructure		
Less: carrying amount of infrastructure assets sold/written off		(339)
Net gain/(loss) on disposal		(339)
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		13,160
Less: carrying amount of financial assets sold/redeemed/matured		(13,160)
Net gain/(loss) on disposal		–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(327)</u>

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

		13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
\$ '000	Notes		
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		3,542	–
Cash-equivalent assets ¹			
– Deposits at call		2,028	–
– Short-term deposits		16,802	–
Total cash and cash equivalents		22,372	–
Investments (Note 6b)			
– Long term deposits		21,000	–
Total investments		21,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		43,372	–

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

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

Cash and cash equivalents	22,372	–
Investments		
a. 'Held to maturity'	21,000	–
Investments	21,000	–

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
\$ '000		
Total cash, cash equivalents and investments	43,372	–
attributable to:		
External restrictions (refer below)	15,479	–
Internal restrictions (refer below)	20,176	–
Unrestricted	7,717	–
	43,372	–

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	39	91	(91)	39
Specific purpose unexpended grants	(B)	996	3,522	(1,035)	3,483
Water supplies	(C)	7,927	–	(1,200)	6,727
Sewerage services	(C)	2,048	1,324	–	3,372
Domestic waste management	(C)	1,300	–	–	1,300
EPA waste		–	36	–	36
Conargo milestones/ interpretative		–	17	–	17
Regional Arts		–	3	–	3
Conargo oval M&R		–	20	–	20
Library reserve		351	80	–	431
Deniliquin community gardens		2	–	–	2
Deniliquin band committee		17	2	–	19
Business promotion levy		80	–	(50)	30
External restrictions – other		12,760	5,095	(2,376)	15,479
Total external restrictions		12,760	5,095	(2,376)	15,479

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,238	–	(439)	1,799
Infrastructure replacement	3,827	–	(714)	3,113
Employees leave entitlement	1,142	–	–	1,142
Deposits, retentions and bonds	179	56	–	235
Airport industrial land	50	–	–	50
Recreation reserves/village landscaping	1,528	–	(415)	1,113
Land development fund	–	400	–	400
Wanganella hall community	5	–	–	5
Water infrastructure	75	–	(18)	57
Airport runway development	–	241	–	241
Website development	5	–	(3)	2
Shire – entrance signage	5	–	–	5
Cemetery upgrade	9	–	–	9
Waste facilities	150	–	–	150
Landscaping plans	90	–	–	90
Internal audit	6	–	–	6
Human resources	–	18	–	18
Wanganella-play equipment/cover	25	–	(25)	–
Blighty-upgrade power	70	–	–	70
Dog trial	3	–	–	3
Risk management	5	–	–	5
Tourism/industry promotion	5	13	–	18
Gravel pits	14	–	–	14
Fencing Conargo	7	–	–	7
Election reserve	13	–	–	13
Depot office and gates upgrade	41	–	–	41
Conargo landscaping project	85	–	–	85
Building maintenance	50	–	–	50
Merger stronger communities	–	8,771	–	8,771
Merger operational	–	2,547	–	2,547
Asset management	14	–	–	14
Town planning plans, surveys and studies	–	103	–	103
Total internal restrictions	9,641	12,149	(1,614)	20,176
TOTAL RESTRICTIONS	22,401	17,244	(3,990)	35,655

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		720	—
Interest and extra charges		97	—
User charges and fees		908	—
Private works		69	—
Capital debtors (being sale of assets)			
Accrued revenues			
– Interest on investments		472	—
– Other income accruals		206	—
Amounts due from other councils		13	—
Government grants and subsidies		233	—
Net GST receivable		341	—
RMCC state roads		476	—
Loan to Dongmun Greentek		732	—
Other debtors		10	—
Total		4,277	—
Less: provision for impairment			
Rates and annual charges		(63)	—
Other debtors		(43)	—
Total provision for impairment – receivables		(106)	—
<u>TOTAL NET RECEIVABLES</u>		<u>4,171</u>	<u>—</u>
Externally restricted receivables			
Water supply			
– Rates and availability charges		95	—
– Other		469	—
Sewerage services			
– Rates and availability charges		166	—
– Other		95	—
Total external restrictions		825	—
Internally restricted receivables			
Nil			
Unrestricted receivables		3,346	—
TOTAL NET RECEIVABLES		4,171	—

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Other assets

\$ '000	Notes	2017	
		Current	Non-current
Other assets			
Prepayments		108	—
<u>TOTAL OTHER ASSETS</u>		<u>108</u>	<u>—</u>

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to P&L	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	393	–	393	1,136	562	–	–	–	(352)	–	–	1,739	–	1,739
Plant and equipment	13,865	8,584	5,281	1,478	62	–	(523)	(1,194)	–	–	–	13,973	8,869	5,104
Office equipment	2,631	2,276	355	181	36	–	–	(131)	–	–	–	2,848	2,407	441
Furniture and fittings	241	122	119	–	35	–	–	(28)	–	–	–	277	151	126
Land:														
– Operational land	4,541	–	4,541	–	340	–	–	–	48	–	–	4,929	–	4,929
– Community land	1,944	–	1,944	–	–	–	–	–	–	–	–	1,944	–	1,944
Land improvements – depreciable	3,257	1,183	2,074	260	152	–	–	(79)	–	–	–	3,669	1,262	2,407
Infrastructure:														
– Buildings – non-specialised	10,363	3,887	6,476	–	20	–	–	(199)	–	–	–	10,382	4,085	6,297
– Buildings – specialised	48,666	10,671	37,995	109	97	176	(139)	(810)	73	–	–	48,929	11,428	37,501
– Other structures	18,857	577	18,280	–	–	–	–	(135)	–	–	–	18,857	712	18,145
– Roads	207,211	54,706	152,505	4,084	–	–	–	(3,270)	131	(10,311)	–	200,597	57,458	143,139
– Bridges	7,135	2,070	5,065	–	–	–	–	(94)	–	–	–	7,135	2,164	4,971
– Footpaths and Kerb & Gutter	21,593	5,660	15,933	80	–	–	–	(292)	–	–	–	21,673	5,952	15,721
– Other road assets	–	–	–	–	–	–	–	(65)	–	3,571	–	4,089	583	3,506
– Bulk earthworks (non-depreciable)	20,731	–	20,731	–	–	–	–	–	–	6,740	–	27,471	–	27,471
– Stormwater drainage	33,681	11,501	22,180	–	–	–	–	(378)	–	–	–	33,681	11,879	21,802
– Water supply network	53,558	15,727	37,831	252	1,745	–	(144)	(735)	46	–	(3,809)	58,063	22,877	35,186
– Sewerage network	51,574	14,226	37,348	489	–	–	(56)	(689)	54	–	(3,272)	54,956	21,082	33,874
– Swimming pools	4,043	821	3,222	–	–	–	–	(79)	–	–	–	4,043	900	3,143
– Other open space/recreational assets	4,332	759	3,573	–	–	–	–	(139)	–	–	–	4,332	898	3,434
Other assets:														
– Library books	1,063	939	124	42	–	–	–	(29)	–	–	–	1,105	968	137
– Other	707	56	651	–	119	–	–	(20)	–	–	–	826	76	750
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	430	285	145	–	–	–	–	(48)	–	–	–	430	333	97
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	510,816	134,050	376,766	8,111	3,168	176	(862)	(8,414)	–	–	(7,081)	525,948	154,084	371,864

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

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply			
WIP	519	—	519
Plant and equipment	102	86	16
Office equipment	5	4	1
Infrastructure	58,063	22,877	35,186
Other assets	37	—	37
Total water supply	58,726	22,967	35,759
Sewerage services			
WIP	93	—	93
Plant and equipment	46	40	6
Office equipment	4	3	1
Infrastructure	54,956	21,082	33,874
Total sewerage services	55,099	21,125	33,974
TOTAL RESTRICTED I,PP&E	113,825	44,092	69,733

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

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		827	–
Goods and services – capital expenditure		329	–
Accrued expenses:			
– Salaries and wages		362	–
– Other expenditure accruals		125	–
Security bonds, deposits and retentions		185	50
Long service levy		10	–
Workers compensation		54	1
Rural Fire Service Liability		64	–
Other		20	–
Total payables		1,976	51
Income received in advance			
Payments received in advance		308	–
Total income received in advance		308	–
Borrowings			
Loans – secured ¹		589	2,540
Total borrowings		589	2,540
Provisions			
Employee benefits:			
Annual leave		871	–
Sick leave		227	–
Long service leave		1,757	54
RDO leave		36	–
Time in lieu leave		24	–
ELE on-costs		124	2
Sub-total – aggregate employee benefits		3,039	56
Asset remediation/restoration (future works)	26	3	505
Total provisions		3,042	561
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,915	3,152
(i) Liabilities relating to restricted assets			
		2017	
		Current	Non-current
Externally restricted assets			
Water		19	–
Sewer		303	758
Liabilities relating to externally restricted assets		322	758
Internally restricted assets			
Nil			
Total liabilities relating to restricted assets		322	758
Total liabilities relating to unrestricted assets		5,593	2,394
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,915	3,152

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 15.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

	Actual 2017
\$ '000	
(ii) Current liabilities not anticipated to be settled within the next twelve months	
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.	
Provisions – employees benefits	1,882
Payables – security bonds, deposits and retentions	50
Other liabilities: workers compensation oncost	1
	1,933

Note 10b. Description of and movements in provisions

Class of provision	2016 Opening balance (former Councils)	13/5/16 to 30/6/17				Closing balance as at 30/6/17
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	801	749	(699)	20	–	871
Sick leave	331	103	(210)	3	–	227
Long service leave	1,904	374	(496)	29	–	1,811
Time in lieu leave	102	(42)	–	–	–	60
ELE on-costs	90	36	–	–	–	126
Asset remediation	–	508	–	–	–	508
TOTAL	3,228	1,728	(1,405)	52	–	3,603

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	22,372
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		22,372
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		9,842
Adjust for non-cash items:		
Depreciation and amortisation		8,610
Net losses/(gains) on disposal of assets		327
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Write offs relating to the fair valuation of I,PP&E		7,081
Unwinding of discount rates on reinstatement provisions		78
Share of net (profits) or losses of associates/joint ventures		68
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		942
Increase/(decrease) in provision for doubtful debts		(2)
Decrease/(increase) in other assets		29
Increase/(decrease) in payables		394
Increase/(decrease) in other accrued expenses payable		(103)
Increase/(decrease) in other liabilities		332
Increase/(decrease) in employee leave entitlements		(133)
Increase/(decrease) in other provisions		430
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		27,895

1. Movements in assets and liabilities are inclusive of assets and liabilities transferred at amalgamation.

Refer note 28 for further details of the net assets transferred.

(c) Non-cash investing and financing activities

Nil

(d) Financing arrangements

Nil

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 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

Water infrastructure	671
Total commitments	671

These expenditures are payable as follows:

Within the next year	671
Later than one year and not later than 5 years	–
Later than 5 years	–
Total payable	671

Sources for funding of capital commitments:

Externally restricted reserves	671
Total sources of funding	671

Details of capital commitments

One commitment exists at 30th June 2017 for the installation of smart water meters.

(b) Finance lease commitments

Nil

(c) 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
Later than one year and not later than 5 years	289
Later than 5 years	–
Total non-cancellable operating lease commitments	470

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

Three year lease on office building. Commenced May 2017.

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 period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	6,111	16.75%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	36,489		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	18,649	39.10%	>60.00%
Total continuing operating revenue ⁽¹⁾	47,696		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	31,347	8.56x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,660		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	22,079	25.64x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	861		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	754	5.49%	<10% Rural
Rates, annual and extra charges collectible	13,738		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	43,372	21.95 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,976		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	39.28%	-93.09%	-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 all grants and contributions	29.45%	97.87%	97.25%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	8.56x	383.74x	11.99x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	18.97x	0.00	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	5.17%	7.88%	5.59%	<10%
Rates, annual and extra charges collectible				Rural
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	19.42 mths	0.00	0.00	> 3 mths
Payments from cash flow of operating and financing activities				

Notes

^{(1) - (4)} Refer to Notes at Note 13a(i) above.⁽⁵⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

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 Amount 2017	Fair Value 2017
Financial assets		
Cash and cash equivalents	22,372	22,372
Investments		
– 'Held to maturity'	21,000	21,000
Receivables	4,171	4,171
Total financial assets	47,543	47,543
Financial liabilities		
Payables	2,027	2,027
Loans/advances	3,437	3,437
Total financial liabilities	5,464	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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	0%	43%
Overdue	100%	57%
	100%	100%

	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value		
Rates and annual charges		
< 1 year overdue	489	1,541
1 – 2 years overdue	159	294
2 – 5 years overdue	54	130
> 5 years overdue	18	1,592
	720	3,557

	2017
(iii) Movement in provision for impairment of receivables	
Balance at the beginning of the year (former Councils)	108
+ new provisions recognised during the year	38
– amounts provided for but recovered during the year	(40)
Balance at the end of the year	106

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	235	1,741	51	–	–	–	–	2,027	2,027
Loans and advances	308	589	589	589	589	589	184	3,437	3,437
Total financial liabilities	543	2,330	640	589	589	589	184	5,464	5,464

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

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	2,027	0.00%
Loans and advances – fixed interest rate	3,129	5.12%
Loans and advances – variable interest rate	308	0.00%
	5,464	

Loan agreement breaches

There were no breaches of loan agreements during the 2016/17 financial year.

Note 16. Material budget variations

As a new council, Edward River Council is not required to make disclosures related to budget variations. Details of this exemption for newly formed Councils can be found in the Local Government Code of Accounting Practice and Financial Reporting (update 25) supplement for new councils.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	11	—	—	—	—	—	11	—
Parking	8	—	—	—	—	—	8	—
Open space	4	—	—	—	—	—	4	—
Community facilities	9	—	—	—	—	—	9	—
Other	1	—	—	—	—	—	1	—
S94 contributions – under a plan	33	—	—	—	—	—	33	—
Total S94 revenue under plans	33	—	—	—	—	—	33	—
S94 not under plans	6	—	—	—	—	—	6	—
S64 contributions	—	91	—	—	(91)	—	—	—
Total contributions	39	91	—	—	(91)	—	39	—

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Deniliquin)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	11	–	–	–	–	–	11	–
Parking	8	–	–	–	–	–	8	–
Open space	4	–	–	–	–	–	4	–
Community facilities	9	–	–	–	–	–	9	–
Other	1	–	–	–	–	–	1	–
Total	33	–	–	–	–	–	33	–

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

The schemes most recent full actuarial review 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

Council has recognised the following areas for the expenditure of these funds:

Roads	\$11,000
Parking	\$8,000
Open Space	\$4,000
Community Facilities	\$9,000
Other	\$1,000

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

(iii) Potential land acquisitions due to planning restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) 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. Council has commenced the process to recover the guaranteed amount from the Favouree.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income Actual 13/5/16 to 30/6/17	Council's share of net assets Actual 2017
Associates	(68)	841
Total	(68)	841

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017
Central Murray Regional Library	Associate	% Net Assets	403
Central Murray County Council	Associate	% Net Assets	438
Total carrying amounts – material joint ventures and associates			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
	2017	2017	2017	2017
Central Murray Regional Library	403	87%	87%	50%
Central Murray County Council	438	36%	36%	33%

(d) Summarised financial information for joint ventures and associates

	Central Murray Regional Library	Central Murray County Council
	2017	2017
Statement of financial position		
Current assets		
Cash and cash equivalents	431	346
Other current assets	12	59
Non-current assets	182	970
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	40	53
Other current liabilities	102	105
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	124	–
Net assets	359	1,217

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates

(d) Summarised financial information for joint ventures and associates cont'd		
	Central Murray Regional Library	Central Murray County Council
	2017	2017
Reconciliation of the carrying amount		
Opening net assets (former Councils)	465	1,401
Profit/(loss) for the period	(2)	(184)
Closing net assets	463	1,217
Council's share of net assets (%)	87.0%	36.0%
Council's share of net assets (\$)	312	438
	13/5/16 to 30/6/17	13/5/16 to 30/6/17
Statement of comprehensive income		
Income	546	917
Interest income	8	8
Depreciation and amortisation	(37)	(130)
Interest expense	(9)	–
Other expenses	(399)	(979)
Profit/(loss) from continuing operations	109	(184)
Profit/(loss) for period	109	(184)
Total comprehensive income	109	(184)
Share of income – Council (%)	87.0%	36.0%
Profit/(loss) – Council (\$)	95	(66)
Total comprehensive income – Council (\$)	95	(66)

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of year (former Councils)		—
a. Net result for the period		411,664
Balance at end of the reporting period		<u>411,664</u>

(b) Revaluation reserves

Council has no reportable equity reserves.

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

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

(d) Voluntary changes in accounting policies

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,205	2,683	8,198
User charges and fees	2,045	430	2,263
Interest and investment revenue	155	72	1,057
Other revenues	–	–	541
Grants and contributions provided for operating purposes	37	36	17,767
Grants and contributions provided for capital purposes	37	54	11,116
Total income from continuing operations	3,479	3,275	40,942
Expenses from continuing operations			
Employee benefits and on-costs	437	350	7,771
Borrowing costs	–	59	219
Materials and contracts	1,172	913	6,193
Depreciation and amortisation	745	694	7,171
Other expenses	340	278	4,037
Loss on revaluation	3,808	3,272	–
Net losses from the disposal of assets	144	56	127
Share of interests in joint ventures and associates using the equity method	–	–	68
Total expenses from continuing operations	6,646	5,622	25,586
Operating result from continuing operations	(3,167)	(2,347)	15,356
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the period	(3,167)	(2,347)	15,356
Gain on local government amalgamation			
Assets and liabilities transferred from former councils	46,187	38,883	316,752
Net result for the period	43,020	36,536	332,108
Net result attributable to each council fund	43,020	36,536	332,108
Net result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(3,204)	(2,401)	4,240

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	2,654	2,348	17,370
Investments	4,073	1,024	15,903
Receivables	551	229	3,391
Other	13	32	63
Total current assets	7,291	3,633	36,727
Non-current assets			
Infrastructure, property, plant and equipment	35,759	33,974	302,131
Investments accounted for using the equity method	–	–	841
Intangible assets	–	–	375
Total non-current assets	35,759	33,974	303,347
TOTAL ASSETS	43,050	37,607	340,074
LIABILITIES			
Current liabilities			
Payables	19	135	1,822
Income received in advance	–	–	308
Borrowings	–	168	421
Provisions	–	–	3,042
Total current liabilities	19	303	5,593
Non-current liabilities			
Payables	–	–	51
Borrowings	–	758	1,782
Provisions	–	–	561
Total non-current liabilities	–	758	2,394
TOTAL LIABILITIES	19	1,061	7,987
Net assets	43,031	36,546	332,087
EQUITY			
Retained earnings	43,031	36,546	332,087
Total equity	43,031	36,546	332,087

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 period 13 May 2016 to 30 June 2017

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

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 15/12/17.

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

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

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

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

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

Council is aware of the following 'non-adjusting events' that merit disclosure:

Council holds a first mortgage over land in return for a \$700,000 bank guarantee. The Favouree called in the bank guarantee in August 2016. On 5 September 2017, Council resolved to commence proceedings to recover the loan. It is anticipated that these proceedings will result in the recovery of \$732,000. This figure includes an interest charge of \$16,000 that continues to accrue while the loan remains unpaid.

Note 24. Discontinued operations

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

	Actual 2017
\$ '000	
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	891
Accumulated amortisation	(363)
Accumulated impairment	–
Net book value – opening balance (former Councils)	528
Movements for the period	
– Purchases	46
– Amortisation charges	(196)
– Gross book value written off	(5)
– Accumulated amortisation charges written off	2
Closing values:	
Gross book value (30/6)	932
Accumulated amortisation (30/6)	(557)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>375</u>
 ^{1.} The net book value of intangible assets represent:	
– Software	375
	375

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision 2017
Deniliquin Waste Management Facility Landfill	2019	508
Balance at end of the reporting period	10(a)	508

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for period:

Balance at beginning of period (former Councils)	–
Amounts capitalised to new or existing assets:	
Deniliquin Waste Management Landfill	430
Amortisation of discount (expensed to borrowing costs)	78
Total – reinstatement, rehabilitation and restoration provision	508

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for 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

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.

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.

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.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

13/5/16 to 30/6/17		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	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

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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 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 cost, but is disclosed as fair value.

Office Equipment - Same Plant and Equipment above.

Furniture and Fittings - Same 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.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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.

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.

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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.

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 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 period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	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

	Community land	Land improvements	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

	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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	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	—	—	—	(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

	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	(3,272)	—	—	—	(3,272)
Closing balance – 30/6/17	33,874	3,143	3,434	137	40,588

	Other assets	Tip assets	Work in progress	Total
Balance on transfer from former Councils	651	—	393	1,044
Transfers from/(to) another asset class	—	—	(352)	(352)
Purchases (GBV)	119	—	1,698	1,817
Depreciation and impairment	(20)	(48)	—	(68)
Amalgamations transfer	—	145	—	145
Closing balance – 30/6/17	750	97	1,739	2,586

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Nil

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Work in progress	1,739	Cost approach	At cost.
Plant and equipment	5,104	Cost approach	Gross replacement cost, remaining useful life and residual value.
Office equipment	441	Cost approach	Gross replacement cost, remaining useful life and residual value.
Furniture and fittings	126	Cost approach	Gross replacement cost, remaining useful life and residual value.
Operational land	4,929	Market value approach	Comparison to other similar land sales/ property prices, use of land and land area.
Community land	1,944	Market value/ cost approach	Use of land, zoning conditions and unit rates per square metre.
Land improvements – depreciable	2,407	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Buildings – non-specialised	6,297	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Buildings – specialised	37,501	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Other structures	18,145	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Roads	143,139	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Bridges	4,971	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	15,721	Cost approach - depreciated replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.

(continued on the next page...)

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E (continued)			
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	3,506	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	21,802	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	35,186	Cost approach - depreciated replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Sewerage network	33,874	Cost approach - depreciated replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Swimming pools	3,143	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Other open spaces/recreational assets	3,434	Cost approach - depreciated replacement	Unit rates, pattern of consumption and consumption score.
Library books	137	Cost approach	Gross replacement cost and remaining useful life
Other assets	750	Cost approach - depreciated replacement	Gross replacement cost and remaining useful life
Tip assets	97	Cost approach - depreciated replacement	Gross replacement cost and remaining useful life

(5). 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 period 13 May 2016 to 30 June 2017

Note 28. Local Government amalgamation

\$ '000

Notes

The local government Council Amalgamations Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former Deniliquin and Conargo Shire Councils to Edward River Council as at 12th May 2016.

Gain on local government amalgamation

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

Assets and liabilities transferred from former councils	a	401,342
Accounting policy adjustments	b	480
		<u>401,822</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Deniliquin Council
- Conargo Shire Council

have been recognised by Edward River Council at the carrying amount recorded by the former councils.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12th May 2016.

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Local Government amalgamation (continued)

\$ '000

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

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

	Deniliquin Council	Conargo Shire Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	8,305	9,425	17,730
Investments	11,250	—	11,250
Receivables	3,271	1,927	5,198
Inventories	—	—	—
Other	50	87	137
Non-current assets classified as 'held for sale'	—	—	—
Total current assets	22,876	11,439	34,315
Non-current assets			
Investments	—	—	—
Receivables	229	—	229
Inventories	—	—	—
Infrastructure, property, plant and equipment	236,202	140,085	376,287
Investments accounted for using the equity method	—	434	434
Investment property	—	—	—
Intangible assets	528	—	528
Total non-current assets	236,959	140,519	377,478
TOTAL ASSETS	259,835	151,958	411,793
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	1,077	1,904	2,981
Bank overdraft	—	—	—
Income received in advance	—	—	—
Borrowings	589	—	589
Provisions	2,082	1,072	3,154
Total current liabilities	3,748	2,976	6,724
Non-current liabilities			
Payables	49	1	50
Borrowings	3,123	—	3,123
Provisions	58	16	74
Total non-current liabilities	3,230	17	3,247
TOTAL LIABILITIES	6,978	2,993	9,971
Net assets transferred	252,857	148,965	401,822

Edward River Council

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

Note 28. Local Government amalgamation (continued)

\$ '000

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

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
Adjustments made to recognise net assets at fair value	
Recognition of assets not recorded by former council	211
Reversal of part impairment on town hall	138
Reversal of accumulated depreciation on road formation works	131
Total adjustments	480

(iii) Rates and Non-Reciprocal Grants income

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

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

Edward River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. 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

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

Elected members

Mayor

Mr Norman Brennan

COUNCILLORS

Cr Norman Brennan

Cr Patricia Fogarty

Cr Peta Betts

Cr Margaret Bull

Cr Ashley Hall

Cr Norman McAllister

Cr Peter McCrabb

Cr Nick Mecalfe

Cr Mac Wallace



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Edward River Council

To the Councillors of the Edward River Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

15 December 2017
SYDNEY

Mr Norman Brennan
Mayor
Edward River Council
PO Box 270
DENILIKUIN NSW 2710

15 December 2017

Dear Mr Brennan

**Report on the Conduct of the Audit
for the period 13 May 2016 to 30 June 2017
Edward River Council**

We have audited the general purpose financial statements of Edward River Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the Local Government Act 1993 (the Act). We have expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the period ended 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

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

Operating result

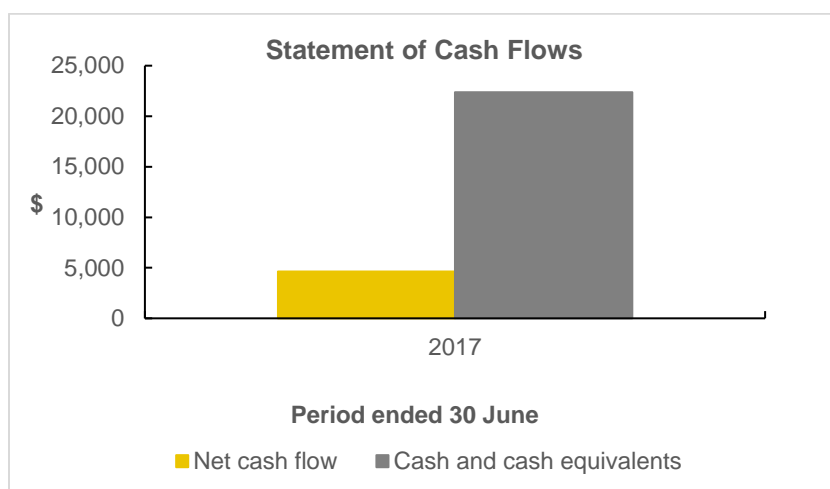
	2017 \$'000
Rates and annual charges	12,086
Grants and contributions provided for operating and capital purposes	29,047
Net Operating result for the period	9,842
Net operating result for the period before grants and contributions provided for capital purposes	(1,365)
Assets and liabilities transferred from former councils	401,822

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

- Council's operating surplus for the period was \$9.8 million. The operating result for the period included:
 - Revenue from rates and annual charges of \$12.1 million
 - User charges and fees of \$4.7 million
 - Grants and contributions of \$29 million
 - Expenses for employee benefits and on-costs of \$8.6 million
 - Materials and contracts of \$8.3 million
- Council recorded a net result for the period after assets and liabilities transferred from former councils of \$411 million. The former Deniliquin Shire Council transferred net assets of \$253 million and the former Conargo Council transferred net assets of \$149 million.
- The net operating result before capital contributions was a deficit of \$1.4 million.
- Rates and annual charges were \$12.1 million, represented by \$6.9 million rates and \$5.2 million annual charges.
- Grants and contributions provided for operating purposes was \$17.8 million. Grant income included a \$5.0 million Merger Implementation Grant, \$10 million Stronger Communities Grant and \$7.5 million Financial Assistance Grant, of which \$2.6 million for 2017-18 was received in advance and booked as income in June 2017.
- Council's depreciation and amortisation expense for the period ended 30 June 2017 was \$8.6 million.

STATEMENT OF CASH FLOWS

- During the period, cash and cash equivalents increased by \$4.6 million. Cash transferred on amalgamation of Councils was \$17.7 million.
- Council recorded positive cash flows from operating activities of \$27.8 million. Council recorded \$12.8 million cash receipts from rates and annual charges and \$30.6 million from grants and contributions. This has been offset by \$8.5 million payment of employee benefits and \$8.7 million on materials and contracts.
- Net cash used in investing activities totalled \$22.6 million. Significant movements relate to purchased investments of \$22.9 million and net increase in investments held of \$9.7 million.
- Council also repaid \$0.6 million of borrowings.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$'000	
External restrictions	15,479	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted cash includes \$6.7 million of water supplies, \$3.5 million of specific purpose unexpended grants and \$3.3 million of sewerage services. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash includes \$11.3 million of merger grants and \$3.1 million for infrastructure replacement.
Internal restrictions	20,176	
Unrestricted	7,717	
Cash and investments	43,372	

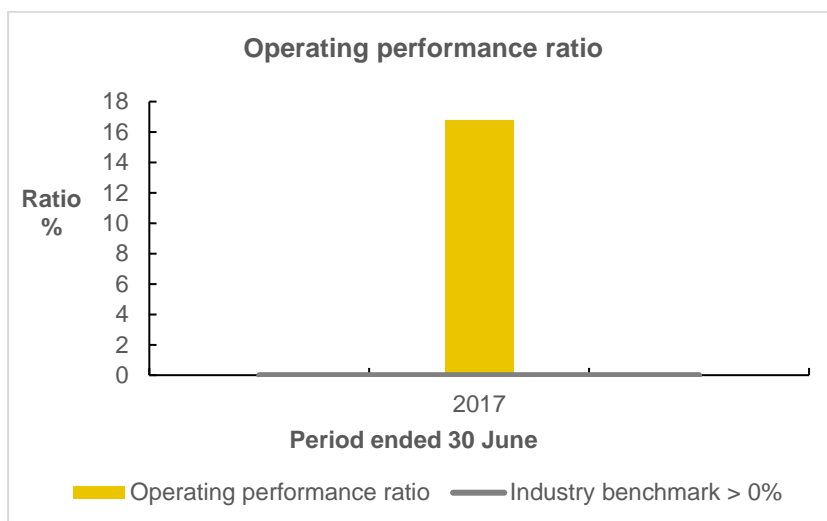
Debt

- The Council had borrowings of \$3.1 million as at 30 June 2017. All loans are secured over the general rating income of the council.

PERFORMANCE RATIOS

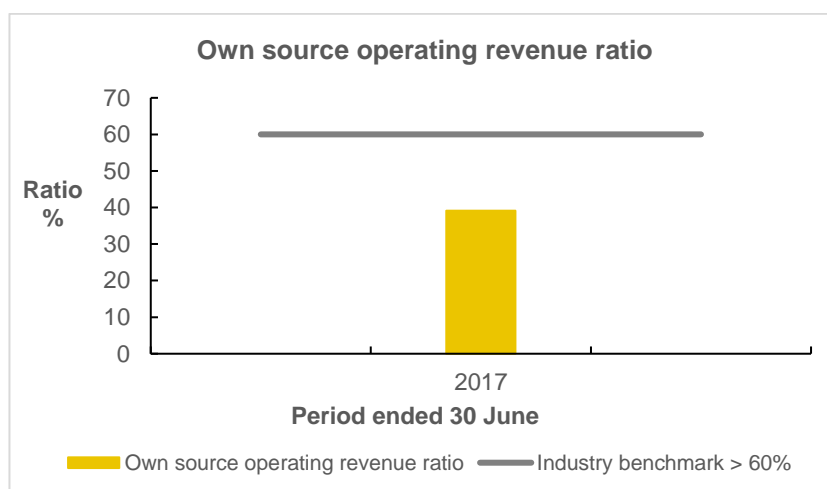
Operating performance ratio

- The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio is 16.75% which is above the industry benchmark of > 0%.
- The operating performance ratio is impacted by the recognition of \$2.6 million Financial Assistance Grants for 2017–18 received in June 2017, \$15 million Stronger Communities grant and \$5 million Merger Implementation grant.



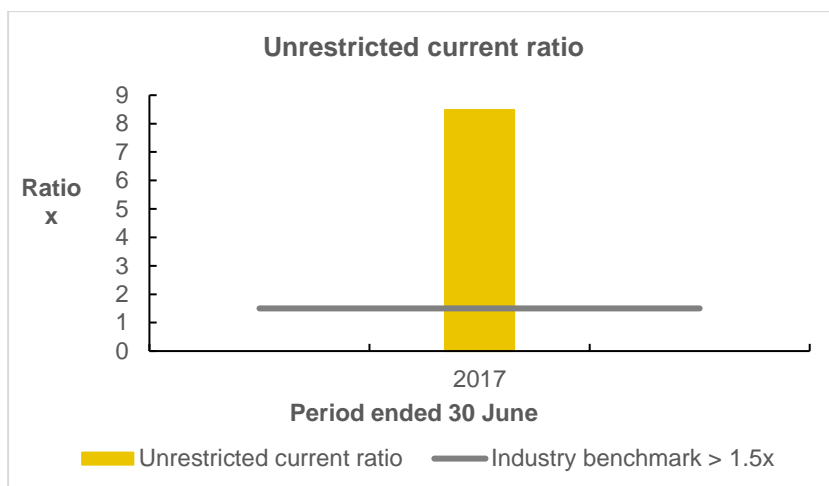
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The own source operating revenue ratio is 39.1% which is below the industry benchmark of > 60%.
- This is largely due to the level of grant activity at Council during the period. Council received \$10 million Stronger Communities Grant, \$5 million Merger Implementation Grant and \$2.6 million Financial Assistance Grants for 2017-18, which was booked as income in June 2017.



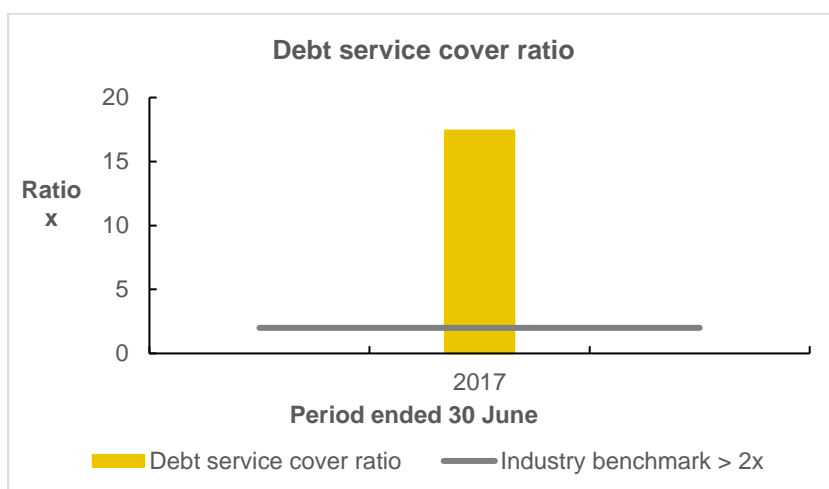
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 8.48 times is greater than the industry benchmark minimum of > 1.5 times.
- This indicates that Council has sufficient liquidity to meet its current liabilities when they fall due.



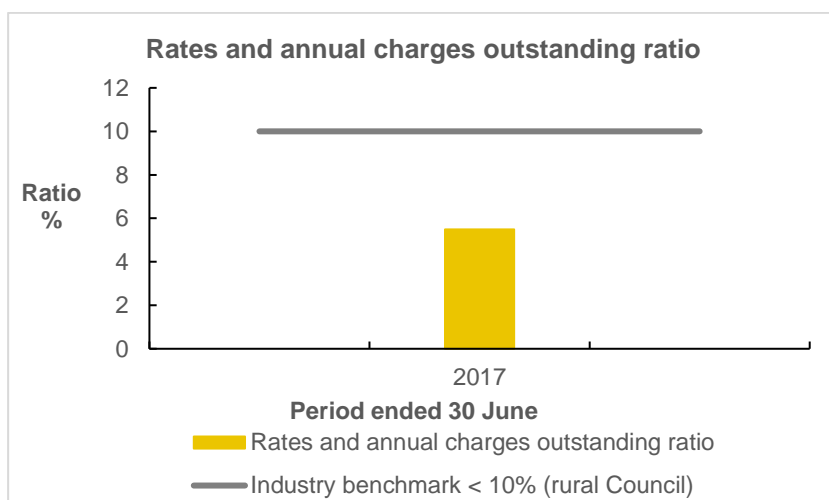
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 17.42 times is greater than the industry benchmark of > 2 times.
- This ratio indicates that Council has 17.42 times in operating cash available to service its debts. Council generates sufficient cash from its operations to fund its debt obligations.



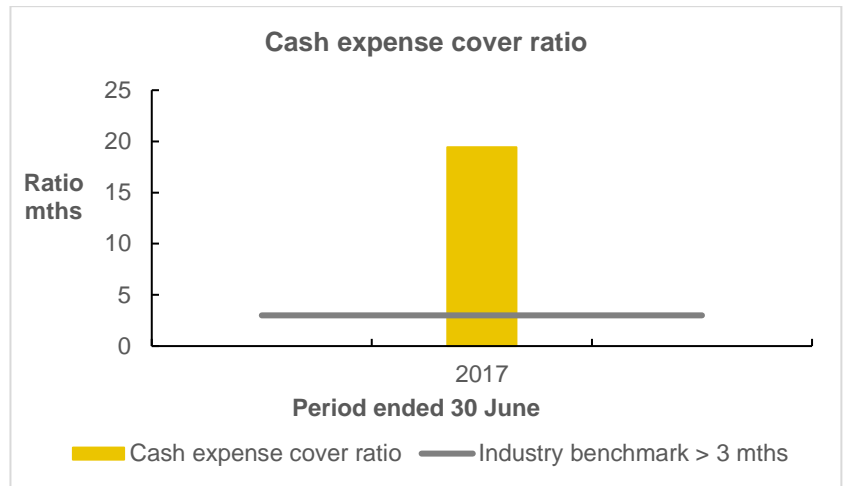
Rates and annual charges outstanding ratio

- 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 greater than 10 per cent for rural councils.
- The Council's rates and annual charges outstanding ratio of 5.49 per cent is within the industry benchmark of < 10 percent for rural councils.
- This indicates that debt collection processes at Council are sound.



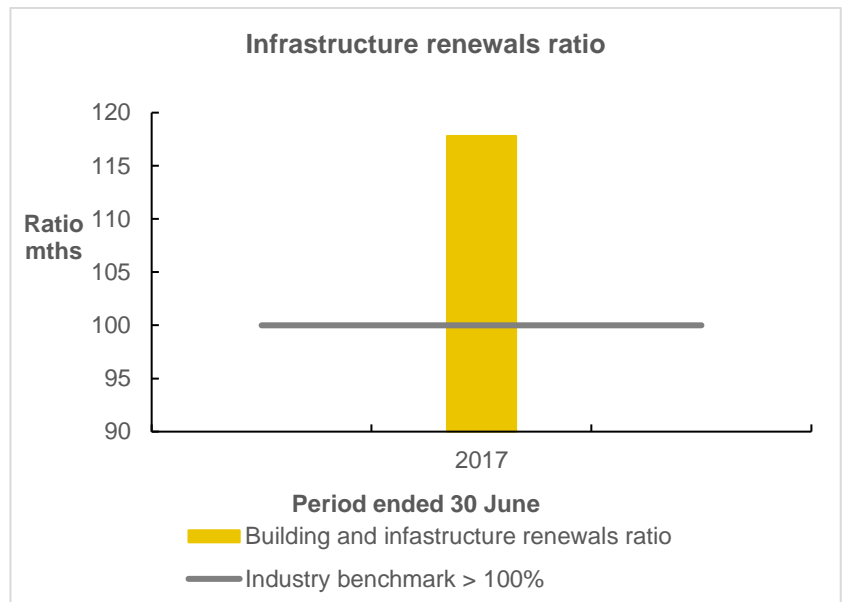
Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 19.42 months, which is above the industry benchmark of > 3 months.
- This indicates that Council had the capacity to cover 19.42 months of cash expenditure without additional cash inflows at 30 June 2017.



Building and infrastructure renewals ratio

- The 'building and infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio of 117.81% is above the industry benchmark of > 100%.
- Council spent \$8.1 million on assets renewals and \$3.9 million on new asset additions.
- Asset renewal expenditure may fluctuate year on year depending on the needs and programs of Council.



OTHER MATTERS

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

15 December 2017
SYDNEY

cc: Adam McSwain, General Manager
Caroline Wallis, Director Corporate Services
Colleen O'Connor, Finance Manager
Kris Kershaw, Financial Accountant



Edward River
COUNCIL

Special Purpose Financial Statements

For the period 13 May 2016 to 30 June 2017



Edward River Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Statement of Financial Position – Other Business Activities	n/a
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Background

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

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

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

Edward River Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 14 December 2017.


Mr Norman Brennan
Mayor
Ms Patricia Fogarty
Councillor
Mr Adam McSwain
General Manager
Ms Colleen O'Connor
Responsible accounting officer

Edward River Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

	Actual 13/5/16 to 30/6/17
\$ '000	
Income from continuing operations	
Access charges	1,205
User charges	2,045
Fees	—
Interest	155
Grants and contributions provided for non-capital purposes	37
Profit from the sale of assets	—
Share of profit from equity accounted investment	—
Other income	—
Total income from continuing operations	3,442
Expenses from continuing operations	
Employee benefits and on-costs	437
Borrowing costs	—
Materials and contracts	1,172
Depreciation, amortisation and impairment	745
Water purchase charges	—
Loss on sale of assets	144
Calculated taxation equivalents	11
Loss on revaluation	3,808
Other expenses	329
Total expenses from continuing operations	6,646
Surplus (deficit) from continuing operations before capital amounts	(3,204)
Grants and contributions provided for capital purposes	37
Surplus (deficit) from continuing operations after capital amounts	(3,167)
Surplus (deficit) from discontinued operations	—
Surplus (deficit) from all operations before tax	(3,167)
Less: corporate taxation equivalent (30%) [based on result before capital]	—
SURPLUS (DEFICIT) AFTER TAX	(3,167)
Plus Assets and liabilities transferred from former councils	46,187
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	11
– Debt guarantee fees	—
– Corporate taxation equivalent	—
Less:	
– Tax equivalent dividend paid	—
– Surplus dividend paid	—
Closing retained profits	43,031
Return on capital %	-9.0%
Subsidy from Council	4,055
Calculation of dividend payable:	
Surplus (deficit) after tax	(3,167)
Less: capital grants and contributions (excluding developer contributions)	—
Surplus for dividend calculation purposes	—
Potential dividend calculated from surplus	—

Edward River Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

	Actual 13/5/16 to 30/6/17
\$ '000	
Income from continuing operations	
Access charges	2,683
User charges	361
Fees	69
Interest	72
Grants and contributions provided for non-capital purposes	36
Profit from the sale of assets	—
Share of profit from equity accounted investment	—
Other income	—
Total income from continuing operations	3,221
Expenses from continuing operations	
Employee benefits and on-costs	350
Borrowing costs	59
Materials and contracts	913
Depreciation, amortisation and impairment	694
Loss on sale of assets	56
Calculated taxation equivalents	10
Loss on revaluation	3,272
Other expenses	268
Total expenses from continuing operations	5,622
Surplus (deficit) from continuing operations before capital amounts	(2,401)
Grants and contributions provided for capital purposes	54
Surplus (deficit) from continuing operations after capital amounts	(2,347)
Surplus (deficit) from discontinued operations	—
Surplus (deficit) from all operations before tax	(2,347)
Less: corporate taxation equivalent (30%) [based on result before capital]	—
SURPLUS (DEFICIT) AFTER TAX	(2,347)
Plus Assets and liabilities transferred from former councils	38,883
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	10
– Debt guarantee fees	—
– Corporate taxation equivalent	—
Less:	
– Tax equivalent dividend paid	—
– Surplus dividend paid	—
Closing retained profits	36,546
Return on capital %	-6.9%
Subsidy from Council	3,151
Calculation of dividend payable:	
Surplus (deficit) after tax	(2,347)
Less: capital grants and contributions (excluding developer contributions)	—
Surplus for dividend calculation purposes	—
Potential dividend calculated from surplus	—

Edward River Council

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

	Actual 2017
\$ '000	
ASSETS	
Current assets	
Cash and cash equivalents	2,654
Investments	4,073
Receivables	551
Inventories	–
Other	13
Non-current assets classified as held for sale	–
Total current assets	7,291
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	35,759
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Total non-current assets	35,759
TOTAL ASSETS	43,050
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	19
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	19
Non-current liabilities	
Payables	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	19
NET ASSETS	43,031
EQUITY	
Retained earnings	43,031
Revaluation reserves	–
Other reserves	–
Council equity interest	43,031
Non-controlling equity interest	–
TOTAL EQUITY	43,031

Edward River Council

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

	Actual 2017
\$ '000	
ASSETS	
Current assets	
Cash and cash equivalents	2,348
Investments	1,024
Receivables	229
Inventories	–
Other	32
Non-current assets classified as held for sale	–
Total current Assets	3,633
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	33,974
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Total non-current assets	33,974
TOTAL ASSETS	37,607
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	135
Income received in advance	–
Borrowings	168
Provisions	–
Total current liabilities	303
Non-current liabilities	
Payables	–
Borrowings	758
Provisions	–
Total non-current liabilities	758
TOTAL LIABILITIES	1,061
NET ASSETS	36,546
EQUITY	
Retained earnings	36,546
Revaluation reserves	–
Other reserves	–
Council equity interest	36,546
Non-controlling equity interest	–
TOTAL EQUITY	36,546

Edward River Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Edward River Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Water business activity

b. Sewer business activity

Category 2

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

Nil

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

Edward River Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

Edward River Council

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

Note 1. Significant accounting policies (continued)

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Edward River Council

Notes to the Special Purpose Financial Statements
for the period 13 May 2016 to 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	11,000
(ii)	Number of assessments multiplied by \$3/assessment	10,956
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	10,956
(iv)	Amounts actually paid for tax equivalents	10,956

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	98,604
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(2,659,900)

2017 Surplus (3,167,000)

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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 period 13 May 2016 to 30 June 2017

Note 2. Water supply business

best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,324
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)]	%	59.76%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	35,705
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,815
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,558
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)]	%	2.14%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - 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 period 13 May 2016 to 30 June 2017

Note 3. Sewerage business

best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	10,000
(ii)	Number of assessments multiplied by \$3/assessment	10,380
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	10,000
(iv)	Amounts actually paid for tax equivalents	10,380

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	93,800
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(1,448,500)

2017 Surplus (2,347,000)

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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 period 13 May 2016 to 30 June 2017

Note 3. Sewerage business

best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,203
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	33,967
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,453
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	583
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)]	%	3.11%
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	6,327
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.15%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,141
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)]	%	2.61%
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 period 13 May 2016 to 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-11.53%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
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	(5,514)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	73

- 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 statement

Edward River Council

To the Councillors of the Edward River Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Edward River Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water business activity
- Sewer business activity

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

15 December 2017
SYDNEY



Edward River
COUNCIL

Special Schedules Financial Statements

For the period 13 May 2016 to 30 June 2017



Edward River Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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

Background

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

Edward River Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	5,278	5,538	10,000	10,260
Administration	7,567	2,279	–	(5,288)
Public order and safety				
Fire service levy, fire protection, emergency services	543	416	104	(23)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	138	39	–	(99)
Other	–	–	–	–
Total public order and safety	681	455	104	(122)
Health	147	15	–	(132)
Environment				
Noxious plants and insect/vermin control	182	–	–	(182)
Other environmental protection	311	–	–	(311)
Solid waste management	597	1,572	–	975
Street cleaning	–	–	–	–
Drainage	579	76	–	(503)
Stormwater management	–	–	–	–
Total environment	1,669	1,648	–	(21)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	40	–	–	(40)
Aged persons and disabled	2	1	–	(1)
Children's services	1	2	–	1
Total community services and education	43	3	–	(40)
Housing and community amenities				
Public cemeteries	72	133	–	61
Public conveniences	12	–	–	(12)
Street lighting	149	44	–	(105)
Town planning	327	262	–	(65)
Other community amenities	–	–	–	–
Total housing and community amenities	560	439	–	(121)
Water supplies	5,862	3,544	–	(2,318)
Sewerage services	4,907	3,341	–	(1,566)

Edward River Council

Special Schedule 1 – Net Cost of Services (continued)

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	450	137	—	(313)
Museums	70	11	—	(59)
Art galleries	—	—	—	—
Community centres and halls	627	10	75	(542)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	23	17	—	(6)
Sporting grounds and venues	171	—	—	(171)
Swimming pools	364	—	—	(364)
Parks and gardens (lakes)	562	7	—	(555)
Other sport and recreation	336	1	—	(335)
Total recreation and culture	2,603	183	75	(2,345)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	307	1	—	(306)
Other mining, manufacturing and construction	9	—	—	(9)
Total mining, manufacturing and const.	316	1	—	(315)
Transport and communication				
Urban roads (UR) – local	189	—	—	(189)
Urban roads – regional	580	1,345	—	765
Sealed rural roads (SRR) – local	339	—	—	(339)
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	472	—	—	(472)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	122	—	—	(122)
Bridges on regional roads	87	—	—	(87)
Parking areas	—	—	—	—
Footpaths	413	54	—	(359)
Aerodromes	216	123	—	(93)
Other transport and communication	4,491	1,354	1,028	(2,109)
Total transport and communication	6,909	2,876	1,028	(3,005)
Economic affairs				
Camping areas and caravan parks	36	68	—	32
Other economic affairs	1,208	696	—	(512)
Total economic affairs	1,244	764	—	(480)
Totals – functions	37,786	21,086	11,207	(5,493)
General purpose revenues ⁽¹⁾		15,403		15,403
Share of interests – joint ventures and associates using the equity method	68	—		(68)
NET OPERATING RESULT ⁽²⁾	37,854	36,489	11,207	9,842

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

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	589	3,123	3,712	–	583	–	–	200	589	2,540	3,129
Other	–	–	–							–	–
Total loans	589	3,123	3,712	–	583	–	–	200	589	2,540	3,129
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	589	3,123	3,712	–	583	–	–	200	589	2,540	3,129

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

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

Edward River Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income Expenses	
1. Management expenses	
a. Administration	331
b. Engineering and supervision	335
2. Operation and maintenance expenses	
– dams and weirs	
a. Operation expenses	–
b. Maintenance expenses	–
– Mains	
c. Operation expenses	219
d. Maintenance expenses	112
– Reservoirs	
e. Operation expenses	3
f. Maintenance expenses	–
– Pumping stations	
g. Operation expenses (excluding energy costs)	3
h. Energy costs	215
i. Maintenance expenses	21
– Treatment	
j. Operation expenses (excluding chemical costs)	208
k. Chemical costs	186
l. Maintenance expenses	151
– Other	
m. Operation expenses	25
n. Maintenance expenses	6
o. Purchase of water	–
3. Depreciation expenses	
a. System assets	735
b. Plant and equipment	9
4. Miscellaneous expenses	
a. Interest expenses	–
b. Revaluation decrements	3,809
c. Other expenses	123
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
5. Total expenses	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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
Income	
6. Residential charges	
a. Access (including rates)	1,021
b. Usage charges	1,516
7. Non-residential charges	
a. Access (including rates)	192
b. Usage charges	517
8. Extra charges	–
9. Interest income	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	37
c. Other grants	–
12. Contributions	
a. Developer charges	37
b. Developer provided assets	–
c. Other contributions	–
13. Total income	3,479
14. Gain (or loss) on disposal of assets	(144)
15. Operating result	(3,156)
15a. Operating result (less grants for acquisition of assets)	(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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	15
b. New assets for growth	2,200
c. Renewals	343
d. Plant and equipment	–
17. Repayment of debt	–
18. Totals	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)	3,157
b. Residential (unoccupied, ie. vacant lot)	–
c. Non-residential (occupied)	495
d. Non-residential (unoccupied, ie. vacant lot)	–
23. Number of ETs for which developer charges were received	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,727	–	6,727
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	95	–	95
c. User charges	153	–	153
d. Other	316	–	316
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	35,705	35,705
b. Plant and equipment	–	54	54
29. Other assets	–	–	–
30. Total assets	7,291	35,759	43,050
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	19	–	19
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	19	–	19
36. NET ASSETS COMMITTED	7,272	35,759	43,031
EQUITY			
37. Accumulated surplus			43,031
38. Asset revaluation reserve			–
39. Other reserves			–
40. TOTAL EQUITY			43,031
Note to system assets:			
41. Current replacement cost of system assets			58,582
42. Accumulated current cost depreciation of system assets			(22,877)
43. Written down current cost of system assets			35,705

Edward River Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income Expenses	
1. Management expenses	
a. Administration	306
b. Engineering and supervision	306
2. Operation and maintenance expenses	
– mains	
a. Operation expenses	–
b. Maintenance expenses	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	172
i. Effluent management	1
j. Biosolids management	–
k. Maintenance expenses	303
– Other	
l. Operation expenses	–
m. Maintenance expenses	141
3. Depreciation expenses	
a. System assets	689
b. Plant and equipment	6
4. Miscellaneous expenses	
a. Interest expenses	59
b. Revaluation decrements	3,272
c. Other expenses	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	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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
Income	
6. Residential charges (including rates)	2,343
7. Non-residential charges	
a. Access (including rates)	340
b. Usage charges	285
8. Trade waste charges	
a. Annual fees	69
b. Usage charges	30
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	–
10. Interest income	72
11. Other income	46
11a. Aboriginal Communities Water and Sewerage Program	–
12. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	36
c. Other grants	–
13. Contributions	
a. Developer charges	54
b. Developer provided assets	–
c. Other contributions	–
14. Total income	3,275
15. Gain (or loss) on disposal of assets	(56)
16. Operating result	(2,337)
16a. Operating result (less grants for acquisition of assets)	(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 period 13 May 2016 to 30 June 2017

	Actuals 13/5/16 to 30/6/17
\$'000	
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	–
c. Renewals	583
d. Plant and equipment	–
18. Repayment of debt	168
19. Totals	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)	2,957
b. Residential (unoccupied, ie. vacant lot)	68
c. Non-residential (occupied)	416
d. Non-residential (unoccupied, ie. vacant lot)	19
24. Number of ETs for which developer charges were received	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	3,372	—	3,372
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	150	—	150
c. User charges	16	—	16
d. Other	95	—	95
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	33,967	33,967
b. Plant and equipment	—	7	7
30. Other assets	—	—	—
31. Total assets	3,633	33,974	37,607
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	135	—	135
34. Borrowings	168	758	926
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	303	758	1,061
37. NET ASSETS COMMITTED	3,330	33,216	36,546
EQUITY			
38. Accumulated surplus			36,546
39. Asset revaluation reserve			—
40. Other reserves			—
41. TOTAL EQUITY			36,546
Note to system assets:			
42. Current replacement cost of system assets			55,049
43. Accumulated current cost depreciation of system assets			(21,082)
44. Written down current cost of system assets			33,967

Edward River Council

Notes to Special Schedules 3 and 5

for the period 13 May 2016 to 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Edward River Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	210	210	–	–	6,297	10,382	10%	35%	43%	10%	2%
	Buildings – specialised	480	480	–	–	37,501	48,929	25%	26%	32%	16%	1%
	Sub-total	690	690	–	–	43,798	59,311	22.4%	27.6%	33.9%	14.9%	1.2%
Other structures	Other structures	–	–	–	–	–	–	0%	0%	0%	0%	
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	900	900	1,020	704	41,036	200,597	10%	50%	30%	10%	0%
	Unsealed roads	250	250	882	962	101,973	–	10%	20%	30%	40%	
	Bridges	75	75	60	28	4,971	7,135	10%	70%	15%	5%	0%
	Footpaths	400	400	68	81	4,149	21,673	5%	35%	50%	10%	0%
	Kerb & Gutter	100	184	184	63	11,572	–	5%	35%	50%	10%	
	Other road assets	560	130	130	118	3,506	4,089	10%	25%	46%	15%	4%
	Bulk earthworks	50	37	37	4	27,471	27,471	35%	30%	33%	1%	1%
	Sub-total	2,335	1,976	2,381	1,960	194,808	260,965	12.2%	46.8%	31.8%	9.0%	0.2%
Water supply network	Water supply network	450	450	860	870	35,186	58,063	1%	20%	59%	20%	0%
	Other	50	50	–	–	–	–	15%	70%	8%	6%	
	Sub-total	500	500	860	870	35,186	58,063	1.0%	20.0%	59.0%	20.0%	0.0%
Sewerage network	Sewerage network	400	400	908	638	33,874	54,956	18%	40%	36%	3%	3%
	Other	30	30	–	–	–	–	10%	25%	35%	28%	
	Sub-total	430	430	908	638	33,874	54,956	18.0%	40.0%	36.0%	3.0%	3.0%

Edward River Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	180	180	127	219	21,802	33,681	10%	25%	45%	20%	0%
	Sub-total	180	180	127	219	21,802	33,681	10.0%	25.0%	45.0%	20.0%	0.0%
Open space/ recreational assets	Swimming pools	300	300	74	68	3,143	4,043	0%	40%	45%	15%	0%
	Other open space/ recreational	80	80	484	536	3,434	4,332	45%	35%	10%	8%	2%
	Sub-total	380	380	558	604	6,577	8,375	23.3%	37.4%	26.9%	11.4%	1.0%
Other infrastructure assets	Levee bank	–	–	12	4	18,145	18,857	60%	30%	10%	0%	0%
	Sub-total	–	–	12	4	18,145	18,857	60.0%	30.0%	10.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	4,515	4,156	4,846	4,295	354,190	494,208	14.6%	38.3%	35.7%	10.8%	0.6%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Edward River Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	8,111	117.81%
Depreciation, amortisation and impairment	6,885	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	4,515	1.45%
Net carrying amount of infrastructure assets	310,981	
3. Asset maintenance ratio		
Actual asset maintenance	4,295	0.89
Required asset maintenance	4,846	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	4,156	0.84%
Gross replacement cost	494,208	

Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Edward River Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾			
Depreciation, amortisation and impairment	34.29%	70.97%	134.96%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	1.42%	1.27%	1.48%
3. Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	1.01	0.70	0.91
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to agreed service level set by Council			
Gross replacement cost	0.86%	0.78%	0.85%

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Edward River Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Deniliquin Council	Conargo Shire Council	Total
Notional general income calculation ⁽¹⁾				
Last year notional general income yield	a	4,497	2,576	7,073
Plus or minus adjustments ⁽²⁾	b	—	—	—
Notional general income	c = (a + b)	4,497	2,576	7,073
Permissible income calculation				
Special variation percentage ⁽³⁾	d	0.00%	0.00%	
Or rate peg percentage	e	1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	
Less expiring special variation amount	g	—	—	—
Plus special variation amount	h = d x (c - g)	—	—	—
Or plus rate peg amount	i = c x e	67	39	106
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—	—
Sub-total	k = (c + g + h + i + j)	4,564	2,615	7,179
Plus (or minus) last year's carry forward total	l	—	—	—
Less valuation objections claimed in the previous year	m	—	—	—
Sub-total	n = (l + m)	—	—	—
Total permissible income	o = k + n	4,564	2,615	7,179
Less notional general income yield	p	4,564	2,594	7,158
Catch-up or (excess) result	q = o - p	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	(17)	21	4

Edward River Council

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

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Edward River Council

To the Councillors of Edward River Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Edward River Council (the Council) for the year ending 30 June 2017.

In my opinion, Special Schedule No. 8 of Edward River Council for 30 June 2017 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Lawrissa Chan
Director, Financial Audit Services

15 December 2017
SYDNEY