

Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2013

**"to provide our community with safe reliable
water at the lowest sustainable cost"**



Riverina Water County Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Riverina Water County Council.
- (ii) Riverina Water County 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 (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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 dd/mm/yy. Council has the power to amend and reissue these financial statements.
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Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

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

Riverina Water County Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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

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

- The Local Government Act 1993 (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 year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 28 August 2013.

Clr G Hiscock
CHAIRPERSON

Clr J McInerney
COUNCILLOR

Mr G Haley
GENERAL MANAGER

Ms M Curran
RESPONSIBLE ACCOUNTING OFFICER

Riverina Water County Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
<i>Revenue:</i>				
3,622	Rates & Annual Charges	3a	3,724	3,229
15,703	User Charges & Fees	3b	18,177	12,006
100	Interest & Investment Revenue	3c	513	187
118	Other Revenues	3d	177	240
195	Grants & Contributions provided for Operating Purposes	3e,f	218	213
1,300	Grants & Contributions provided for Capital Purposes	3e,f	2,847	1,747
<i>Other Income:</i>				
36	Net gains from the disposal of assets	5	121	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
21,074	Total Income from Continuing Operations		25,777	17,622
Expenses from Continuing Operations				
8,436	Employee Benefits & On-Costs	4a	7,433	7,460
333	Borrowing Costs	4b	402	69
1,382	Materials & Contracts	4c	2,434	1,600
4,800	Depreciation & Amortisation	4d	6,776	5,035
-	Impairment	4d	(50)	200
3,035	Other Expenses	4e	4,776	2,751
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	22
17,986	Total Expenses from Continuing Operations		21,771	17,137
3,088	Operating Result from Continuing Operations		4,006	485
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
3,088	Net Operating Result for the Year		4,006	485
3,088	Net Operating Result attributable to Council		4,006	485
-	Net Operating Result attributable to Non-controlling Interests		-	-
1,788	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		1,159	(1,262)

(1) Original Budget as approved by Council - refer Note 16

Riverina Water County Council

Statement of Comprehensive Income for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		4,006	485
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	8,680	(2,833)
Total Items which will not be reclassified subsequently to the Operating Result		8,680	(2,833)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		8,680	(2,833)
Total Comprehensive Income for the Year		12,686	(2,348)
Total Comprehensive Income attributable to Council		12,686	(2,348)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Riverina Water County Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	10,271	6,191
Investments	6b	15,000	-
Receivables	7	2,820	1,991
Inventories	8	3,833	3,567
Other	8	49	179
Total Current Assets		31,973	11,928
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	9	194,548	187,505
Intangible Assets	25	1,550	1,500
Total Non-Current Assets		196,098	189,005
TOTAL ASSETS		228,071	200,933
LIABILITIES			
Current Liabilities			
Payables	10	695	973
Borrowings	10	1,272	110
Provisions	10	2,987	2,875
Total Current Liabilities		4,954	3,958
Non-Current Liabilities			
Borrowings	10	16,515	3,059
Total Non-Current Liabilities		16,515	3,059
TOTAL LIABILITIES		21,469	7,017
Net Assets		206,602	193,916
EQUITY			
Retained Earnings	20	66,205	62,199
Revaluation Reserves	20	140,397	131,717
Council Equity Interest		206,602	193,916
Non-controlling Interests		-	-
Total Equity		206,602	193,916

Riverina Water County Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		62,199	131,717	193,916	-	193,916
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		62,199	131,717	193,916	-	193,916
c. Net Operating Result for the Year		4,006	-	4,006	-	4,006
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	8,680	8,680	-	8,680
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	8,680	8,680	-	8,680
Total Comprehensive Income (c&d)		4,006	8,680	12,686	-	12,686
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		66,205	140,397	206,602	-	206,602

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		61,714	134,550	196,264	-	196,264
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		61,714	134,550	196,264	-	196,264
c. Net Operating Result for the Year		485	-	485	-	485
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(2,833)	(2,833)	-	(2,833)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(2,833)	(2,833)	-	(2,833)
Total Comprehensive Income (c&d)		485	(2,833)	(2,348)	-	(2,348)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		62,199	131,717	193,916	-	193,916

Riverina Water County Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
3,534	Rates & Annual Charges		3,650	3,131
15,696	User Charges & Fees		17,865	11,777
101	Investment & Interest Revenue Received		449	162
1,554	Grants & Contributions		2,910	1,954
-	Bonds, Deposits & Retention amounts received		7	5
203	Other		1,140	2,104
Payments:				
(8,357)	Employee Benefits & On-Costs		(7,322)	(6,908)
(1,482)	Materials & Contracts		(2,940)	(1,831)
(333)	Borrowing Costs		(402)	(69)
(3,033)	Other		(5,877)	(3,181)
7,883	Net Cash provided (or used in) Operating Activities	11b	9,480	7,144
Cash Flows from Investing Activities				
Receipts:				
411	Sale of Infrastructure, Property, Plant & Equipment		507	293
Payments:				
-	Purchase of Investment Securities		(15,000)	-
(14,746)	Purchase of Infrastructure, Property, Plant & Equipment		(5,525)	(5,976)
(14,335)	Net Cash provided (or used in) Investing Activities		(20,018)	(5,683)
Cash Flows from Financing Activities				
Receipts:				
6,000	Proceeds from Borrowings & Advances		15,000	3,200
Payments:				
(122)	Repayment of Borrowings & Advances		(382)	(31)
5,878	Net Cash Flow provided (used in) Financing Activities		14,618	3,169
(574)	Net Increase/(Decrease) in Cash & Cash Equivalents		4,080	4,630
4,713	plus: Cash & Cash Equivalents - beginning of year	11a	6,191	1,561
4,139	Cash & Cash Equivalents - end of the year	11a	10,271	6,191
Additional Information:				
	plus: Investments on hand - end of year	6b	15,000	-
	Total Cash, Cash Equivalents & Investments		25,271	6,191

Please refer to Note 11 for additional cash flow information.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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n/a - not applicable

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with:

Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,

the Local Government Act (1993) & Regulation, and

the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 entity and that are believed to be reasonable under the circumstances.

(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 entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any 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:

Annual Charges, Grants and Contributions

Annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted 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.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and **(ii)** all the related operating results (for the financial year ended the 30th June 2013).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, 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.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

Council is a single fund entity and as such the water supply is the only entity operation.

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (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.

Council did not hold any funds in trust at 30 June 2013.

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Council does not have any Joint Venture Entities, Associated Entities or Joint Venture Operations.

(d) Leases

Council does not have any Finance Leases or Operating Leases.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(e) Cash and Cash Equivalents

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 balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

financial assets at fair value through profit or loss,

loans and receivables,

held-to-maturity investments, and

available-for-sale financial assets.

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and 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 include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(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 arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

Investments must be 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.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

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

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

Council assesses at each balance date 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.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise 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 arising from the Cole Inquiry recommendations.

(g) Fair value estimation

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 balance sheet 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 balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are 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.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Council does not hold any land held for resale.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Water and Sewerage Networks**
(External/Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)

- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.

Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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 assets, 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 revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

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

Land	100% Capitalised
Plant & Equipment Furniture & Fittings	> \$1,000 > \$1,000
Buildings - construction Buildings - renovations	> \$5,000 > \$5,000
Other Structures	> \$5,000
Water Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the

straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment	5 to 10 years
- Office Furniture	10 to 20 years
- Computer Equipment	5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 15 years

Buildings

- Buildings : Masonry	50 to 100 years
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Water Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

Council does not hold any land under roads.

(m) Intangible Assets

Water Licence Rights

Costs capitalised include external direct costs associated with the purchase of the licence.

These rights are valued each year and any associated impairment or fair valuation increment are included.

(n) 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 the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

Council does not hold any Rural Fire Service Assets.

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined by external valuers. Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every five years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/11.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Council does not have any requirement to provide for close down, restoration or environmental clean up costs.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

Council has a present legal or constructive obligation as a result of past events;

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

it is more likely than not that an outflow of resources will be required to settle the obligation; and

the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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.

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at

the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 which 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 they become 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 amount of employer contributions to the defined benefit section of the Local Government superannuation Scheme and recognised as an expense for the year ended 30 June 2013 was \$333,837. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists.

Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable until the deficit is extinguished is \$162,864. The additional contributions remitted during the year are included in the total employer contributions set out above.

The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$757,210 as at 30 June 2013.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

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.

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.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Council does not recognise defined benefit assets and liabilities for the reasons set out in paragraph (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 & Non-current)		
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual	
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012	
Water Supplies	21,074	25,777	17,622	17,986	21,771	17,137	3,088	4,006	485	463	340	228,071	200,933	
Operating Result from Continuing Operations	21,074	25,777	17,622	17,986	21,771	17,137	3,088	4,006	485	463	340	228,071	200,933	

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

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:

WATER SUPPLIES

Comprising the water supply functions servicing the Local Government Areas of Lockhart, Urana, Wagga Wagga and part of the Greater Hume Shire.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Nil			
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Water Supply Services		3,724	3,229
Total Annual Charges		3,724	3,229
TOTAL RATES & ANNUAL CHARGES		3,724	3,229
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		17,115	11,328
Total User Charges		17,115	11,328
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Private Works - Section 67		278	19
Section 603 Certificates		97	87
Total Fees & Charges - Statutory/Regulatory		375	106
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Leaseback Fees - Council Vehicles		20	17
Water Connection Fees		572	524
Standpipe Fees		95	31
Total Fees & Charges - Other		687	572
TOTAL USER CHARGES & FEES		18,177	12,006

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		72	58
- Interest earned on Investments (interest & coupon payment income)		441	129
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>513</u>	<u>187</u>
Interest Revenue is attributable to:			
Restricted Investments/Funds - External:			
Water Fund Operations		513	187
Total Interest & Investment Revenue Recognised		<u>513</u>	<u>187</u>
(d) Other Revenues			
Sales - General		169	235
Lease Rental		8	5
<u>TOTAL OTHER REVENUE</u>		<u>177</u>	<u>240</u>

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Nil				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	212	202	-	-
Water Supplies	-	-	245	127
Diesel and Alternative Fuels	6	11	-	-
Total Specific Purpose	<u>218</u>	<u>213</u>	<u>245</u>	<u>127</u>
Total Grants	<u>218</u>	<u>213</u>	<u>245</u>	<u>127</u>
Grant Revenue is attributable to:				
- Commonwealth Funding		-	245	127
- State Funding	6	11	-	-
- Other Funding	212	202	-	-
	<u>218</u>	<u>213</u>	<u>245</u>	<u>127</u>

Riverina Water County Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 64 - Water Supply Contributions	-	-	2,602	1,620
Total Developer Contributions	17 -	-	2,602	1,620
Other Contributions:				
Nil				
Total Contributions	-	-	2,602	1,620
TOTAL GRANTS & CONTRIBUTIONS	218	213	2,847	1,747

(g) Restrictions relating to Grants and Contributions

Council has no unexpended Grants or Contributions

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		5,562	5,254
Travelling		51	59
Employee Leave Entitlements (ELE)		1,088	1,368
Superannuation		995	929
Workers' Compensation Insurance		224	422
Fringe Benefit Tax (FBT)		54	32
Payroll Tax		450	357
Training Costs (other than Salaries & Wages)		200	208
Uniforms		38	41
Total Employee Costs		8,662	8,670
less: Capitalised Costs		(1,229)	(1,210)
TOTAL EMPLOYEE COSTS EXPENSED		7,433	7,460
Number of "Equivalent Full Time" Employees at year end		90	88
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		402	69
Total Interest Bearing Liability Costs Expensed		402	69
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		402	69

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Contractor & Consultancy Costs		2,286	1,485
Auditors Remuneration ⁽¹⁾		46	23
Legal Expenses:			
- Legal Expenses: Other		102	92
TOTAL MATERIALS & CONTRACTS		2,434	1,600

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor	18	16
- Other audit & assurance services	28	7
Remuneration for audit and other assurance services	46	23
Total Auditor Remuneration	46	23

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	481	698
Office Equipment		-	-	507	1,094
Buildings - Non Specialised		-	-	48	41
Buildings - Specialised		-	-	67	55
Infrastructure:					
- Water Supply Network		-	-	5,673	3,147
Intangible Assets	25	(50)	200	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		(50)	200	6,776	5,035

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		56	35
Bank Charges		83	80
Computer Software Charges		210	202
Members Expenses - Chairperson's Fee		8	8
Members Expenses - Members Fee		42	48
Members Expenses (incl. Chairperson's) - Other (excluding fees above)		13	11
Donations, Contributions & Assistance to other organisations (Section 356)		25	29
Electricity & Heating		2,802	1,890
Insurance		120	122
Office Expenses (including computer expenses)		122	75
Postage		78	74
Printing & Stationery		43	34
Subscriptions & Publications		30	33
Telephone & Communications		101	101
Valuation Fees		-	9
Demand Management		842	-
Strategic Planning Documents		201	-
<u>TOTAL OTHER EXPENSES</u>		<u>4,776</u>	<u>2,751</u>

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		507	293
less: Carrying Amount of P&E Assets Sold / Written Off		(386)	(315)
Net Gain/(Loss) on Disposal		<u>121</u>	<u>(22)</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>121</u>	<u>(22)</u>

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		282	-	245	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1	-	1	-
- Short Term Deposits		9,988	-	5,945	-
Total Cash & Cash Equivalents		10,271	-	6,191	-
Investments (Note 6b)					
- Long Term Deposits		15,000	-	-	-
Total Investments		15,000	-	-	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		25,271	-	6,191	-

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

Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"

10,271	-	6,191	-
--------	---	-------	---

Investments

b. "Held to Maturity"

Investments

15,000	-	-	-
15,000	-	-	-

Note 6(b)

Reconciliation of Investments classified as "Held to Maturity"

Additions	15,000	-	-	-
Balance at End of Year	15,000	-	-	-

Comprising:

- Long Term Deposits	15,000	-	-	-
Total	15,000	-	-	-

Riverina Water County Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	25,271	-	6,191	-
attributable to:				
External Restrictions (refer below)	18	-	(23)	-
Internal Restrictions (refer below)	19,834	-	4,343	-
Unrestricted	5,419	-	1,871	-
	25,271	-	6,191	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (A)	-	2,602	(2,602)	-
Specific Purpose Unexpended Grants-Water Fund (B)	(23)	245	(203)	18
External Restrictions - Other	(23)	2,847	(2,805)	18
Total External Restrictions	(23)	2,847	(2,805)	18

Internal Restrictions

Employees Leave Entitlement (A)	863	33	-	896
Asset Replacement (B)	669	1,289	(912)	1,046
Sales Fluctuation (C)	600	2,000	-	2,600
Unexpended Loans	2,211	15,000	(1,919)	15,292
Total Internal Restrictions	4,343	18,322	(2,831)	19,834
TOTAL RESTRICTIONS	4,320	21,169	(5,636)	19,852

A A provision of 30% of Employee Leave Entitlement has been made.

B Asset Replacement - provision is made to create a fund for asset replacement

C Sales Fluctuation Reserve - Income from sales of water is largely dependent on seasonal weather conditions.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		628	-	554	-
User Charges & Fees		1,357	-	995	-
Contributions to Works		259	-	-	-
Accrued Revenues					
- Interest on Investments		93	-	29	-
Government Grants & Subsidies		306	-	151	-
Sundry Debtors		177	-	262	-
Total		2,820	-	1,991	-
less: Provision for Impairment					
Nil					
TOTAL NET RECEIVABLES		2,820	-	1,991	-

Council has no external or internal restricted receivables

Notes on Debtors above:

- (i) Rates & 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 & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Note 8. Inventories & Other Assets

Inventories					
Stores & Materials		3,833	-	3,567	-
Total Inventories		3,833	-	3,567	-
Other Assets					
Prepayments		49	-	179	-
Total Other Assets		49	-	179	-
TOTAL INVENTORIES / OTHER ASSETS		3,882	-	3,746	-

There are no restrictions applicable to the above assets.

Inventory Write Downs

No amounts were recognised as an expense relating to the write down of Inventory balances held during the year

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period					as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment									Dep'n	Impairment	
Plant & Equipment	-	5,138	2,258	-	2,880	912	(386)	(481)	-	-	-	5,203	2,278	-	2,925
Office Equipment	-	1,061	390	-	671	97	-	(507)	-	-	-	1,158	897	-	261
Land:															
- Operational Land	-	2,958	-	-	2,958	160	-	-	-	197	-	3,315	-	-	3,315
Buildings - Non Specialised	-	3,841	454	-	3,387	12	-	(48)	-	-	-	3,852	501	-	3,351
Buildings - Specialised	-	5,333	750	-	4,583	1,225	-	(67)	-	534	-	7,092	817	-	6,275
Infrastructure:															
- Water Supply Network	-	308,141	135,115	-	173,026	3,119	-	(5,673)	-	7,949	-	319,210	140,789	-	178,421
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	326,472	138,967	-	187,505	5,525	(386)	(6,776)	-	8,680	-	339,830	145,282	-	194,548

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$2,949) and New Assets (\$1,567). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

\$ '000	Notes	Actual 2013	Actual 2012
(i) Impairment Losses recognised in the Income Statement include:			
Water Rights Licence - decrease in value of water due to wet weather		-	(200)
Total Impairment Losses		-	(200)
(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:			
Water Rights Licence		50	-
Total Impairment Reversals		50	-
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u>	4(d)	<u>50</u>	<u>(200)</u>

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		42	-	32	-
Accrued Expenses:					
- Salaries & Wages		100	-	98	-
- Other Expenditure Accruals		525	-	822	-
Security Bonds, Deposits & Retentions		28	-	21	-
Total Payables		695	-	973	-
Borrowings					
Loans - Secured ¹		1,272	16,515	110	3,059
Total Borrowings		1,272	16,515	110	3,059
Provisions					
Employee Benefits;					
Annual Leave		723	-	700	-
Sick Leave		5	-	5	-
Long Service Leave		2,259	-	2,170	-
Total Provisions		2,987	-	2,875	-
Total Payables, Borrowings & Provisions		4,954	16,515	3,958	3,059

(i) Liabilities relating to Restricted Assets

There are no liabilities relating to either externally or internally restricted assets

(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	512	426
Payables - Security Bonds, Deposits & Retentions	28	21
	540	447

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013			Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	
Annual Leave	700	437	(414)		723
Sick Leave	5	-	-		5
Long Service Leave	2,170	164	(75)		2,259
TOTAL	2,875	601	(489)	-	2,987

- a. Employees Leave Entitlements & 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.

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	10,271	6,191
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		10,271	6,191

(a) Reconciliation of Net Operating Result to Cash provided from Operating Activities

Net Operating Result from Income Statement		4,006	485
Adjust for non cash items:			
Depreciation & Amortisation		6,776	5,035
Net Losses/(Gains) on Disposal of Assets		(121)	22
Impairment Losses Recognition - I,PP&E		(50)	200
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(829)	540
Decrease/(Increase) in Inventories		(266)	(92)
Decrease/(Increase) in Other Assets		130	(135)
Increase/(Decrease) in Payables		10	11
Increase/(Decrease) in other accrued Expenses Payable		(295)	540
Increase/(Decrease) in Other Liabilities		7	5
Increase/(Decrease) in Employee Leave Entitlements		112	533
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		9,480	7,144

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) Non-Cash Investing & Financing Activities			
Nil			
(b) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		250	250
Credit Cards / Purchase Cards		47	45
Total Financing Arrangements		297	295
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		12	12
Total Financing Arrangements Utilised		12	12

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

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Note 12. Commitments for Expenditure

(a) Capital Commitments (exclusive of GST)

Nil

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2013	Indicator 2013	Prior Periods	
			2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>31,973</u>	7.24 : 1	3.40	3.22
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>4,414</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>402</u>	1.77%	0.44%	0.00%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>22,712</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>3,724</u>	14.45%	18.32%	15.75%
Income from Continuing Operations	<u>25,777</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>628</u>	14.44%	14.80%	16.83%
Rates, Annual & Extra Charges Collectible	<u>4,350</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>4,778</u>	82.55%	91.21%	136.23%
Depreciation, Amortisation & Impairment	<u>5,788</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2013	Indicator 2013	Prior Periods	
			2012	2011
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
<u>- Operating Expenses</u>	<u>1,159</u>			
Operating Revenue (excl. Capital Grants & Contributions)	22,930	5.05%	-7.95%	-27.77%
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	21,901			
<u>Total Operating Revenue (incl. Capital Grants & Contributions)</u>	<u>25,777</u>	84.96%	86.28%	84.71%
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	31,955			
<u>Current Liabilities less Specific Purpose Liabilities</u>	<u>4,414</u>	7.24	3.40	3.22
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	8,337			
<u>Principal Repayments (from the Statement of Cash Flows)</u>	<u>784</u>	10.63	38.42	0.00
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	5,139			
<u>Annual Depreciation</u>	<u>6,776</u>	0.76	1.12	1.78
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	20,650			
<u>Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets</u>	<u>188,047</u>	0.11	0.11	0.11
g. Asset Maintenance Ratio				
Actual Asset Maintenance	2,774			
<u>Required Asset Maintenance</u>	<u>3,307</u>	0.84	0.88	0.90
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	4,778			
<u>Depreciation of Building and Infrastructure Assets</u>	<u>5,788</u>	0.83	0.91	1.36
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	10,271			
<u>(Total Expenses - Depreciation - Interest Costs) x12</u>	<u>1,216</u>	8.45	6.17	1.54
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	8,337			
<u>Borrowing Interest Costs (from the income statement)</u>	<u>402</u>	20.74	55.68	0.00

Riverina Water County Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>4.13</td> </tr> <tr> <td>2011</td> <td>3.22</td> </tr> <tr> <td>2012</td> <td>3.40</td> </tr> <tr> <td>2013</td> <td>7.24</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	4.13	2011	3.22	2012	3.40	2013	7.24	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 7.24 : 1</p> <p>The 2012/13 ratio increased significantly compared to prior years due to \$15m LIRS loan funds received during the year, the majority of which are still held in investment.</p>
Year	Ratio : 1											
2010	4.13											
2011	3.22											
2012	3.40											
2013	7.24											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>0.00%</td> </tr> <tr> <td>2011</td> <td>0.00%</td> </tr> <tr> <td>2012</td> <td>0.44%</td> </tr> <tr> <td>2013</td> <td>1.77%</td> </tr> </tbody> </table>	Year	Ratio %	2010	0.00%	2011	0.00%	2012	0.44%	2013	1.77%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.77%</p> <p>Increased levels of borrowings during 2011/12 and 2012/13 has seen this ratio increase from 0 levels in prior years. \$15m new borrowings during 2012/13 will result in this ratio increasing further in future years.</p>
Year	Ratio %											
2010	0.00%											
2011	0.00%											
2012	0.44%											
2013	1.77%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>13.71%</td> </tr> <tr> <td>2011</td> <td>15.75%</td> </tr> <tr> <td>2012</td> <td>18.32%</td> </tr> <tr> <td>2013</td> <td>14.45%</td> </tr> </tbody> </table>	Year	Ratio %	2010	13.71%	2011	15.75%	2012	18.32%	2013	14.45%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 14.45%</p> <p>Increased water sales during 2012/13 has reduced this ratio and dependence on Council's availability charge for the year.</p>
Year	Ratio %											
2010	13.71%											
2011	15.75%											
2012	18.32%											
2013	14.45%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>14.60%</td> </tr> <tr> <td>2011</td> <td>16.83%</td> </tr> <tr> <td>2012</td> <td>14.80%</td> </tr> <tr> <td>2013</td> <td>14.44%</td> </tr> </tbody> </table>	Year	Ratio %	2010	14.60%	2011	16.83%	2012	14.80%	2013	14.44%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 14.44%</p> <p>Another slight decrease in this ratio, most likely due to the effectiveness of interest charges on outstanding accounts and Council's external debt recovery agent.</p>
Year	Ratio %											
2010	14.60%											
2011	16.83%											
2012	14.80%											
2013	14.44%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>68.00%</td> </tr> <tr> <td>2011</td> <td>136.23%</td> </tr> <tr> <td>2012</td> <td>91.21%</td> </tr> <tr> <td>2013</td> <td>82.55%</td> </tr> </tbody> </table>	Year	Ratio %	2010	68.00%	2011	136.23%	2012	91.21%	2013	82.55%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 82.55%</p> <p>Increased depreciation expenditure after revaluation of Council infrastructure has reduced this ratio compared to prior years. Spending on renewals is relatively consistent.</p>
Year	Ratio %											
2010	68.00%											
2011	136.23%											
2012	91.21%											
2013	82.55%											

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated)

<p>a. Operating Performance</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>-27.77%</td> </tr> <tr> <td>2012</td> <td>-7.95%</td> </tr> <tr> <td>2013</td> <td>5.05%</td> </tr> </tbody> </table>	Year	Ratio %	2011	-27.77%	2012	-7.95%	2013	5.05%	<p>Purpose of Operating Performance Ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 5.05%</p> <p>Wet weather in 2010/11 and 2011/12 resulted in negative ratios due to low water sales. Improved weather conditions and normal water sales has resulted in this ratio increasing to positive levels during 2012/13.</p>
Year	Ratio %									
2011	-27.77%									
2012	-7.95%									
2013	5.05%									
<p>b. Own Source Operating Revenue</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>84.71%</td> </tr> <tr> <td>2012</td> <td>86.28%</td> </tr> <tr> <td>2013</td> <td>84.96%</td> </tr> </tbody> </table>	Year	Ratio %	2011	84.71%	2012	86.28%	2013	84.96%	<p>Purpose of Own Source Operating Revenue Ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 84.96%</p> <p>Council receives minimal revenue via external funding sources and therefore is primarily self funded, resulting in consistently high ratio levels.</p>
Year	Ratio %									
2011	84.71%									
2012	86.28%									
2013	84.96%									
<p>c. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>3.22</td> </tr> <tr> <td>2012</td> <td>3.40</td> </tr> <tr> <td>2013</td> <td>7.24</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	3.22	2012	3.40	2013	7.24	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 7.24</p> <p>The 2012/13 ratio increased significantly compared to prior years due to \$15m LIRS loan funds received during the year, the majority of which are still held in investment.</p>
Year	Ratio (x)									
2011	3.22									
2012	3.40									
2013	7.24									
<p>d. Debt Service Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>38.42</td> </tr> <tr> <td>2013</td> <td>10.63</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	38.42	2013	10.63	<p>Purpose of Debt Service Cover Ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 10.63 x</p> <p>Increased borrowing over the last financial year has increased debt service costs, resulting in a reduction in this ratio. Ratios are still within reasonable levels.</p>
Year	Ratio (x)									
2011	0.00									
2012	38.42									
2013	10.63									
<p>e. Capital Expenditure Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.78</td> </tr> <tr> <td>2012</td> <td>1.12</td> </tr> <tr> <td>2013</td> <td>0.76</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.78	2012	1.12	2013	0.76	<p>Purpose of Capital Expenditure Ratio</p> <p>This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.76 x</p> <p>Overall capital expenditure has reduced slightly over the last 3 financial years while depreciation expenditure has increased, resulting in the gradual decline in this ratio. Future years should see this ratio increase with significant capital projects planned.</p>
Year	Ratio (x)									
2011	1.78									
2012	1.12									
2013	0.76									

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated) continued

<p>f. Infrastructure Backlog Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.11</td> </tr> <tr> <td>2012</td> <td>0.11</td> </tr> <tr> <td>2013</td> <td>0.11</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.11	2012	0.11	2013	0.11	<p>Purpose of Infrastructure Backlog Ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.11 x</p> <p>Council's infrastructure backlog has been constant over recent years, hence no change in backlog ratios.</p>
Year	Ratio (x)									
2011	0.11									
2012	0.11									
2013	0.11									
<p>g. Asset Maintenance Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.90</td> </tr> <tr> <td>2012</td> <td>0.88</td> </tr> <tr> <td>2013</td> <td>0.84</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.90	2012	0.88	2013	0.84	<p>Purpose of Asset Maintenance Ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the Infrastructure Backlog from growing.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.84 x</p> <p>Maintenance expenditure is reasonably constant resulting in steady ratio levels. Actual maintenance is close to required maintenance levels.</p>
Year	Ratio (x)									
2011	0.90									
2012	0.88									
2013	0.84									
<p>h. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.36</td> </tr> <tr> <td>2012</td> <td>0.91</td> </tr> <tr> <td>2013</td> <td>0.83</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	1.36	2012	0.91	2013	0.83	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.83 x</p> <p>Increased depreciation expenditure after asset revaluations in recent years has seen a reduction in this ratio, eventhough asset renewal levels are relatively constant.</p>
Year	Ratio (x)									
2011	1.36									
2012	0.91									
2013	0.83									
<p>i. Cash Expense Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.54</td> </tr> <tr> <td>2012</td> <td>6.17</td> </tr> <tr> <td>2013</td> <td>8.45</td> </tr> </tbody> </table>	Year	Ratio (mths)	2011	1.54	2012	6.17	2013	8.45	<p>Purpose of Cash Expense Cover Ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 8.45 mths</p> <p>Increasing cash levels over the last couple of years has resulted in increased liquidity. Increased cash is primarily due to increased water sale after improved weather conditions and also loan funds received under the LIRS, which are still on hand.</p>
Year	Ratio (mths)									
2011	1.54									
2012	6.17									
2013	8.45									
<p>j. Interest Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>55.68</td> </tr> <tr> <td>2013</td> <td>20.74</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	55.68	2013	20.74	<p>Purpose of Interest Cover Ratio</p> <p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt & take on additional borrowings.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.00 x</p> <p>Gradually increasing debt levels and therefore debt servicing costs has seen a gradual reduction in this ratio. Ratios are still at reasonable levels.</p>
Year	Ratio (x)									
2011	0.00									
2012	55.68									
2013	20.74									

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	10,271	6,191	10,271	6,191
Investments				
- "Held to Maturity"	15,000	-	15,000	-
Receivables	2,820	1,991	2,820	1,991
Total Financial Assets	28,091	8,182	28,091	8,182
Financial Liabilities				
Payables	695	973	695	973
Loans / Advances	17,787	3,169	17,787	3,169
Total Financial Liabilities	18,482	4,142	18,482	4,142

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & 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.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is 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.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 1% movement in Interest Rates	142	142	(142)	(142)
2012				
Possible impact of a 1% movement in Interest Rates	37	37	(37)	(37)

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & 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 & 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.

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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	316	1,129	349	1,079
Past due by up to 30 days	312	1,063	205	358
	<u>628</u>	<u>2,192</u>	<u>554</u>	<u>1,437</u>

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity 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		
2013									
Trade/Other Payables	28	667	-	-	-	-	-	695	695
Loans & Advances	-	1,503	1,529	1,555	1,584	1,612	10,004	17,787	17,787
Total Financial Liabilities	28	2,170	1,529	1,555	1,584	1,612	10,004	18,482	18,482
2012									
Trade/Other Payables	21	952	-	-	-	-	-	973	973
Loans & Advances	-	110	98	102	108	114	2,637	3,169	3,169
Total Financial Liabilities	21	1,062	98	102	108	114	2,637	4,142	4,142

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

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

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	695	0.0%	973	0.0%
Loans & Advances - Fixed Interest Rate	17,331	6.2%	3,169	6.4%
Loans & Advances - Variable Interest Rate	456	5.9%		
	18,482		4,142	

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 27 June 2012.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	3,622	3,724	102	3%	F
User Charges & Fees	15,703	18,177	2,474	16%	F
Conservative water sale forecasts have resulted in actual water sales being higher than budget, after dryer than					
Interest & Investment Revenue	100	513	413	413%	F
LIRS subsidy approval after budget adoption resulted in Council borrowing \$15m upfront to fulfill funding					
Other Revenues	118	177	59	50%	F
Plumbing permits and insurance rebates were higher than anticipated.					
Operating Grants & Contributions	195	218	23	12%	F
Higher than anticipated numbers of pensioner rebates.					
Capital Grants & Contributions	1,300	2,847	1,547	119%	F
S64 developer contributions were significantly higher than anticipated due to increased numbers of new					
Net Gains from Disposal of Assets	36	121	85	236%	F
Better than anticipated return on used vehicles at auction.					

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	8,436	7,433	1,003	12%	F
Overall distribution of costs varied to budget - corresponding to increase in Materials & Contracts. Also, higher					
Borrowing Costs	333	402	(69)	(21%)	U
Original budget figures were prepared prior to \$15m LIRS loan rebate being approved. Increased borrowings resulted					
Materials & Contracts	1,382	2,434	(1,052)	(76%)	U
Overall distribution of costs varied to budget - corresponding to reduction in employee costs.					
Depreciation & Amortisation	4,800	6,776	(1,976)	(41%)	U
Budget figures were prepared prior to fair valuation figures for assets being finalised, which resulted in higher levels					
Impairment Expenses	-	(50)	50	0%	F
Other Expenses	3,035	4,776	(1,741)	(57%)	U
Demand management expenditure was included as capital expenditure in original budget, whereas actual					
<hr/>					
\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	7,883	9,480	1,597	20.3%	F
Higher than anticipated water sales due to dryer weather.					
Cash Flows from Investing Activities	(14,335)	(20,018)	(5,683)	39.6%	U
Combination of \$15m LIRS loan funds being invested and lower than budgeted capital expenditure, resulting in \$5.6m					
Cash Flows from Financing Activities	5,878	14,618	8,740	148.7%	F
\$15m LIRS loan not included in original budget figures as subsidy application approved after budget adoption. \$15m					

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & 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 & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
S64 Contributions	-	2,602	-	-	(2,602)	-	-	2,300	(2,300)		
Total Contributions	-	2,602	-	-	(2,602)	-	-	2,300	(2,300)	-	-

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & 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 & 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 Councils 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.

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies & 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) Sick Leave Payable on Retirement due to Medical Grounds

At balance date there is a contingent liability for staff who are entitled to a sick leave to be paid out if they were to retire due to medical grounds. This totals \$143,000.

ASSETS NOT RECOGNISED:

(i) Recovery of Assets

Investigations are currently underway after alleged misappropriation of Council assets. This may lead to recovery action being taken in future financial years. The extent of this possible recovery and cost of such recovery cannot be quantified at the date of this report.

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		62,199	61,714
b. Net Operating Result for the Year		4,006	485
Balance at End of the Reporting Period		66,205	62,199
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		140,397	131,717
Total		140,397	131,717
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		131,717	134,550
- Revaluations for the year	9(a)	8,680	(2,833)
- Balance at End of Year		140,397	131,717
TOTAL VALUE OF RESERVES		140,397	131,717

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

(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 year.

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a Water Fund for its operations.

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) 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 dd/mm/yy.

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 2013.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	3,608	3,608
Accumulated Amortisation (1/7/12)	-	-
Accumulated Impairment (1/7/12)	(2,108)	(1,908)
Net Book Value - Opening Balance	1,500	1,700
Movements for the year		
- Impairment charges		(200)
- Accumulated Impairment charges written off	50	-
Closing Values:		
Gross Book Value (30/6/13)	3,608	3,608
Accumulated Amortisation (30/6/13)	-	-
Accumulated Impairment (30/6/13)	(2,058)	(2,108)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>1,550</u>	<u>1,500</u>

¹ The Net Book Value of Intangible Assets represent:

- Water Licences	1,550	1,500
	<u>1,550</u>	<u>1,500</u>

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Riverina Water County Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 27. Financial Commentary & Review (continued)

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2013	2012	2011	2010	2009
Inflows:					
Rates & Annual Charges Revenue	3,724	3,229	2,281	2,251	2,573
User Charges Revenue	18,177	12,006	9,994	13,753	12,557
Interest & Investment Revenue (Losses)	513	187	274	308	547
Grants Income - Operating & Capital	463	340	268	207	197
Total Income from Continuing Operations	25,777	17,622	14,490	18,879	18,257
Sale Proceeds from I,PP&E	507	293	614	437	365
New Loan Borrowings & Advances	15,000	3,200	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	7,433	7,460	7,243	5,743	5,405
Borrowing Costs	402	69	-	-	-
Materials & Contracts Expenses	2,434	1,600	1,388	2,156	2,386
Total Expenses from Continuing Operations	21,771	17,137	16,658	16,215	14,294
Total Cash purchases of I,PP&E	5,525	5,976	8,584	6,660	-
Total Loan Repayments (incl. Finance Leases)	382	31	-	-	-
Operating Surplus/(Deficit) (excl. Capital Income)	1,159	(1,262)	(3,621)	692	2,654
Financial Position Figures	2013	2012	2011	2010	2009
Current Assets	31,973	11,928	7,611	12,807	11,142
Current Liabilities	4,954	3,958	2,759	3,102	3,369
Net Current Assets	27,019	7,970	4,852	9,705	7,773
Available Working Capital (Unrestricted Net Current Assets)	11,426	6,635	5,992	10,520	8,664
Cash & Investments - Unrestricted	5,419	1,871	359	4,901	4,501
Cash & Investments - Internal Restrictions	19,834	4,343	1,202	3,292	3,170
Cash & Investments - Total	25,271	6,191	1,561	8,193	7,671
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	17,787	3,169	-	-	-
Total Value of I,PP&E (excl. Land & Earthworks)	336,515	323,514	326,486	179,868	171,461
Total Accumulated Depreciation	145,282	138,967	139,539	29,891	25,624
Indicative Remaining Useful Life (as a % of GBV)	57%	57%	57%	83%	85%

Source: Published audited financial statements of Council (current year & prior year)

Riverina Water County Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 28. Council Information & Contact Details

Principal Place of Business:

91 Hammond Avenue
Wagga Wagga NSW 2650

Contact Details

Mailing Address:

PO Box 456
Wagga Wagga NSW 2650

Opening Hours:

Monday - Friday 8:30am - 4pm

Telephone: 02 6922 0608

Facsimile: 02 6921 2241

Internet: www.rwcc.nsw.gov.au

Email: admin@rwcc.nsw.gov.au

Officers

GENERAL MANAGER

Mr G Haley

RESPONSIBLE ACCOUNTING OFFICER

Ms M Curran

PUBLIC OFFICER

Mr G Haley

AUDITORS

John L Bush & Campbell
Chartered Accountants
30 Blake Street
Wagga Wagga

Elected Members

CHAIRPERSON

Clr G Hiscock (City of Wagga Wagga)

DEPUTY CHAIRPERSON

Clr. J. McInerney (Greater Hume Shire)

COUNCILLORS

Clr. G. Verdon (Lockhart Shire Council)

Clr. I. Kruetzberger (Urana Shire Council)

Clr. D. Meyer, OAM (Greater Hume Shire)

Clr. R. Kendall (City of Wagga Wagga)

Clr. K. Pascoe (City of Wagga Wagga)

Clr. A. Negline (City of Wagga Wagga)

Clr. K. Poynter (City of Wagga Wagga)

Other Information

ABN: 52 084 883 210