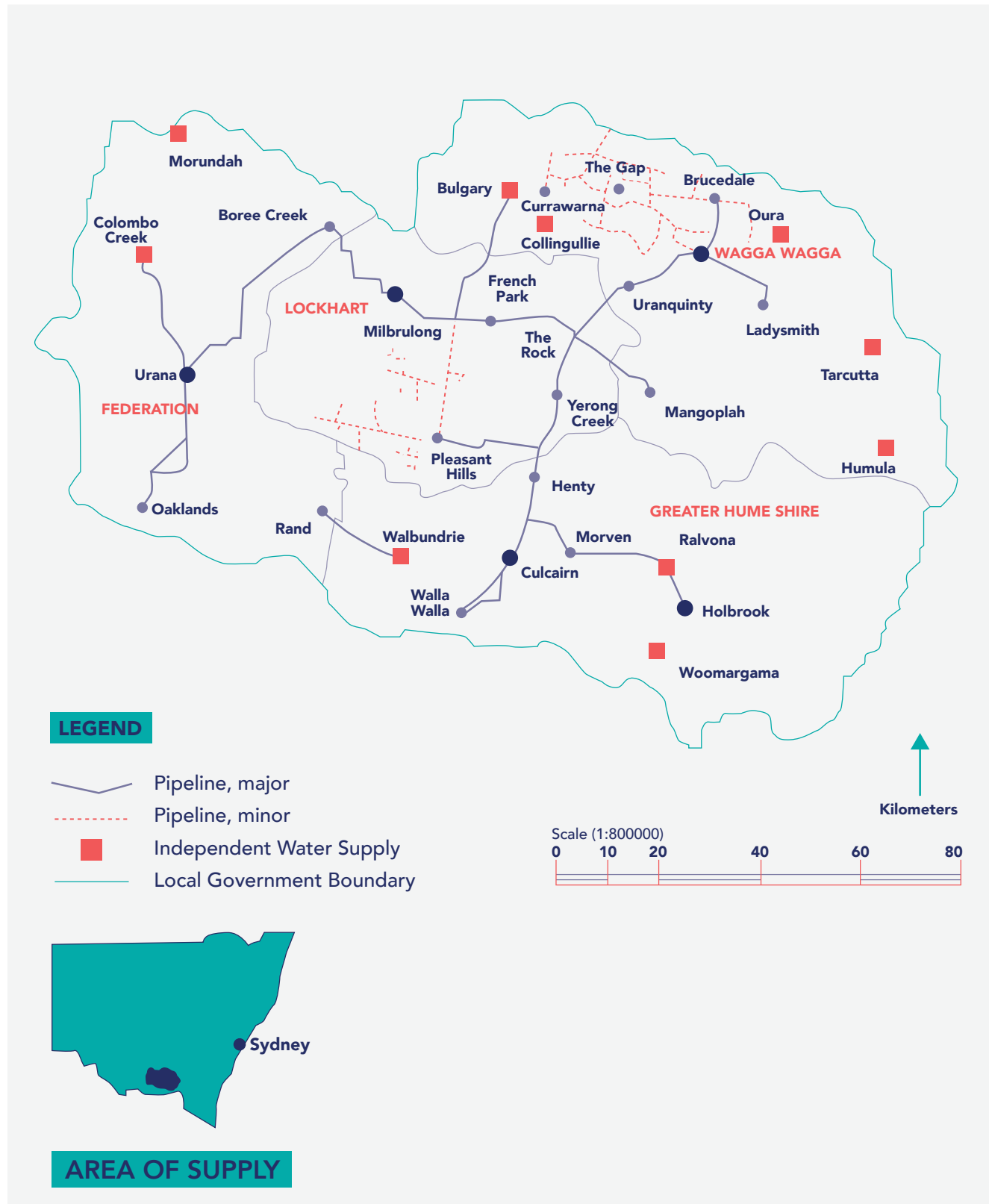




RIVERINA WATER COUNTY COUNCIL
ANNUAL REPORT
2017-2018

AREA OF SUPPLY



All Images: Riverina Water County Council

MISSION STATEMENT

Our Mission

To provide our Community with safe reliable water at the lowest sustainable cost.

Our Goals

A

THE PROVISION OF APPROPRIATE LEVELS OF SERVICE, BUILDING ON OUR REPUTATION, AND PROVIDING A COMPREHENSIVE WATER SUPPLY TO CUSTOMERS.

B

OPERATION, MAINTENANCE AND CONSTRUCTION OF ASSETS TO MEET LEVELS OF SERVICE, INCORPORATING CONTINUOUS IMPROVEMENT/QUALITY PROCESSES.

C

RECOGNITION, TRAINING AND CARE OF OUR HUMAN RESOURCES TO MAXIMISE EFFECTIVE SKILLS AND JOB SATISFACTION.

D

FINANCIAL POLICY AND PRICING THAT IS BOTH EFFECTIVE (IN WHAT IT PRODUCES) AND EFFICIENT (IN WHAT IT COSTS).

E

PROTECTING THE COMMUNITY AND THE ENVIRONMENT AS A GOOD CORPORATE CITIZEN.

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CHAIRPERSON'S MESSAGE

2017/2018



Council has enjoyed a very successful financial year and increased water sales have improved the financial position of Council. In saying that however, I acknowledge the many challenges that most of our customers are experiencing as a result of the ongoing dry seasonal conditions. Council's overall production for 2017/18 was close to 15,000 megalitres of water an increase of 1,000 megalitres for the year ending June 2017.

2017/18 was a year of change for Council as we farewelled general manager Graeme Haley in December 2017 and welcomed Andrew Crakanthorp as his replacement in January 2018. I thank Graeme for his contribution to Council over the preceding seven years and welcome Andrew to the role.



IN MARCH 2018, I WAS VERY PROUD TO ACCEPT THE TAFE RIVERINA REGIONAL ACHIEVEMENT AWARD FOR "EMPLOYER OF THE YEAR" ON BEHALF OF COUNCIL, AND I COMMEND ALL STAFF INVOLVED IN COUNCIL RECEIVING THE AWARD.



Finances

As reported in previous annual reports, Council has committed itself to the construction of a replacement water treatment plant in Wagga Wagga. The plant is nearing completion and has been gradually commissioned since November 2017. The new plant will ensure that Council can meet demands for high quality water, sourced from the Murrumbidgee River, well into the future. Council increased its water charges by 5% in 2015/2016 to assist to fund the new plant and as a result, was able to minimise the borrowings for the new plant. Borrowings for the plant amounted to \$15m.

Council resolved not to increase its water charges or access charges at all in 2016/2017 and in 2017/18 water charges increased by 2.5% with no increase in the access charges. Council resolved to increase water charges by 1.8% in 2018/2019 and to maintain access charges at the same level as that for the previous three years.

The adopted budget for 2018/19 includes operating expenditure of some \$23m against income projected at \$31m to create a surplus of some \$8m. In addition, Council continues with an extensive capital works program of \$21.4m in 2018/19 and reducing to around \$12m per annum for the following three years.

One of the most pleasing aspects of annual budget are the sponsorships that Council provides to various organisations across our four constituent Councils. During 2017/18 Council provided financial support to 28 events/organisations totalling some \$89,000. This included a special, one off decision by the Board to waive the water headwork's

charges for the Australian Clay Target Association for the construction of their new facility in Wagga. This contribution amounted to \$53,500.

In June I was very pleased when Council announced the creation of a new Community Grants Program which will provide up to \$500,000 in funds to various community organisations. More details of this exciting initiative will soon be made available.

Strategy

Early in 2018 Council commenced a review of its Integrated Water Cycle Management Plan (IWCMP) which was adopted in 2011. A new IWCMP will be adopted by Council during 2018/19 and will inform the future activities of Council which will support our growing communities.

The new water treatment plant was initially due for completion in 2017, however a succession of high river events at critical times of the construction process delayed the completion of the water inlet works for a year. The plant will be fully operational in June 2019.

Construction of a new major reservoir, south of Wagga Wagga (on Dunns Road) commenced in May 2018 to serve the future needs of rural consumers served by the Southern Trunk Main System. Construction of an augmented Southern Trunk Main commenced in 2014 and is proceeding on schedule. Construction of two, five megalitre reservoirs commenced in 2018 which will replace the large open air low level reservoir on Willans Hill.

Following the completion of Council's Strategic Business Plan (which is informed by the new

IWCMP), Council's long term Asset Management Plan will be reviewed as will the 2012 Long Term Financial Plan and Workforce Management Plan.

Water Quality

The availability of good quality drinking water remains one of the most important factors for the ongoing good health of any population. Riverina Water continues to be a leading supplier of the highest standard drinking water. I acknowledge the ongoing dedication, commitment and hard work of all our employees. I thank them all for all they have achieved in this year of change.

In Conclusion

We are fortunate to have an experienced and diverse Board that provides strong support and challenge to our executive team. The Board has continued to provide a sound and supportive base to Riverina Water and myself. I wish to acknowledge them all for their commitment to Council. I would also like to acknowledge the efforts of the senior management team for their timely and sound advice to the Board and myself.

Finally, I wish to acknowledge and thank our constituent Councils and all of our customers for the support they provide to us.



Clr. Greg Verdon
CHAIRPERSON

ABOUT COUNCIL



COUNCIL – 1 JULY 2017 – 30 JUNE 2018

COUNCILLORS



CLR. GREG VERDON
Lockhart Shire Council
Chairperson



CLR. PAUL FUNNELL
Wagga Wagga City Council
Deputy Chairperson



CLR. PAT BOURKE
Federation Council
from Oct 2017



CLR. YVONNE BRAID OAM
Wagga Wagga City Council



CLR. GREG CONKEY OAM
Wagga Wagga City Council



MR MIKE EDEN
Federation Council
to Aug 2017



CLR. VANESSA KEENAN
Wagga Wagga City Council



CLR. TIM KOSCHEL
Wagga Wagga City Council



MR IAN KREUTZBERGER
Urana Shire Council
to Aug 2017



CLR. DOUG MEYER OAM
Greater Hume Shire



CLR. TONY QUINN
Greater Hume Shire

MANAGEMENT



GRAEME HALEY
General Manager
Retired Jan 2018



ANDREW CRKANTHROP
General Manager
from Jan 2018



BEDE SPANNAGLE
Director Engineering

COUNCILLORS' TERMS OF OFFICE

CHAIRPERSON	
Verdon, Greg	October 2016 to present
Hiscock, Garry	October 2012 to October 2016
Kendall, Rod	October 2008 to October 2012
Yates, Peter	October 2007 to October 2008
Vidler, Lindsay	May 2004 to October 2007
Brassil AM, Patrick	July 1997 to March 2004

DEPUTY CHAIRPERSON	
Funnell, Paul	October 2016 to present
Verdon, Greg	October 2013 to October 2016
McInerney, John	October 2011 to October 2013
Yates, Peter	October 2010 to October 2011
McInerney, John	October 2008 to October 2010
Kendall, Rod	October 2007 to October 2008
Yates, Peter	October 2003 to October 2007
Coghill, Ian	July 1997 to October 2003

COUNCILLORS		
Braid OAM, Yvonne	Wagga Wagga	June 2016 to present
Bourke, Pat	Federation Council	October 2017 to present
Conkey OAM, Greg	Wagga Wagga	October 2016 to present
Eden, Mike	Federation Council	May 2016 to August 2017
Funnell, Paul	Wagga Wagga	January 2014 to present
Keenan, Vanessa	Wagga Wagga	October 2016 to present
Koschel, Tim	Wagga Wagga	October 2016 to present
Meyer OAM, Doug	Greater Hume Shire	October 2012 to present
Quinn, Tony	Greater Hume Shire	October 2016 to present
Verdon, Greg	Lockhart	October 2012 to present

Blackett, Dennis	Wagga Wagga	July 1997 to 1999
Brassil AM, Patrick	Wagga Wagga	July 1997 to March 2004
Brown, Alan	Wagga Wagga	September 2008 to October 2012
Coghill, Ian	Urana	July 1997 to October 2003
Dale, Peter	Wagga Wagga	July 1997 to March 2004
Edwards, Ross	Lockhart	July 1997 to 1999
Fifield AM, Alan	Culcairn	September 1999 to May 2004
Geale OAM, Wayne	Wagga Wagga	September 2008 to October 2012
Georgiou, Michael	Wagga Wagga	October 1999 to April 2004
Goodlass, Ray	Wagga Wagga	September 2008 to February 2012
Harding, John	Wagga Wagga	October 1999 to April 2004
Hiscock, Garry	Wagga Wagga	April 2012 to October 2016
Kendall, Rod	Wagga Wagga	April 2004 to October 2016
Kidson, Mary	Wagga Wagga	July 1997 to 1999
Kotzur, Elwyn	Culcairn	July 1997 to 1999
Kreutzberger, Ian	Urana	April 2004 to May 2016
McInerney, John	Holbrook	September 1999 to May 2004
McInerney, John	Greater Hume	April 2005 to October 2016
Negline, Andrew	Wagga Wagga	October 2012 to May 2016
Pascoe, Kerry	Wagga Wagga	October 2012 to January 2014
Peardon, Robert	Holbrook	July 1997 to 1999
Poynter, Kevin	Wagga Wagga	October 2012 to October 2016
Ross, John	Greater Hume Shire	April 2005 to October 2012
Sexton, David	Greater Hume Shire	May 2004 to February 2005
Simpson, Diana	Wagga Wagga	April 2004 to September 2008
Wright, Karen	Wagga Wagga	April 2004 to September 2008
Vidler, Lindsay	Wagga Wagga	July 1997 to October 2012
Wales, Kevin	Wagga Wagga	April 2004 to September 2008
Yates, Peter	Lockhart	September 1999 to October 2012

COUNCILLOR MEETING ATTENDANCE 2017/2018

COUNCILLOR	NUMBER OF MEETINGS	ATTENDANCE
Pat Bourke	4	4
Yvonne Braid OAM	5	5
Greg Conkey OAM	5	5
Mike Eden	1	0
Paul Funnell	5	4
Vanessa Keenan	5	3
Tim Koschel	5	4
Ian Kreutzberger	1	0
Doug Meyer OAM	5	5
Tony Quinn	5	5
Greg Verdon	5	5

COUNCILLORS' FEES, FACILITIES AND EXPENSES

Regulation 217 (1) (a1)

Chairperson's Allowance	\$9,490
Councillors' Fees	\$51,989
Councillors' Expenses	\$17,608
Conference / Seminar Fees	\$3,792
Spouse/Partner Conference expenses	\$885

Council's Policy in respect of these matters is detailed at page 50.

PERSONNEL AND DELEGATION



SENIOR STAFF

GENERAL MANAGER

Andrew Crakanthorp
January 2018 to present

Graeme Haley
January 2011 to January 2018

Gerald Pieper
July 1997 to January 2011

CONTRACTED SENIOR STAFF

Bede Spannagle (Director of Engineering)
February 2014 to present

Bryan Short (Acting Director of Engineering)
October 2013 to February 2014

Greg Finlayson (Director of Engineering)
June 2009 to October 2014

Peter Clifton (Director of Engineering)
May 2004 to July 2009

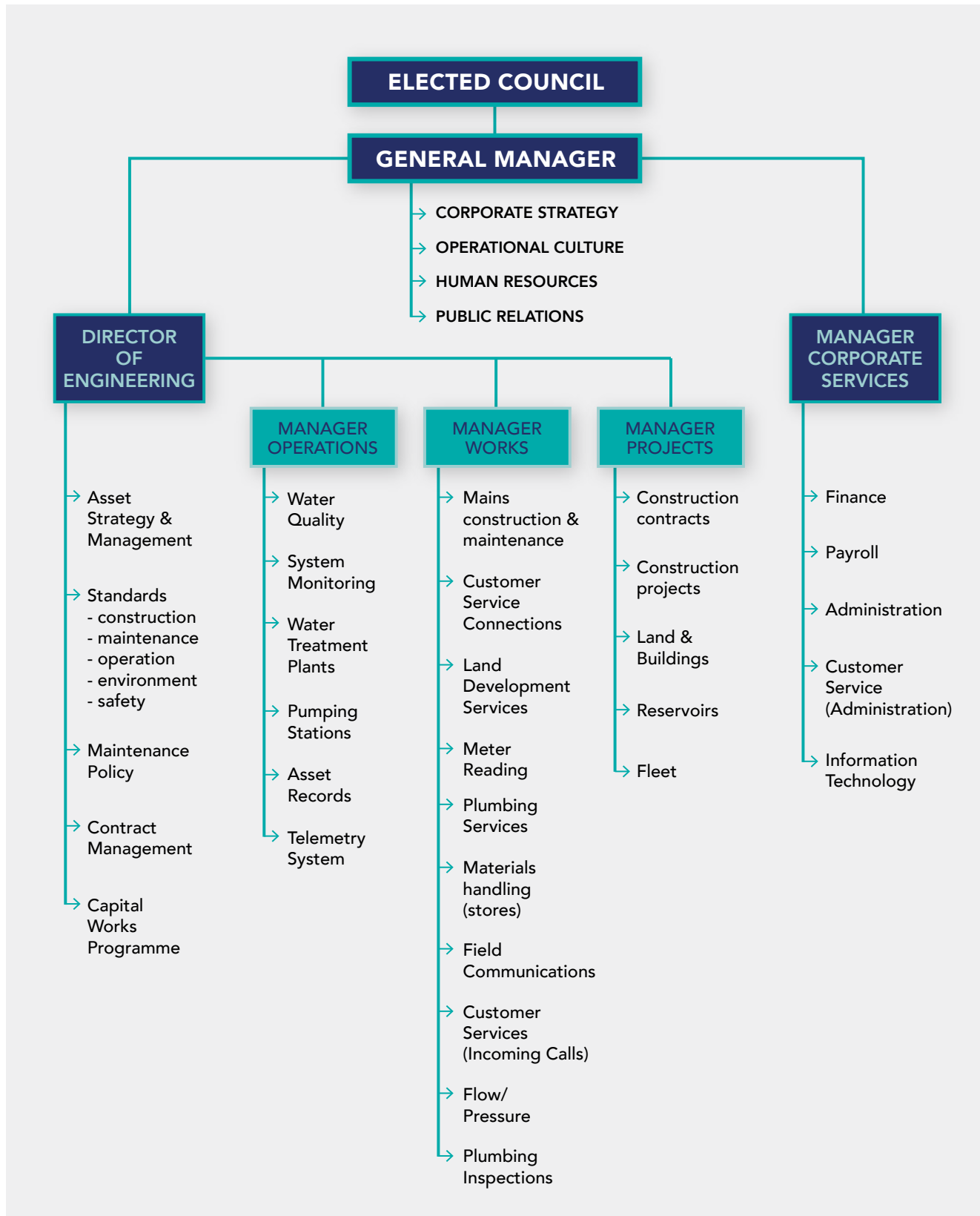
Murray Nash (Director of Engineering)
July 1997 to May 2004

TOTAL REMUNERATION FOR SENIOR STAFF

Regulation 217 (1) (b&c)

During the year 2017/2018 Council employed two senior staff including the General Manager. The total remuneration cost of the General Manager was \$220,000 including salaries, superannuation, private use of a Council car and fringe benefits tax. The total remuneration cost of the other senior staff member was \$201,212 including salaries, superannuation, private use of a Council car and fringe benefits tax.

ORGANISATION STRUCTURE



YEARS OF SERVICE

The following years of service were presented as Council's Christmas Function in December 2017:

15 Years

Rob Jeffrey

10 Years

Leanne Hastings

Jeremy Thain

Richard Menz

HUMAN RESOURCE ACTIVITIES UNDERTAKEN BY COUNCIL

Riverina Water employs a permanent workforce of 94 people to carry out the range of responsibilities in administering the organisation and supplying water to our communities. From time to time this workforce is supplemented by a small number of temporary staff. Recruitment practices follow all EEO guidelines.

Riverina Water's commitment to developing a skilled workforce within the local community is demonstrated through ongoing engagement of apprentices and trainees.

Council hosted a number of school-based work experience placements throughout the year, and engaged the following traineeships and apprenticeships:

- 4 Trainee Maintenance Operators
- 1 Trainee Procurement Officer
- 1 Trainee Information Technology Officer
- 2 Apprentice Electricians – first and fourth year 1

The General Manager and Director of Engineering are senior staff positions as defined in the Act.

	ADMIN	ENGINEERING	WATERWORKS	DEPOT BASE	RURAL	TOTAL
Perm. June 2017	10	10	20	44	7	92
Temp. June 2017	1	2		5		8
TOTAL June 2017	11	12	20	49	7	99
Retired	1		1	1		
Resigned	1	2	1	2		
Terminated	1					
Appointed	3		1	1		
Casual				3		
Internal Transfer						
Transfer to Perm.		1				
Temp. Appointed						
Temp. Terminated				3		
Perm. June 2018	10	10	19	45	7	91
Temp. June 2018	1			2		3
TOTAL June 2018	11	10	19	47	7	94

Table 1: Staff Turnover 2017-18

EQUAL EMPLOYMENT OPPORTUNITY – ACTIVITIES TAKEN BY COUNCIL TO IMPLEMENT ITS MANAGEMENT PLAN

Regulation 217 (1) (a9)

Riverina Water County Council is an equal opportunity employer, meaning every employee and every potential employee is treated equally and fairly. Riverina Water is committed to managing its activities and business affairs so that the philosophy and principles of equal opportunity are part of its core values.

An employee or potential employee will not be disadvantaged because of age, carer status, disability, sexual orientation, marital status, parental status, physical features, political belief or activity, pregnancy, breastfeeding, race, religious belief or activity, gender or any other factors that are not related to individual job performance and the ability to develop in the workplace. Nor will an employee or potential employee be disadvantaged through personal association with someone who has (or is assumed to have) one of these characteristics.

To inform the workforce and the community in general that Riverina Water is committed to a discrimination free workplace, the following standard wording is to be placed in all advertisements for staff positions: ***“Riverina Water County Council is an EEO Employer”***

EEO STRATEGIES

During the course of the preparation of the EEO Program the following strategies will be observed:

- Maintain the wording of advertisements for vacant positions to ensure they offer all potential applicants equal employment opportunities
- Ensure equal employment opportunity underpins Riverina Water’s recruitment, promotion, training, development, personnel policies and management practices and support material (including handbooks, manuals, forms, induction booklets etc.)

- Applications for positions, including transfers and promotions and for career development (eg training, study assistance programs) are to be assessed without bias on the basis of availability and individual merit
- Riverina Water will keep records of job applications, interviews, selection & training programs
- Provide career counselling
- Improve career opportunities for staff currently employed in areas of limited career structure
- Reinforce the staff grievance procedure
- Prevent harassment of staff
- Continue the training program for all staff
- Continue with job rotation program where practicable
- Ensure all new policies and procedures adhere to EEO principles
- Make EEO responsibilities a routine part of management and supervisory functions
- Provide mechanisms for resolving employment discrimination complaints
- Continue to improve staff access to information about Riverina Water and conditions of employment

DISABILITY INCLUSION ACTION PLAN (DIAP)

Council is not compliant in the delivery and implementation of a DIAP. Council has recently undertaken a restructure which has made provision for a new member of staff to create, finalise and implement a compliant DIAP in 2018/19.

TRAINING

Staff learning and development is a significant commitment for Council and staff and in addition to the on-the-job training a number of specific courses were undertaken to a training plan throughout the year. In addition to compliance training Council and staff have committed to a number of learning initiatives to maintain and upskill staff. In partnership with Registered Training Providers (RTOs) and supported by NSW Government through the Smart and Skilled program, these have included;

- Project Management (Certificate IV and Diploma)
- Leadership and Management (Certificate IV)
- Civil Construction (Certificate IV)
- Digital Literacy (Statement of Attainment)

Essential training costs are met in full and assistance is also given to staff undertaking desirable professional development.

Council was honoured to be recognised and rewarded for its commitment to staff learning and development, by receiving the TAFE Riverina 2018 Employer of the Year Award

TRAINING 2017-2018	NUMBER OF PARTICIPANTS	TRAINING 2017-2018	NUMBER OF PARTICIPANTS
Access Rail Corridor	8	LGP – Advanced Diploma	1
Backflow Prevention	12	Shoring – Ground Support	14
Chainsaw Training & Safety	4	Thermostatic Mixing Valve Licence	1
ChemCert Chemical Training	3	Traffic Controller	16
Chemical Contaminant Training	1	Traffic Plan Management & Design	9
Computer Aided Drawing	1	Traffic Sign Implementation	17
Computer MapInfo Pro	1	Water Operator Update	6
Confined Space	21	Water Treatment	3
Dangerous Goods Licence	2	WHS White Card	2
ETU Delegate Training	1	Workcover Licence Backhoe / Excavator	2
First Aid	32	Workcover Licence C6 Crane 20T	2
Fluoride Treatment Training	1	Workcover Licence EWP	1
HR Truck Licence	3	Workcover Licence Forklift	8
Leadership & Management Training	11	Workcover Licence Dogging	2



Riverina Water's Director of Engineering Bede Spannagle and Manager Works Austin Morris receiving their Master of Business Administration at Charles Sturt University, December 2017.



Engineering staff members, Anjanee Bichani and Tamarin Taylor participating in the Science & Engineering Challenge at Mater Dei Catholic College in March 2018.



RIVERINA WATER COUNTY COUNCIL Engineer's Australia's EMPLOYER OF CHOICE AWARD Accepted by Chris Moosbrugger, Project Supervisor, Construction. 16 November 2017.

ENTERPRISE AWARD

The Enterprise Award continues to be RWCC's industrial instrument. Remuneration to all staff is based on a logical and fair system, commensurate with modern base standards and practices. The system includes an annual review of skills attained and used. This was undertaken and completed with 25 employees progressing to their next level and remunerated accordingly via either acquired skills and/or position re-evaluation.

STAFF COMMITTEES

A number of staff committees have operated successfully throughout the year, each making an important contribution to the operation of the organisation.

- Health & Safety Committee (HSC)
- Staff Consultative Committee (SCC)
- Health & Wellbeing Committee (HWC)

Each of these groups comprise members of staff who volunteer their input to represent employees on safety, wellness and workplace issues. It provides a forum for employee and management representatives to discuss issues and formulate actions to make the workplace a safer and better place to work.

WORK HEALTH AND SAFETY MANAGEMENT 2017/2018

Leadership training for Managers and Supervisors was continued in 2017/18. Management consultation with all staff to promote open discussion on safety issues and advise on workplace change has been occurring more regularly.

All supervisors were required to attend a 1-day training session on WHS duties and responsibilities. Managers and senior supervisors received training on legislative WHS Due Diligence requirements.

Riverina Water continues to provide and promote healthy life options to all staff. Provision of weekly fruit supplies and a \$100 annual rebate on purchases of health or safety related personal items has encouraged staff to incorporate healthy options into their personal and work lives.

Riverina Water continued with the Watch Out Safety Award program that recognises employees' contributions to eliminating risks. This initiative combined with Riverina Water's risk management systems, assists with the identification and elimination/control of workplace safety risks.

Work Health and Safety Goals and Objectives 2017/2018

Objective/Goal

Riverina Water's WHS goal for 2017/2018 was to eliminate workplace risk through good safety management practices. Where elimination was not achievable or practical all risks were to be reduced to the lowest possible level. Unsafe work practices were to be eliminated through a combination of safety management and improved safety culture.

The objective set to eliminate unsafe workplaces and work practices through risk management and improvement of the safety culture were successful over the 2017/2018 year. Riverina Water's injury statistics were reduced considerably over the period which resulted in a safety bonus being paid to all employees.

Although an improved result was achieved, risk management processes will need to be monitored and additional measures will need to be incorporated in future risk management activities to combat the human factors in safe work processes.

OBJECTIVES	MEANS OF ACHIEVING	TARGET / MEASURE
Improve communication and consultation	Kit Kat team meetings Regular face to face discussion between managers and staff Provide timely and appropriate feedback on all WHS issues	12 X monthly meetings held by all teams. Regular manager attendance at team meetings. Workgroup meetings held quarterly.
<ul style="list-style-type: none"> All teams met the monthly team meeting requirements. Manager attendance at monthly meetings has improved but could improve further. An additional workgroup meeting is now held following the council meetings to brief staff. 		
Elimination/reduction of workplace risks	Develop Risk Management Action Plan (RMAP) Staff training Develop, monitor & review safe working practices and procedures Provide adequate resources (staff & equipment) Regular workplace inspections and work team audits	RMAP activities at least 90% completion. Procedures updated per schedule. Low staff turnover. All teams fully staffed and equipped. Audit and inspection schedule up to date.
<ul style="list-style-type: none"> The Risk Management Action Plan (RMAP) encompasses organisational risk management as a whole. The WHS element of the RMAP was completed 100%. Procedure updates continue to be completed and are 75% completed on time. Staff turnover is very low and teams have been provided with appropriate and adequate equipment to perform their roles safely. Workplace inspections schedules are being met within reasonable time frames. Work team audits were not undertaken. 		
Raise the safety culture	Training of staff Promotion of WHS responsibilities Monitor WHS performance of staff Regular editions of Safety Newsflash	All staff trained to specified WHS requirements and levels. All staff aware of their WHS role. Reduced incident and discipline reports. Minimum of one Newsflash per month.
<ul style="list-style-type: none"> Staff awareness and training of WHS responsibilities and competencies is included in the induction of new staff. Most Incidents are being reported within the set time-frame. Investigation of incidents is identifying any non-conformance issues and appropriate actions being undertaken. Editions of Safety Newsflash have not been released monthly but only as required. 		

Key Performance Indicators

Number of days lost through injury:	Target < 140 days Result = 9 days
Cost of workplace injuries	Target < \$118,414 Result = \$158,696
Percentage of sick leave to ordinary hours worked:	Target < 3.5% (sector average) Result = 3.2%
Total hours worked compared to time lost through workplace injury & illness:	Target < IISI 907.69 Result = IISI 57.29

Achievements this year

- 9 Watch Out Safety Awards given to staff - Work Health and Safety Committee

WATCH OUT SAFETY AWARD RECIPIENTS		
MONTH	RECIPIENT	SAFETY INITIATIVE
August 2017	Project Trades team	Ladder bracket on administration building roof
August 2017	Rob Jeffery	Fixed ladder support on aeration basin
December 2017	Project Trades team	Redesigning tie-down points for mini backhoe on trailer
March 2018	Natalie Eisenhauer	Upgraded street signage on Hammond Avenue approaching Riverina Water's driveway from the west
March 2018	Project Trades team	Installing fixed stairs at the western end of the West Wagga treatment plant walkway
March 2018	Tony Morrow	Changing the electrical control of the oil separator from 240V to 24V DC
March 2018	Gerrard Saddler	Repositioning jockey wheel on trailer 71
May 2018	Kathrine Ovens	Implementing additional signage advising staff and contractors of the Left Turn Only policy when exiting Riverina Water premises
May 2018	Phillip Blight	Designing a control measure to prevent falling into deep excavations

- Annual safety breakfast - Work Health & Safety Committee
- Weekly fresh fruit available for all staff - Health & Wellbeing Committee
- Step challenge encouraging employees to think about their exercise - Health & Wellbeing Committee
- Health Incentive scheme encouraging employees to engage in healthy activities outside of work - Health & Wellbeing Committee

Engineering controls of risk

Safety related projects for the past year include:

- Installation of FRP vertical ladder into Oura Aeration
- Installation of fall arrest system for Administration building roof
- Installation of hand railing on east side of Marshall's Creek bridge approach
- Ongoing replacement of heavy pit lids with Aluminium

Riverina Water's Workers Compensation Performance

A key benchmark of Riverina Water's Workers Compensation performance is comparing our statistics to figures within the entire StateCover (Insurance) group. Report dated October 2017.

BENCHMARK	STATECOVER AVERAGE	COUNCIL
Average Premium Rate	2.94%	1.09%
Lost Time Injury Rate (claims per 100 employees)	5.69	11.22
Injuries reported within 2 business days	79%	82%
WHS Self Audit (2016)	78.4%	91.4%

LG PROFESSIONALS ANNUAL AWARDS DINNER

Council was the recipient of the 'Highly Commended' award for Environmental Leadership and Sustainability from LG Professionals in June 2018.



Austin Morris, Manager Works accepting the award

NATIONAL COMPETITION POLICY

The Commonwealth State and Territory Governments endorsed National Competition Policy through a series of inter-governmental agreements in 1995. The State governments were given the responsibility to ensure that the National Competition Principles were applied to the Local Government authorities under their jurisdiction.

In June 1996 the New South Wales Government released a Policy Statement on the Application of National Competition Policy to Local Government. Under the guidelines established by the State Government the following actions have to be undertaken by Councils within New South Wales:

I. Identify Council's business activities and categorise them in accordance with the guidelines:

The New South Wales Government proposes two categories of business activities – Category 1 Businesses (which have annual sales turnover/annual gross operating income of \$2M and above) and Category 2 Business (which have annual sales turnover/annual gross operating income less than \$2M). The treatment that Councils have to apply to each of these business categories varies, with the Category 1 Businesses being subject to more detailed requirements. Council's activity is a Category 1 business.

II. Creation of a complaints mechanism to deal with a competitive neutrality complaints.

Council has developed a complaints management system.

III. Application of tax equivalents, debt guarantee fees and dividend payments.

One of the intentions of the National Competition Policy is to provide a "level playing field" between Council's business activities and those provided by the private sector. The guidelines require calculations to be made to determine tax equivalents, debt guarantee fees (where the activity may obtain a lower borrowing rate than it

may have faced if it were a private organisation) and dividends. These calculations do not have to appear in Council's external accounting processes but need to be calculated and recognised in Council's internal accounting arrangements. Calculations have been completed and included in the statistical notes of the financial statements for the 2017/18 financial year.

IV. Separation of the costs associated with operating a business activity.

A business undertaking must have its accounting and other operations structured in such a way as to provide a distinct reporting framework. This means that all the costs, both direct and indirect, associated with that business activity must be allocated to it.

V. The Council has not received any complaints in respect of Competition Neutrality during 2017/2018.

EXTERNAL BODIES WHICH HAVE EXERCISED COUNCIL – DELEGATED FUNCTIONS

Regulation 217 (1) (a6)

The Council has not delegated any functions to external bodies. The water supply for the township of Culcain is undertaken by the Greater Hume Shire Council in accordance with the proclamation of 2nd May 1997.

COMPANIES IN WHICH COUNCIL HELD A CONTROLLING INTEREST

Regulation 217 (1) (a7)

The Council does not have an interest or a controlling interest in any company or companies.

PARTNERSHIPS, CO-OPERATIVES AND OTHER JOINT VENTURES TO WHICH COUNCIL HAS BEEN A PARTY

Regulation 217 (1) (a8)

During 2013/14 the process was commenced to end the formal agreement with North Urama Water Group (NUWG). This process has now been completed, primarily relating to land matters.

OPERATIONS, CONSTRUCTION AND MAINTENANCE



OPERATIONAL PLAN – PERFORMANCE TARGETS 2017/2018

Section 428 (2) (b)

Services

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18	
Customer Satisfaction Rating	>4 (out of 5)	4.54 (out of 5)	
Water Quality Satisfaction	>4 (out of 5)	4.35 (out of 5)	

Asset Replacement

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18	
Projects completed from Capital Works Program	>85%	By number 86.8%	By budget 74.4%

Demand Management

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18	
Peak Day Demand (weekly average)	<65 ML	59.67 ML	

WHS

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18	
Number of days lost through injury	< previous period	2018 9	2017 140
Percentage of sick leave hours to ordinary hours worked	<3.5%	3.69%	3.20%
Total hours worked compared to time lost through injury & illness	< previous period	0.85%	0.05%

Environmental Protection

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18	
Power used per ML of water produced KWh	< same period last year	2016/2017 818 kwh	2017/2018 850 kwh
Power used per ML of water produced \$	< same period last year	\$206	\$209

Equal Employment Opportunity

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18
Number of legitimate EEO complaints resolved	100%	Nil lodged
Percentage of staff returning from parental leave	100%	100%

Charges and Fees

MEASURE	INDICATOR	PROGRESS TO 30 JUNE 18
Water Charges overdue compared to water sales for previous 12 months	<5%	1.80%
Level of Sundry Debtor Accounts overdue compared to debtors raised for previous 12 months	<5%	1.87%

CONTRACTS AWARDED DURING THE YEAR

Regulation 217 (1) (a2)

Under Regulation clause 217 of the Local Government Act, Council is required to report details of each contract awarded for amounts greater than \$150,000 for the 2017-18 year. These details are provided below.

COMPANY	DESCRIPTION OF WORK	VALUE \$ (GST EX)
IPLEX Pipelines	Water Supply Pressure Pipes – Milbrulong/The Rock	518,000
Steelpipes	Levee Material Supply	791,750
Ace Pty Ltd	Rural 5ML reservoir, roof and access system construction	1,356,825
Stephen Shaw	Low Level Reservoir Replacement – Earthworks	390,000

PRIVATE WORKS UNDER SECTION 67(3) OF THE ACT

Regulation 217 (1) (a4)

Council does not undertake work to any significant extent on private property on a regular basis. Section 67(3) requires Council to report on any resolution to undertake work at a rate that is less than the rates fixed by the Council.

During the review period no such work was undertaken by the Council.

Work was undertaken (at full cost) for Gumly Gumly Private Irrigation District.

DEVELOPMENT SERVICING PLAN (DSP)

In accordance with Department of Water and Energy Best-Practice Management of Water Supply Council adopted Development Service Plan at its Meeting on 26th June 2013. The draft DSP was placed on public exhibition after Council's meeting on 10th April 2013.

The Calculated Developer charge in the DSP for 2017/2018 was \$5,053. The charge for 2016/2017 was \$4,930.

WATER SUPPLY



Riverina Water draws its supply from several sources, then treats and pumps water to Wagga Wagga and other towns, villages and rural areas in the region.

The total amount of water sourced was 16,184ML, which is approximately 14% increase than the previous year. This increase is mostly attributed to the construction and commissioning of the new filtration water treatment plant, extracting additional Murrumbidgee River volumes from 1,390ML (2016/17) to 2,912ML (2017/18).

Riverina Water has utilised 11.8GL (or 84.3%) of its 14GL groundwater extraction entitlements, and 2.9GL (or 41.5%) of its Wagga surface water entitlements.

The full year's total treated water production of 14,819 ML is an increase of 5% from 2016/17. The annual distribution analysis indicates 59% of total consumption is residential, 15% is commercial, 7% is rural and 6% is industrial.

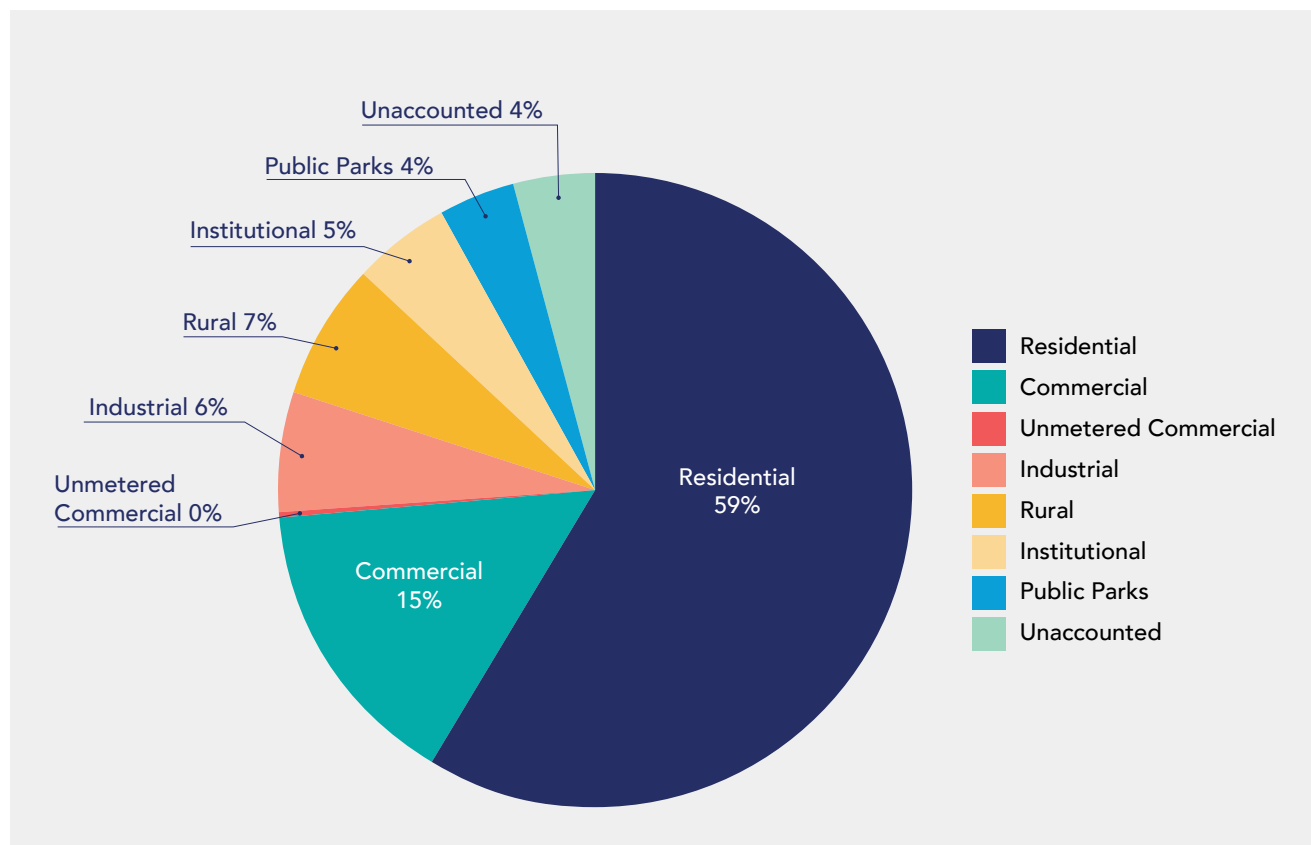
With respect to total residential consumption, 87% is urban residential (ie Wagga Wagga) and 13% is non urban residential (ie. towns/villages).

Unaccounted water remained consistent at approximately 4.1% (or 609ML) of total water supplied into the distribution systems. Unaccounted water includes water used for system flushing associated with water quality, fire flows, mains bursts and system leakage before customers' water meters.

Total monthly treated water production peaked at 2,135 ML in January 2018. The maximum Wagga Wagga peak 24-hour demand was 76.4 ML (recorded on 21st January 2018) which was similar to 78 ML (recorded on 10th February 2017).

The total number of customers increased by 393, which mostly comprised of 364 Wagga residential customers, 19 township residential customers and 11 Wagga non-residential customers.

Annual Distribution Analysis by Category 2017/18

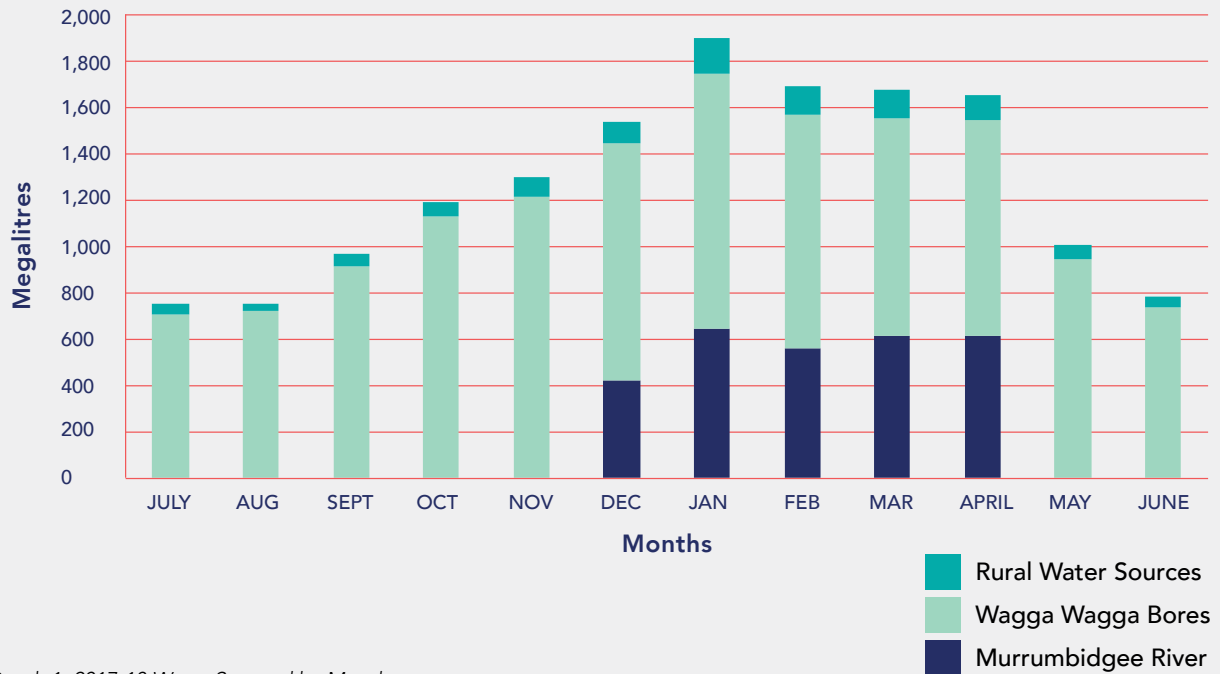


WATER SOURCED

	2013/14	2014/15	2015/16	2016/17	2017/18
Rainfall (mm)	454	452.8	652.2	595.8	348.8
Wet Days	125	108.0	121.0	114.0	99
	Megalitres	Megalitres	Megalitres	Megalitres	Megalitres
North Wagga bores	2,495	2,512	2,489	2,434	2,395
West Wagga bores	4,550	4,956	4,637	5,003	4,924
East Wagga bores	4,027	3,930	4,607	4,202	3,056
Murrumbidgee River	2,400	2,121	2,200	1,390	2,444
TOTAL WAGGA SOURCES	13,472	13,519	13,933	13,030	12,818
Bulgary bores	470	496	512	412	370
Urana Source	43	52	38	34	36
Ralvona bores	300	301	260	245	216
Walla Walla bores	185	183	162	169	94
Goldenfields Water Supply System	56	32	53	65	34
TOTAL RURAL SOURCES	1,053	1,064	1,026	924	749
Woomargama	19	16	19	17	16
Humula	10	9	9	7	5
Tarcutta	48	45	42	42	37
Oura	39	34	41	41	36
Walbundrie (Rand)	36	40	38	32	35
Morundah					58
Collingullie	66	73	63	58	195
TOTAL INDEPENDENT SOURCES	225	228	224	208	382
GRAND TOTALS	14,750	14,811	15,183	14,162	13,950
PROPORTION FROM SURFACE	16.7%	14.8%	14.9%	10.2%	18.2%
PROPORTION FROM GROUNDWATER (BORES)	83.3%	85.2%	85.1%	89.9%	81.6%

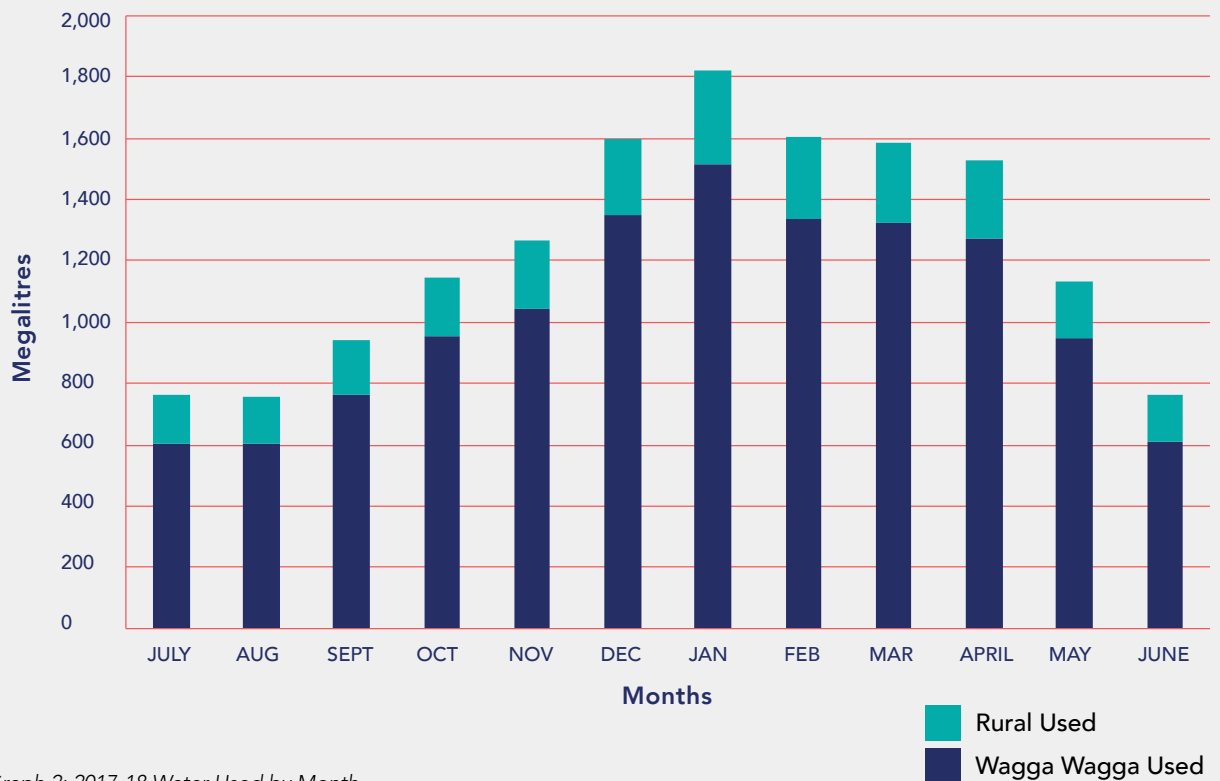
Table 2 - Water Sourced

2017/18 Water Sourced



Graph 1: 2017-18 Water Sourced by Month

2017/18 Water Used



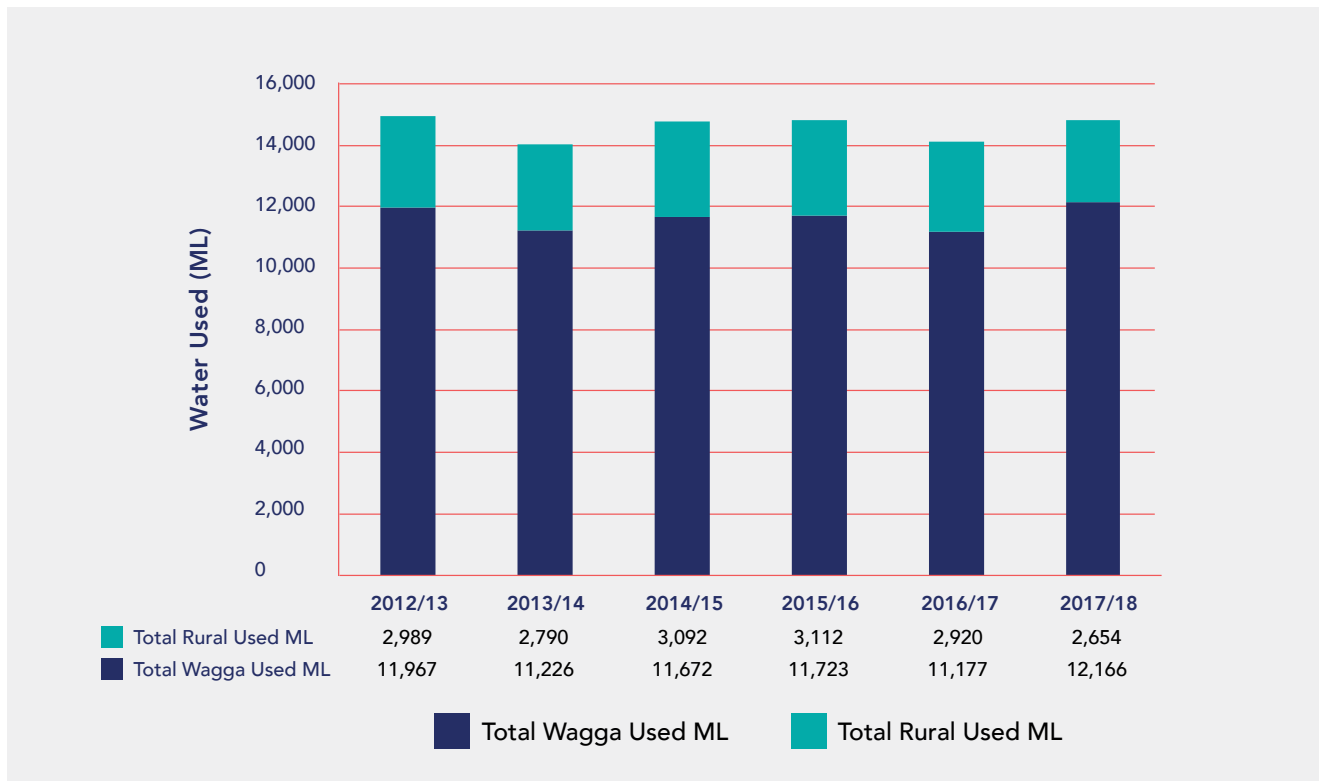
Graph 2: 2017-18 Water Used by Month

WATER TREATED

	MEGALITRES USED					
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
East Bomen	260	285	291	288	339	308
Estella	720	736	729	838	881	1,025
North Wagga	1,023	990	1,150	1,012	847	922
Wagga Wagga - Low Level	2,161	1,960	2,004	1,985	1,846	2,215
Wagga Wagga - High Level	6,934	6,474	6,628	6,756	6,429	6,981
Wagga Wagga - Bellevue Level	868	782	869	844	835	714
SUB-TOTAL	11,967	11,226	11,672	11,723	11,177	12,166
Ladysmith	63	67	62	60	58	69
Brucedale	250	243	246	268	302	271
Currawarna	166	162	152	164	162	162
Rural south from Wagga Wagga	1,337	1,151	1,368	1,415	1,324	1,127
Rural from Walla Walla Bore	146	185	183	162	169	112
Milbrulong, Lockhart and Boree Creek	264	267	322	319	232	207
Urana and Oaklands	249	218	231	239	221	251
Holbrook	285	283	301	260	245	239
SUB-TOTAL	2,762	2,576	2,865	2,888	2,712	2,439
Woomargama	17	17	16	19	17	18
Humula	10	9	9	9	7	6
Tarcutta	41	45	45	42	42	41
Oura	48	37	34	41	41	40
Walbundrie	34	33	40	38	32	38
Morundah	10W	8	10	11	11	9
Collingullie	68	64	72	63	58	64
SUB-TOTAL	227	214	227	224	208	215
TOTAL	14,956	14,016	14,765	14,835	14,097	14,819
AVERAGE RESIDENTIAL CONSUMPTION						
Urban (Wagga Wagga)	337	311	308	310	310	309
Non-Urban (Townships and Rural)	406	390	384	436	436	435

Table 3 – Water Used

Annual Total Water Used



Graph 3: Annual Total Water Used

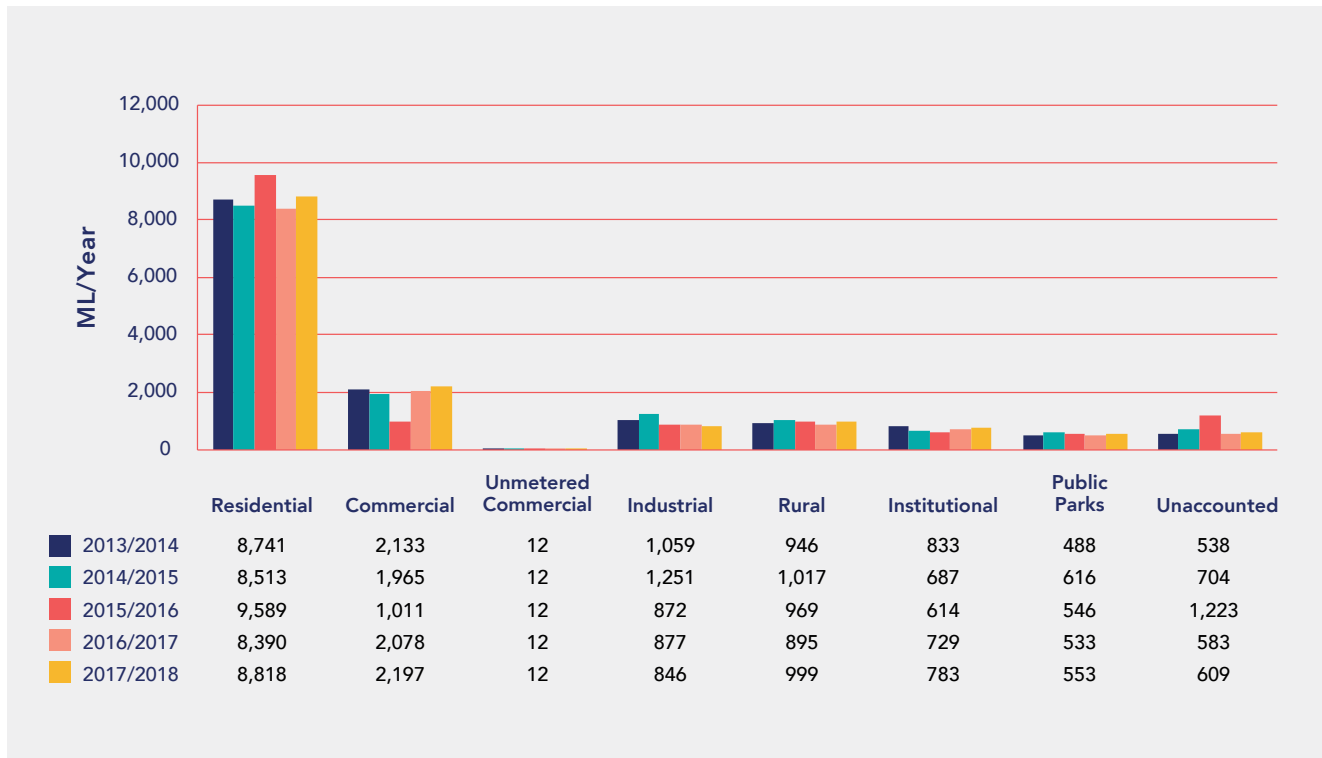
WATER DISTRIBUTION

	2016/2017		2017/2018	
	CONSUMPTION	PERCENTAGE	CONSUMPTION	PERCENTAGE
	(ML)		(ML)	
Residential	8,390	59.5%	8,818	59.5%
Commercial	2,078	14.7%	2,197	14.8%
Commercial Unmetered	12	0.1%	12	0.1%
Industrial	877	6.2%	846	5.7%
Rural	895	6.3%	999	6.7%
Institutional	729	5.2%	783	5.3%
Public parks	533	3.8%	553	3.7%
Unaccounted (Including flushing, firefighting, unmetered use)*	583	4.1%	609	4.1%
	14,097	100.0%	14,819	100.0%

*Unaccounted water is the difference between the bulk used meter readings and the sum of customer total Billed volumes

Table 4: Annual Distribution Analysis

Annual Consumption Distribution Analysis



Graph 4: Annual Consumption Distribution Analysis

THE FIRST OF OUR WATER REFILL STATIONS WAS INSTALLED DURING 2017-18.

Our refill stations network provides community access to safe and reliable drinking water. The stations help the environment by reducing the need for single-use plastic bottles. It's also a healthier alternative to soft drinks – there's even a dog bowl for our four legged friends.



Wagga Wagga Mayor Clr. Greg Conkey and Riverina Water's Chairperson Clr. Greg Verdon launching the Water Refill Station, Baylis Street Wagga Wagga. November 2017



Water Refill Station installed at Lake Albert. August 2017

Water Refill Station Network



NEW CUSTOMERS

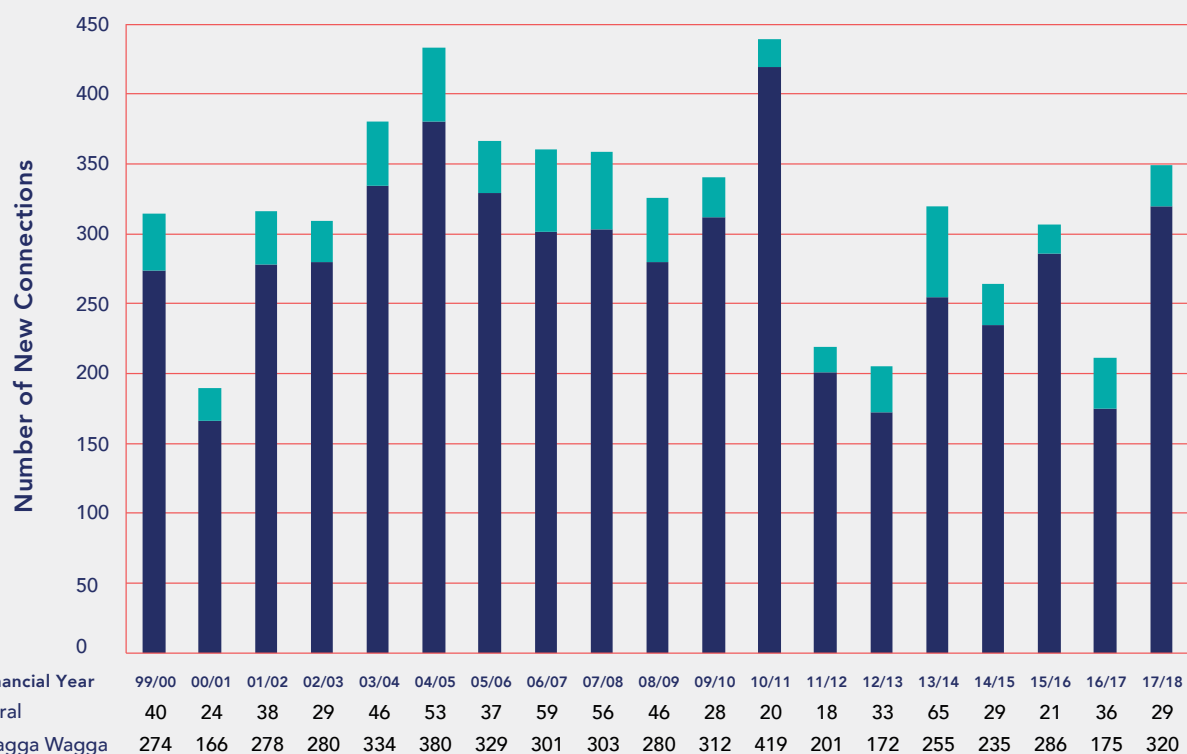
LOCATION	NUMBER CONNECTED					
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Bidgeemia						
Boree Creek						1
Brucedale - The Gap	1		1			
Bulgary		1				
Collingullie		1			2	
Coorabin						
Culcairn						
Currawarna	1		1			
French Park						
Forest Hill		24				
Henty	3	4		3	5	8
Holbrook	8	5	2	3	2	3
Humula						
Ladysmith		2	1		2	
Lockhart	7	6	4	6	5	3
Mangoplah	1			1		
Milbrulong						
Morundah				1		
Morven	1	2	2	1	2	1
Oaklands		3			2	1
Oura	1		2		1	
Pleasant Hills	2	1	1		2	1
Rand						
San Isidore						
Tarcutta			1			1
The Rock		4	1		2	4
Urana		1				1
Uranquinty	2	8	4	5	7	
Wagga Wagga	172	255	235	286	175	320
Walbundrie	1				1	1
Walla Walla	3	2	3		1	3
Woomargama		1	4	1	1	
Yerong Creek	2		2		1	1
TOTALS	205	320	264	307	211	349

Table 5: Number of New Connections 2012/13 – 2017/18

Total customers at 30th June 2018: 32,412

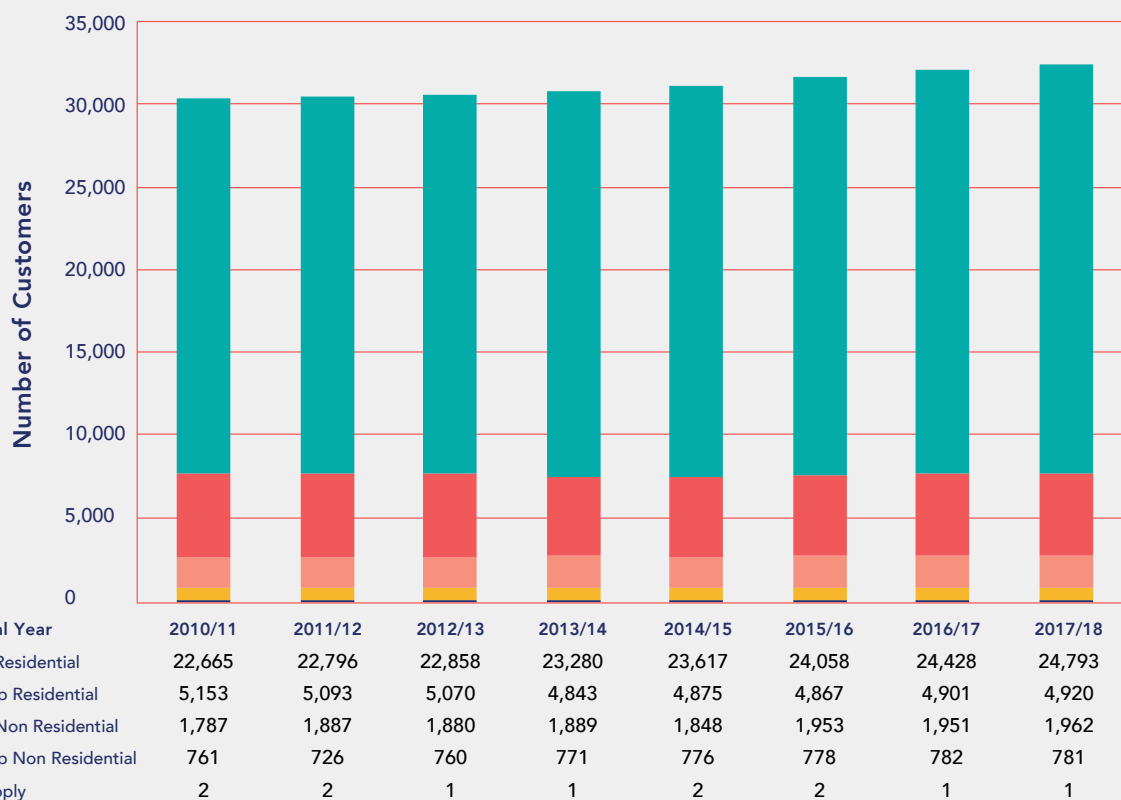
The data shows a minor increase of our township residential connections during 2017/18 and an overall growth in total customers across all areas of 1% for the year. The long term growth rate has averaged 1.2% per annum over the past 8 years.

Number of New Connections



Graph 4: Number of new connections 1999/00 – 2017/18

Number of Customers Historical Analysis



Graph 5: Number of Riverina Water Customers 2010/11 – 2017/18

Pipeline Losses

Estimated pipeline losses due to bursts for each month are shown in the following table. The estimated losses over the past 6 years are shown for comparison.

MONTH	RAINFALL (WAGGA WAGGA AMO)	WET DAYS (<1.0MM)	WAGGA MAIN BREAKS	WAGGA MAIN LOSSES (KL)	RURAL MAIN BREAKS	RURAL MAIN LOSSES (KL)
Jul-17	52.2	9	3	45	3	104
Aug-17	49	7	7	253	9	781
Sep-17	8	3	1	15	1	528
Oct-17	64.8	5	5	14	5	139
Nov-17	37.2	6	0	0	10	296
Dec-17	101.8	7	23	688	9	70
Jan-18	49.8	10	5	48	14	208
Feb-18	24.2	3	9	60	17	253
Mar-18	7.6	2	8	65	14	204
Apr-18	4	2	3	32	12	228
May-18	35.8	4	5	50	9	146
Jun-18	4	14	1	10	19	3
TOTALS	476.4	72	70	1280	127	2960

Table 6: Monthly analysis of pipeline breaks and rainfall for July 2017 – June 2018

YEAR	WAGGA WAGGA		RURAL	
	BURST MAINS	ESTIMATED LOSS ML	BURST MAINS	ESTIMATED LOSS ML
2012/2013	99	2.1	136	15.6
2013/2014	73	7.6	173	8.2
2014/2015	136	10.5	186	8.3
2015/2016	105	2.1	189	49.4
2016/2017	89	1	110	3.15
2017/2018	70	1.28	127	2.96

Table 7: Water losses due to burst mains over the past 6 years

CAPITAL WORKS

The capital works programme was carried out in 2017/18 including the following significant projects:

SCADA System

The radio telemetry system consists of approximately 120 stations throughout council's 15,000 square kilometre supply area, that communicate through two analogue radio repeaters back to the central control room in Wagga Wagga. Much of this system was established in the 1980s.

To meet current and future data collection, remote monitoring and control of water supply assets, Riverina Water commenced its digital upgrade of its analogue radio telemetry system with establishment of a new digital radio repeater at Bomen Reservoir, together with a digital upgrade of its Galore Hill radio repeater system. This work will continue over the next couple of years with the upgrading of Mount Burngoogie radio repeater and establishment of a new digital repeater on the Tabletop range (near Gerogery), as well as upgrading the remote telemetry units (RTUs) and radio at each station.

Water Treatment Plants (WTP's)

Another rural water quality testing laboratory was completed at Ralvona Water Treatment Plant. These facilities allow for appropriate environments to host sensitive laboratory equipment, analysers and store chemical reagents, and also negates the need to transport the various samples back to Wagga Wagga.

Pump Stations

An additional rural pump was installed and commissioned at West Wagga Pump Station. This pump system, in combination with an existing rural pump is able to supply up to 200 litres per second into a new rural 5.5 megalitre reservoir currently being constructed.

Reservoirs

Riverina Water is replacing the open-air 40ML water supply reservoir at Willans Hill, Wagga Wagga with two 11ML reservoirs adjacent to the existing reservoir site. Excavation of the proposed site to build the reservoir pad encountered hard rock that couldn't be removed with earthworks equipment.

Approximately 12,000 cubic meters of hard rock was removed from the proposed site with low charge blasting.

There is also plans to replace the Rural Water Supply Reservoir at Willans Hill, Wagga Wagga with two 5ML reservoirs located off Dunns Road. These reservoirs will provide sufficient capacity for long term future demands on the Rural Water System south of Dunns Road.

The new reservoirs will be constructed in two stages, with the first reservoir to be built in 2018. The second reservoir will be constructed some time in the future, depending on the rate of growth in water demand for the rural system.

Major Trunk Main Replacements

The 22.5 kilometre 200mm trunk main between The Rock and Milbrulong Balance Tank was replaced and upgraded to a 250mm main. The upgrade was based on the following considerations:

- supply into the Western Trunk Main system from the Southern Trunk Main system if Bulgary Bore source or treatment failed
- electricity savings associated with the delayed operation of Urana water treatment plant in summer, as well as, shutdown of Bulgary water treatment plant over winter.
- Greater utilisation of Wagga Wagga's extensive water supply headworks, treatment and pumping systems into the Southern trunk system.

Wagga Wagga Sources and Allocations

The following table compares water abstracted at Wagga Wagga to our Town Water Licence Allocations.

	WATER ACCESS LICENCE (ML)	USED (ML)	% OF ALLOCATION
Surface water - Wagga	7,000	2,912	41.5%
Surface water - other	819	56	6.8%
Ground water - Wagga	14,000	11,808	84.3% (or 95.4% of Long Term Extraction Limit, LTAEI)
Ground Water - other	2,535	989	39.0%
Total Water	24,354	15,764	64.7%

LOW LEVEL RESERVOIRS



Blasting commences



RWCC
Director of
Engineering,
Bede
Spannagle,
inspecting
the site after
blasting

NEW SHIRE RESERVOIR AT DUNNS ROAD



Pouring
reservoir slab,
Dunns Road



Lifting of the
precast wall
panels, rural
reservoir,
Dunns Road

FINANCIAL INFORMATION

CHARGES FOR WATER

Council's pricing allows customers to have control of their bills with a fixed charge and a usage charge. Water used for fire-fighting purposes is not charged. Shown below are the water charges for 2017-18.

GENERAL TARIFF	
First 125 kilolitres per quarter -	1.44
Balance per kilolitre per quarter -	2.15
STRATA TITLE UNITS AND FLATS	
First 125 kl per quarter per unit	1.44
Balance per kilolitre per unit	2.15
(For Strata complexes and Flats where units are not individually metered, the total metered consumption is evenly apportioned between units)	
INDUSTRIAL TARIFFS	
Processing or manufacturing industries with consistent year round usage:	
First 41 kilolitres per month	1.44
Balance above 42 kl per month	2.15
Balance above 3000 kl per month	2.15
Large scale processing or manufacturing industries with consistent year round usage and specifically approved by Council.	
First 3000 kl per month	1.44
Balance above 3000 kl per month	1.44
COMMERCIAL TARIFF	
First 125 kl per quarter / 41 kl per month	1.44
Balance per kilolitre per quarter	2.15
COMMUNITY FACILITIES	
Hospitals, Schools/TAFE/University, Parks and Gardens, Council Swimming Pools	1.44
NON-POTABLE WATER	
First 125 kilolitres per quarter -	0.72
Balance per kilolitre per quarter -	1.08
BULK SUPPLY	
Application of this tariff will be at the discretion of the Council	1.44
PRIMARY PRODUCERS TARIFF	
All rural services along Council's trunk mains	1.44
(Riverina Water provides a Rural Peak Demand level of service of 11,000 litres per farm per day (stock and domestic) based on uniform flow over a 24 hour period.)	

CONDITION OF PUBLIC WORKS UNDER COUNCIL'S CONTROL

Council is required to report on the condition of public works under its control including estimates to bring each works up to a satisfactory standard, maintenance needs and maintenance programmes.

The public works owned and operated by Riverina Water County Council are summarised in the following table:

ASSET DESCRIPTION	ASSET LIFE	REPLACEMENT COST \$'000	REMAINING LIFE VALUE AT JUNE 2018 \$'000
Water Mains – distribution, rural & reticulation	Iron 75 yrs Other 50 yrs	294,562	194,594
Reservoirs – 69 of	Steel 60 yrs Conc. 100 yrs	61,574	44,898
Pumping Stations – 65 of	20-50 yrs	16,252	9,130
Water Treatment Plants – 14 of Aeration – 10 Filtration – 6	50 yrs	42,898	28,145
Water Supply Bores – 28	30 yrs Stainless steel-40 yrs	11,863	6,972
Land & Buildings – other	50	20,524	18,917
TOTAL		447,673	302,656

NB Independent valuers were engaged to revalue all water supply assets in 2015/16.

The work required to bring those sections of the work that need improvement up to a satisfactory standard, the annual maintenance to maintain the standard, and the 2017/2018 programme of maintenance for the works is outlined in the following tables. The capital works programme details the replacement of individual sections of the network. The major need is for renewal of older water mains, based on the theoretical lifespan of each type of pipe. Some of these mains are however still serving their intended purpose and the relative urgency of renewal is not critical.

SPECIAL SCHEDULE 7

Report on Infrastructure Assets as at 30th June 2018

\$,000s

ASSET CLASS	ASSET CATEGORY	ESTIMATED COST TO BRING ASSETS TO SATISFACTORY STANDARD	ESTIMATED COST TO BRING TO THE AGREED LEVEL OF SERVICE SET BY COUNCIL	2017/18 REQUIRED MAINTENANCE*	2017/18 ACTUAL MAINTENANCE*
Buildings	Building - non-specialised	-	-	223	217
	Building - specialised	-	-	140	124
	Sub-total	-	-	363	341
Water Supply network	Treatment Plants	2,552	2,552	680	616
	Bores	266	266	170	112
	Reservoirs	1,085	1,085	215	266
	Pumping Stations	252	252	170	100
	Pipeline	17,674	17,674	1,065	1,293
	Sub-total	21,829	21,829	2,300	2,387
	TOTAL - ALL ASSETS	21,829	21,829	2,663	2,728

Notes:

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

INFRASTRUCTURE ASSET CONDITION ASSESSMENT 'KEY'		
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

NET CARRYING AMOUNT	GROSS REPLACEMENT COST (GRC)	ASSETS IN CONDITION AS A PERCENTAGE OF GROSS REPLACEMENT COST				
		1	2	3	4	5
3,249	3,784	40%	54%	6%	0%	0%
11,252	12,324	55%	12%	31%	2%	0%
14,501	16,108	51.5%	21.9%	25.1%	1.5%	0.0%
28,145	42,898	0%	17%	38%	45%	0%
6,972	11,863	3%	30%	63%	4%	0%
44,898	61,574	10%	11%	54%	24%	1%
9,130	16,252	9%	9%	68%	7%	7%
194,594	294,562	25%	37%	32%	6%	0%
283,739	427,149	19.1%	30.0%	38.0%	12.5%	0.4%
298,240	443,257	20.3%	29.7%	37.5%	12.1%	0.4%

SUMMARY OF DISCLOSABLE LEGAL PROCEEDINGS

Regulation 217 (1) (a3)

During 2017-18 Council expended \$17,713 in legal fees.

Seventeen water and sundry accounts were referred for external debt recovery action. Of these all but one had been satisfactorily resolved at end of June 2018.

AMOUNTS CONTRIBUTED / GRANTED UNDER SECTION 356

Regulation 217 (1) (a5)

Section 356 enables Council to contribute funds to persons for the purpose of exercising its functions.

During 2017-18, the Council made donations of \$106,902 under this Section.

OVERSEAS VISITS FUNDED BY COUNCIL

Regulation 217 (1) (a)

No overseas visits undertaken by Councillors and others representing Council during 2017/2018.

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT, 2009

In accordance with the provisions of the Government Information (Public Access) Act, 2009, Council has completed its annual statistics for the twelve month period ended 30th June 2018. One application was received by Council during the 2017/2018 period. Council has not received any enquiries from the Ombudsman under the Government Information (Public Access) Act, 2009 nor has it received any appeals under that Act to the District Court or the Supreme Court. Council

has reviewed what information is made publicly available and this is to remain unchanged.

Statistical Details:

INFORMATION REQUESTS	NUMBER OF REQUESTS
Access Applications	One
Refused Applications	Nil
Applications to access excluded information	Nil

INFORMATION PROTECTION ACT, 1998

In accordance with the provisions of the Information Protection Act 1998 Section 33(e) Council adopted a Privacy Management Plan, vide resolution No. 00/69.

The Privacy Management Plan provides for the protection of personal information and for the protection of the privacy of individuals. No applications were received by Council for review under Part 5 of the Act during the 2017/2018 period.

CERTIFICATE OF CONFIRMATION – GOODS AND SERVICES TAX

RIVERINA WATER COUNTY COUNCIL GOODS AND SERVICES TAX CERTIFICATE

Payment of Voluntary GST 1 July 2017 to 30 June 2018

To assist compliance with Section 114 of the Commonwealth Constitution, we certify that:

- Voluntary GST has been paid by Riverina Water County Council for the period 1 July 2017 to 30 June 2018.
- Adequate management arrangements and internal controls were in place to enable the Council to adequately account for its GST liabilities and recoup all GST input tax credits eligible to be claimed.
- No GST non-compliance events by the Council were identified by or raised with the Australian Taxation Office.



Mr Andrew Crakanthorp
GENERAL MANAGER



Miss Emily Tonacia
RESPONSIBLE ACCOUNTING OFFICER

Date: 3 July 2018

COUNCILLOR'S EXPENSES AND FACILITIES POLICY



POLICY REFERENCE NUMBER		POL 1.10	
ORIGINAL PUBLICATION DATE		27 AUGUST 1997	
REVISION NUMBER	ISSUE DATE	APPROVED	APPROVED DATE
0	27 August 1997	Res: 97/57	27 August 1997
1		Res: 05/86	19 October 2005
2		Res: 06/77	17 October 2006
3		Res: 07/65	22 August 2007
4		Res: 08/54	27 August 2008
5		Res: 09/73	26 August 2009
6		Res: 10/100	25 August 2010
7		Res: 11/87	24 August 2011
8		Res: 12/144	24 October 2012
9		Res: 13/107	23 August 2013
10		Res: 14/92	20 August 2014
11		Res 15/120	2 September 2015
12		Res 16/133	24 August 2016
13		Res 16/189	26 October 2016
This document is to be reviewed in the first 12 months of the term of new Council. Next review date: October 2020			
RESPONSIBLE OFFICER		General Manager	

PART A – INTRODUCTION

1.0 GENERAL PROVISIONS

1.1 Purpose of the Policy

The purpose of the Policy is to ensure there is accountability and transparency in the reimbursement of expenses incurred or to be incurred by Councillors.

The Policy also ensures that the facilities provided to assist Councillors to carry out their civic duties are reasonable.

1.2 Objectives and coverage of the Policy

To give guidance to the Chairman and Councillors as to what facilities and resources are available to them.

To provide direction for the payment of expenses incurred, or to be incurred, by Councillors and the provision of facilities to the Chairman and other Councillors in relation to discharging the functions of their office.

Implementation of our legislative responsibility, in adopting a policy concerning the payment of expenses and the provision of facilities and resources to the Chairman and Councillors in carrying out their civic duty (Sections 252 and 253 of the Local Government Act 1993).

1.3 Making and Adoption of the Policy

Council must implement section 253 of the Local Government Act 1993 before adopting or amending a policy. Council must give public notice of its intention and allow at least 28 days for public submissions.

Council must consider any submissions received and make any appropriate changes to the policy. Council does not need to give public notice of a proposed amendment to the policy, if the amendment is not substantial.

The term “not substantial” should be taken to mean minor changes to wording of the policy or changes to monetary provisions or rates that are less than 5%. It also means minor changes to the standard of the provision of equipment and facilities. Substantial amendments to the policy that could include larger changes to monetary limits than the limit noted

above, and/or major changes to the standard provision of equipment and facilities, will require public notice of the amendment. Any new category of expenses, facilities and equipment included in the policy will also require public notice.

1.4 Promotion and Availability of the Policy

Council should promote its policies on the payment of expenses and the provision of facilities to councillors to the community by placing them on their websites and making them readily accessible. Council should ensure that the policy is easy to locate and view by the public.

1.5 Review

Councils are required within 12 months of the term of a new council to review and submit their policy to the Chief Executive of the Office of Local Government within 28 days of adoption by council.

1.6 Reporting Requirements

- Section 428 of the Local Government Act 1993 requires council to include in its annual report:
- the councils policy on the provision of facilities for, and the payment of expenses to, mayors and councillors,
- the total amount of money expended during the year on providing those facilities and paying those expenses,
- additional information as required by the Local Government (General) Regulation 2005.

1.7 Legislative Provisions

1.7.1 Provisions under the Local Government Act 1993

Changes to sections 252(5) and 253 of the Local Government Act 1993, made by the Local Government Amendment Act 2005, require councils to make and submit their Expenses and Provision of Facilities Policy annually to the Department of Local Government.

Section 252 of the Local Government Act 1993 requires councils to adopt or amend a policy annually for the payment of expenses and the provision of facilities to mayors, deputy mayors and other councillors. Mayors and councillors can only be reimbursed for expenses and provided with

facilities in accordance with this policy.

Section 252 also makes provision for a council to reduce the amount payable to mayors and councillors (under sections 248-251 of the Local Government Act 1993) by the amount representing any private benefit of a facility provided by the council to them. It also requires that the policy be made under the provisions of this Act, the Local Government (General) Regulation and any relevant guidelines issued under section 23A of the Act.

Section 253 specifies actions that council must undertake before a policy concerning expenses and facilities can be adopted or amended. As earlier stated these actions include a requirement to give public notice with a minimum period of 28 days for the making of submissions, procedure for consideration of any submissions received and circumstances where public notice is not required. This section also details the reporting requirements to the Chief Executive.

Section 254 requires that part of a council or committee meeting which considers the adopting or amending of such a policy must not be closed to the public.

The Government Information Public Access Act 2009 and Regulation 2009 provides that the public is able to inspect during office hours at the council, and at no charge, the current version and the immediately preceding version of the council's expenses and facilities policy. The public are also entitled to a copy of the policy, either free of charge, or, on payment of a reasonable copying charge.

Section 23A makes provision for the Director-General of the Division of Local Government to prepare, adopt or vary guidelines that relate to the exercising by a council of any of its functions. It also requires that a council must take the relevant guidelines into consideration before exercising any of its functions.

Section 428(4)(b) requires that councils must report on any other information required by the regulations.

1.7.2 Provisions under the Local Government (General) Regulation 2005

Clause 217 Provides details of information to be included in Councils Annual Report in addition to the above provisions, such as details of overseas trips by councillors and staff representing Council

and details of expenses paid to Councillors.

Clause 403 (Payment of expenses and provision of facilities) states:

A policy under section 252 of the Local Government Act 1993 must not include any provision enabling a council:

- (a) *to pay any councillor an allowance in the nature of a general expense allowance, or*
- (b) *to make a motor vehicle owned or leased by the council available for the exclusive or primary use or disposition of a particular Councillor other than a mayor.*

1.8 Other NSW Government Policy Provisions

1.8.1 Department of Local Government Guidelines

As previously noted under section 252(5) of the Local Government Act 1993 the council expenses policy must comply with these guidelines issued under section 23A of the Act.

1.8.2 Department of Local Government Circulars to Councils

The policy must take into account the following Circulars:

- Circular 11/27 Findings from Review of Councillors Expenses and Facilities Policies
- Circular 10/26 Misuse of Council Resources
- Circular 09/36 Updated Guidelines for the Payment of Expenses and the provision of facilities to Mayors and Councillors – Additional annual reporting requirements and other matters
- Circular 05/08 Legal Assistance for Councillors and Council Employees
- Circular 02/34 Unauthorised Use of Council Resources

1.8.3 The Model Code of Conduct for Local Councils in NSW

The policy should be consistent with the Model Code of Conduct for Local Councils in NSW, Department of Local Government – June 2008.

1.8.4 ICAC Publication – No Excuse for Misuse, Preventing the Misuse of Council Resources

Councils should also be aware of and take account of the Independent Commission Against Corruption (ICAC) publication, *No Excuse for Misuse, Preventing the Misuse of Council Resources (Guidelines 2) November 2002*.

This publication is available on the ICAC website at www.icac.nsw.gov.au.

1.9 Approval Arrangements

Approval of councillors to attend conferences and other council business that involves travel and/or accommodation should be, where possible, approved by a full meeting of the council. If this is not possible, the approval should be given jointly by the Chairperson and General Manager.

If the Chairperson requires approval to travel outside of council meetings, it should be given jointly by the Deputy Chairperson, or another councillor, if the Deputy Chairperson is unavailable and the General Manager.

PART B – PAYMENT OF EXPENSES

2.0 GENERAL PROVISIONS

2.1 Payment of Expenses Generally

This policy sets levels of expenses and facilities to realistically account for costs incurred by councillors independent of the level of their annual fees.

2.1.1 Allowances and Expenses

The Local Government Remuneration Tribunal determines the minimum and maximum limit of fees payable to Chairperson and councillors according to the category of council. The council will determine the actual level of fees between these limits on an annual basis following the determination of the Local Government Remuneration Tribunal.

The amount of the annual fee for the Chairperson and Councillors will be paid monthly in arrears.

During the month of June in each year, the Council will review the fees and expenses paid to or facilities provided for the Chairperson and Councillors and determine the amounts to be paid for the ensuing year.

The amount of expenses for conveyance to official Council functions by car will be determined by the rates provided in the Council's Award and will be paid monthly in arrears to Councillors that do not reside in the Local Government Area where the function is being held.

Provided that where a Councillor ceases to be the Chairperson, the fee to be paid will be calculated on a daily basis for the proportion of the month that the Councillor remained the Chairperson.

Similarly, where a Councillor is elected Chairperson, the fee to be paid will be calculated on a daily basis for the proportion of the month in which the Councillor became Chairperson.

2.1.2 Reimbursement and Reconciliation of Expenses

Actual expenses incurred by councillors in carrying out civic duty are only reimbursed upon the production of appropriate receipts, tax invoices and other documentation, together with the completion of the required claim forms. Expenses and costs incurred must be in accordance with the requirements of this policy.

2.1.3 Payment in Advance

Councillors may request payment in advance in anticipation of expenses to be incurred in attending conferences, seminars and training away from home. Councillors may also request an advance payment for the cost of any other service or facility covered by the policy. However, councillors must fully reconcile all expenses against the cost of the advance when they return within two months. No allowance type expense payment will be payable in any circumstances.

2.2 Establishment of Monetary Limits and Standards

2.2.1 Monetary Limits as to Expenses

The monetary limit for expenses will be generally guided by the budgeted items in the Operational Plan under the following line items:

- Travelling and Subsistence Allowance – Councillors
- Councillor Expenses

Some expenses will have a specific limit or rate set.

2.2.2 Standard of Provision of Equipment and Facilities

The standard of provision of equipment and facilities will be done so in conjunction with staff to ensure the most economically efficient method of delivery. This applies to accommodation, travel, services and facilities.

2.3 Spouse and Partner Expenses

There may be limited instances where certain costs incurred by the councillor on behalf of their spouse, partner or accompanying person are properly those of the councillor in the performance of his or her functions (hence they are properly incurred by, and reimbursable to the councillor). An accompanying person is a person who has a close personal relationship with the councillor and/or provides carer support to the councillor.

As a consequence, meeting the reasonable costs of spouses and partners or an accompanying person for attendance at official council functions that are of a formal and ceremonial nature, is considered appropriate where accompanying councillors within the Riverina Water County Council area. Such functions would be those that a councillor's spouse, partner or accompanying person could be reasonably expected to attend. Examples could include, but not be limited to, Australia Day award ceremonies, civic receptions and charitable functions for charities formally supported by the council.

Limited expenses of spouses, partners or accompanying persons associated with attendance at the Local Government New South Wales annual conference may be met by council. These expenses will be limited to the cost of registration and the official conference dinner. Travel expenses, any additional accommodation expenses, and the cost of partner/accompanying person tours etc. are the personal responsibility of individual councillors. Consideration will be given to the payment of expenses for the spouse, partner or accompanying person of the Chairperson, or councillor when they are representing the Chairperson, when they are called on to attend an official function of council or carry out an official ceremonial duty while accompanying the Chairperson outside the council area, but within the general region of the Council. Examples include charitable functions to which the Chairperson has been invited and award ceremonies and other functions to which the Chairperson is invited to represent the council.

The above circumstances shall be distinguished from spouses, partners or accompanying persons who accompany a councillor at any event or function outside the council area, including interstate or overseas, where the costs and expenses of the spouse or partner or accompanying person should not be paid by council (with the exception of the attendance at the Local Government New South Wales annual conference, as noted above).

The above examples shall also be distinguished from circumstances where spouses, partners or accompanying persons accompany councillors at seminars and conferences and the like. In these situations all costs, including any additional accommodation costs, must be met by the councillor or the Spouse/partner/accompanying person.

The payment of expenses for spouses, partners or accompanying persons for attending appropriate functions as permitted above shall be confined specifically to the ticket, meal and/or the direct cost of attending the function. Peripheral expenses incurred by spouses, partners or accompanying persons such as grooming, special clothing and transport are not considered reimbursable expenses.

2.4 Incidental Expenses

Reasonable out of pocket or incidental expenses associated with attending conferences, seminars or training courses that councillors incur may be reimbursed upon the presentation of official receipts and the completion of the necessary claim forms.

Incidental expenses could reasonably include telephone or facsimile calls, refreshments, internet charges, laundry and dry cleaning, newspapers, taxi fares and parking fees. In addition, the cost of meals not included in the registration fees for conferences or similar functions may be reimbursed after reconciliation.

All advanced payments are required to be reconciled.

2.5 Authorisation of Claims

Travel claims will be authorised as follows:

- The General Manager will authorise travel expense claims made by the Chairperson and Councillors. The Chairperson will authorise the General Manager's travel claims.

- Travel expenses claimed by a traveller but not supported with receipts will not be paid for by Council
 - o supporting documentation should be dated to allow the authorising officer to determine if the expense item related to the authorised period of travel
 - o receipts should also contain details of the nature of the transaction to allow the authorising officer to determine if the item is valid or not
- Registration fees for a conference can entitle the traveller to included meals at the conference venue. Claims for meals at other venues when these included conference meals are available will not be paid for by Council.
- Claims for meals / drinks / entertainment for "other people" will only be considered for possible authorisation if the name / position / organisation of the "other people" are detailed - if no details are provided, Council will not pay the claim.
- Payment in Advance - Provision of a payment in advance may be requested by a Councillor however such an advance must be fully accounted for upon return and any unspent portion returned to Council.

3.0 SPECIFIC EXPENSES FOR CHAIRPERSON AND COUNCILLORS

3.1 Attendance at Seminars and Conferences

Riverina Water Councillors are required to represent Council from time to time at a variety of seminars and conferences.

Attendance at these events will be approved by Council and recorded in the minutes of the relevant meeting. All travel, accommodation and seminar/conference fees, as well as incidental expenses will be met by Council.

Council will meet reasonable costs of accommodation and acknowledges the economic and practical benefits of being accommodated at the conference /seminar venue.

Council will also meet reasonable costs of main meals where any of these meals are not provided as part of the conference. Receipts of purchases will

need to be presented for reimbursement. Costs for mini bar use will not be paid by Council.

A written report shall be provided to the Council on the seminar/conference by the Councillor or accompanying staff member (Local Government New South Wales Annual Conferences excepted).

3.2 Training and Educational Expenses

It is desirable for Councillors to undertake training and development from time to time.

Attendance at these events will be approved by Council and recorded in the minutes of the relevant meeting. All travel, accommodation and training fees, as well as incidental expenses will be met by Council.

3.3 Motor Vehicle Travel Arrangements and Expenses

A Council vehicle shall be made available for the use of councillors wherever possible. However where it is not possible and councillors are required to provide their own private transport for travelling on authorised Council business then the councillors shall be paid an allowance for travelling at the rate specified in the Riverina Water Council Enterprise Award, currently:

- Under 2.6 Litres - \$0.74 per kilometre
- 2.6 Litres and Over - \$0.75 per kilometre

Council will also meet the costs associated with parking and road tolls. The driver of the vehicle is personally responsible for all traffic or parking fines incurred while travelling in private or Council owned vehicles and should abide by Council's Safe Driving Policy (Policy 3.4).

3.4 Overseas Travel

Councils shall avoid international visits unless direct and tangible benefits can be established for the council and the local community. Detailed proposals for overseas travel should be provided, including the nomination of the councillors undertaking the trip, purpose of the trip and expected benefits. The duration, itinerary and approximate total costs of each proposed visit, should also be provided.

Overseas travel must be approved by a meeting of the full council prior to a councillor undertaking the trip. Travel must be approved on an individual trip basis. Council shall not allow the retrospective reimbursement of overseas travel expenses unless

prior authorisation of the travel has been obtained.

Travel proposals should be included in the council business papers. The use of a chairperson's minute to obtain council approval for travel is not appropriate and is not consistent with the principles of openness and transparency.

After returning from overseas, councillors, or accompanying member of council staff, should provide a detailed written report to council on the aspects of the trip relevant to council business and/or the local community. Councillors are also strongly encouraged to report back on their overseas travel to a full meeting of the council.

Details of overseas travel must also be included in council's annual reports.

3.5 Interstate Travel

Prior approval of travel should generally be required for interstate travel. The application for approval shall include full details of the travel including itinerary, costs and reasons for the travel.

3.6 Attendance at Dinners and Other Non-Council Functions

Consideration will be given to meeting the cost of councillors' attendance at dinners and other non-council functions which provide briefings to councillors from key members of the community, politicians and business. Approval to meet expenses shall only be given when the function is relevant to the council's interest. Only the cost of the service provided shall be met. No payment shall be reimbursed for any component of a ticket that is additional to the service cost of the function, such as a donation to a political party or candidate's electoral fund, or some other private benefit. An additional payment to a registered charity may be acceptable as part of the cost of the function after prior approval by Chairman and General Manager.

3.7 Care and Other Related Expenses

Riverina Water County Council will make the provision for the reimbursement of the reasonable cost of carer arrangements, including childcare expenses and the care of elderly, disabled and/or sick immediate family members of councillors, to allow councillors to undertake their council business obligations. This is in accordance with the principles of participation, access and equity and is considered by the Division of Local Government to be a legitimate expense. Councillors claiming the

carer expense should not be subject to criticism for doing so.

Consideration shall be given to the payment of other related expenses associated with the special requirement of councillors such as disability and access needs, to allow them to perform their normal civic duties and responsibilities. Application shall be made for such expenses.

3.8 Insurance Expenses and Obligations

Section 382 of the Local Government Act 1993 requires a council to make arrangements for its adequate insurance against public liability and professional liability. Councillors are covered under such following insurance policies held by Riverina Water County Council:

- Professional Indemnity (for matters arising out of councillors' performance of their civic duties and/or exercise of their council functions)
- Public Liability (for matters arising out of councillors' performance of their civic duties and/or exercise of their council functions)
- Statutory Liability (provides indemnity for fines and penalties arising out of conduct of the business of Council)
- Personal Accident (provides for the payment of non-medical expenses and loss of wages resulting from an accident whilst on official business for the Council and a capital payment if the accident results in death)

3.9 Legal Expenses and Obligations

Council may indemnify or reimburse the reasonable legal expenses of a hearing into a Councillor's conduct by an appropriate investigative or review body in the following actions:

- a. A Councillor defending an action arising from the performance in good faith of a function under the Local Government Act (section 731 refers) or
- b. A Councillor defending an action in defamation provided the statements complained of were made in good faith in the course of exercising a function under the Act or
- c. A Councillor for proceedings before the Council's Conduct Review Committee/Reviewer, Office of the NSW Ombudsman, Independent Commission Against Corruption, Division of

Local Government, Department of Premier and Cabinet, NSW Police Force, Director of Public Prosecutions Local Government Pecuniary Interest and Disciplinary Tribunal or an investigative body provided the subject of the proceedings arises from the performance in good faith of a function under the Act and the Tribunal or investigative body makes a finding substantially favourable to the Councillor.

Council will not meet the costs of an action in defamation taken by a Councillor or council employee as plaintiff in any circumstances. Council will not meet the costs of a Councillor or council employee seeking advice in respect of possible defamation or in seeking a non-litigious remedy for possible defamation.

Legal assistance and reimbursement as specified above will only be provided upon resolution of Council.

PART C – PROVISION OF FACILITIES

4.0 GENERAL PROVISIONS

4.1 Provision of Facilities Generally

Councillors are provided with access and use of the following:

- Access to a room suitably furnished for use by all councillors
- Access to a motor vehicle for the purpose of attending conferences, seminars, official functions or meetings outside of Wagga Wagga
- Use of Council photocopiers, telephones, computers, facsimile machines and associated equipment in the course of undertaking official business.

Councillors should not generally obtain private benefit from the provision of equipment and facilities, nor from travel bonuses or any other loyalty schemes. However it is acknowledged that incidental use of Council equipment and facilities may occur from time to time. Such incidental use is not subject to a compensatory payment. Where more substantial private use has occurred, the Act provides that a payment may be made to cover the level of that private use.

5.0 PROVISION OF EQUIPMENT AND FACILITIES FOR COUNCILLORS

Each Councillor will be provided with business cards, name badge and an iPad®. Any equipment issued to the Chairperson or Councillors remains the property of the Council and is to be returned to Council upon the Chairperson or councillor ceasing to hold office, unless Council makes a resolution otherwise.

6.0 ADMINISTRATIVE SUPPORT

The Chairperson shall be provided secretarial support in relation to official correspondence.

7.0 SUSTENANCE/MEALS

Councillors shall, at the discretion of the General Manager, be provided with a meal and/or refreshments in conjunction with their attendance at Committee/Council meetings or at any official ceremony or gathering authorised by Council or the Chairperson or in carrying out their Council responsibilities including meetings with its residents, ratepayers or guests of Riverina Water County Council.

8.0 DISPUTE PROCESS

Any dispute over the payment or reconciliation of expenses to a Councillor is to be addressed in writing to the General Manager outlining reasons. If available, the disputed claim should be supported with relevant documentation. The General Manager is to review the matter within 14 days and provide a written response detailing his/her resolution to the dispute.

FINANCIAL STATEMENTS



Riverina Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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



Riverina Water County Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

91 Hammond Avenue
Wagga Wagga NSW 2650

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

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

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

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

Riverina Water County Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 August 2018.


 Mr G Verdon
 Chairperson


 Mr P Funnell
 Councillor


 Mr A Crakanthorp
 General Manager


 Ms E Tonacia
 Responsible Accounting Officer

Riverina Water County Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
5,016	Rates and annual charges	3a	5,271	5,221
20,901	User charges and fees	3b	22,877	21,412
200	Interest and investment revenue	3c	595	522
125	Other revenues	3d	281	492
207	Grants and contributions provided for operating purposes	3e,f	602	648
2,662	Grants and contributions provided for capital purposes	3e,f	3,319	2,392
Other income:				
–	Net gains from the disposal of assets	5	–	78
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	25	75
29,111	Total income from continuing operations		32,970	30,840
Expenses from continuing operations				
8,330	Employee benefits and on-costs	4a	7,942	8,127
745	Borrowing costs	4b	653	163
3,489	Materials and contracts	4c	2,202	2,026
7,120	Depreciation and amortisation	4d	6,066	5,979
5,015	Other expenses	4e	4,389	3,239
–	Net losses from the disposal of assets	5	8	–
24,699	Total expenses from continuing operations		21,260	19,534
4,412	Operating result from continuing operations		11,710	11,306
4,412	Net operating result for the year		11,710	11,306
4,412	Net operating result attributable to Council		11,710	11,306
Net operating result for the year before grants and contributions provided for capital purposes				
1,750			8,391	8,914

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

Riverina Water County Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		11,710	11,306
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	5,835	3,815
Gain (loss) on revaluation of intangible assets		600	–
Total items which will not be reclassified subsequently to the operating result		6,435	3,815
Total other comprehensive income for the year		6,435	3,815
Total comprehensive income for the year		18,145	15,121

Riverina Water County Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	19,135	21,246
Investments	6b	7,000	–
Receivables	7	3,576	3,587
Inventories	8	2,334	2,383
Total current assets		32,045	27,216
Non-current assets			
Infrastructure, property, plant and equipment	9	346,174	335,702
Intangible assets	10	4,300	3,575
Total non-current assets		350,474	339,277
TOTAL ASSETS		382,519	366,493
LIABILITIES			
Current liabilities			
Payables	11	1,018	1,449
Income received in advance	13	462	427
Borrowings	11	1,675	1,582
Provisions	12	3,713	3,861
Total current liabilities		6,868	7,319
Non-current liabilities			
Borrowings	11	9,012	10,680
Total non-current liabilities		9,012	10,680
TOTAL LIABILITIES		15,880	17,999
Net assets		366,639	348,494
EQUITY			
Accumulated surplus	13	121,909	110,199
Revaluation reserves	13	244,730	238,295
Total equity		366,639	348,494

Riverina Water County Council

Statement of Changes in Equity
for the year ended 30 June 2018

		2018	IPP&E		2017	IPP&E	
	Notes	Accumulated	revaluation	Total	Accumulated	revaluation	Total
\$ '000		surplus	reserve	equity	surplus	reserve	equity
Opening balance		110,199	238,295	348,494	98,893	234,480	333,373
Net operating result for the year as reported in the 2017 financial statements		11,710	—	11,710	11,306	—	11,306
Net operating result for the year		11,710	—	11,710	11,306	—	11,306
Other comprehensive income							
— Gain (loss) on revaluation of IPP&E	9	—	5,835	5,835	—	3,815	3,815
— Gain (loss) on revaluation of intangible assets		—	600	600	—	—	—
Other comprehensive income		—	6,435	6,435	—	3,815	3,815
Total comprehensive income (c&d)		11,710	6,435	18,145	11,306	3,815	15,121
Equity – balance at end of the reporting period		121,909	244,730	366,639	110,199	238,295	348,494

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

Riverina Water County Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
5,002	Rates and annual charges		5,287	5,224
20,901	User charges and fees		22,822	21,474
229	Investment and interest revenue received		559	550
2,872	Grants and contributions		3,966	3,074
–	Bonds, deposits and retention amounts received		–	39
1,179	Other		1,872	4,184
Payments:				
(7,955)	Employee benefits and on-costs		(8,138)	(8,059)
(3,418)	Materials and contracts		(2,319)	(2,507)
(745)	Borrowing costs		(653)	(163)
–	Bonds, deposits and retention amounts refunded		(13)	–
(5,015)	Other		(6,108)	(3,697)
13,050	Net cash provided (or used in) operating activities	14b	17,275	20,119
Cash flows from investing activities				
Receipts:				
–	Sale of infrastructure, property, plant and equipment		214	452
Payments:				
–	Purchase of investment securities		(7,000)	–
(23,523)	Purchase of infrastructure, property, plant and equipment		(11,025)	(17,716)
(23,523)	Net cash provided (or used in) investing activities		(17,811)	(17,264)
Cash flows from financing activities				
Receipts:				
6,000	Proceeds from borrowings and advances		–	–
Payments:				
(1,626)	Repayment of borrowings and advances		(1,575)	(1,499)
4,374	Net cash flow provided (used in) financing activities		(1,575)	(1,499)
(6,099)	Net increase/(decrease) in cash and cash equivalents		(2,111)	1,356
12,283	Plus: cash and cash equivalents – beginning of year	14a	21,246	19,890
6,184	Cash and cash equivalents – end of the year	14a	19,135	21,246
Additional Information:				
	plus: Investments on hand – end of year	6b	7,000	–
	Total cash, cash equivalents and investments		26,135	21,246

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 21/09/2018.

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

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

Basis of preparation

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

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

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

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 11 (c).

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating specialised assets the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

- AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

The standard is not expected to have a material impact on Council's future financial statements.

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

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

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

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

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

- AASB 16 *Leases*

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

Council is currently not party to any leases. This standard is not expected to have impact on Council's future financial statements.

Riverina Water County Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Water supplies	32,970	30,840	21,260	19,534	11,710	11,306	602	648	382,057	366,066
Total functions and activities	32,970	30,840	21,260	19,534	11,710	11,306	602	648	382,519	366,493

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, Wagga Wagga and parts of the Greater Hume Shire and Federation Council.

Riverina Water County Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Water supply services – commercial	486	485
Water supply services – residential	4,785	4,736
Total annual charges	5,271	5,221
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>5,271</u>	<u>5,221</u>
Accounting policy for rates and annual charges		
Annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.		
Control over assets acquired from 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.		
(b) User charges and fees		
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Water supply services – commercial	7,010	6,778
Water supply services – residential	14,896	13,694
Total specific user charges	21,906	20,472
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	5	153
Section 603 certificates	154	147
Total fees and charges – statutory/regulatory	159	300
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	30	26
Standpipe fees	197	203
Water connection fees	585	411
Total fees and charges – other	812	640
<u>TOTAL USER CHARGES AND FEES</u>	<u>22,877</u>	<u>21,412</u>

Accounting policy for user charges and fees

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	83	104
– Cash and investments	512	418
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>595</u>	<u>522</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	83	104
General Council cash and investments	512	418
Total interest and investment revenue recognised	<u>595</u>	<u>522</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Insurance claim recoveries	–	138
Lease rental	9	22
Sales – general	115	204
Sales – scrap material	4	23
Temporary water allocation	153	105
<u>TOTAL OTHER REVENUE</u>	<u>281</u>	<u>492</u>

Accounting policy for other revenue

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

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
Specific purpose				
Pensioners' rates subsidies:				
– Water	200	205	–	–
Diesel and alternative fuels	25	10	–	–
LIRS subsidy	377	433	–	–
Total specific purpose	602	648	–	–
Total grants	602	648	–	–
Grant revenue is attributable to:				
– Commonwealth funding	225	433	–	–
– State funding	377	215	–	–
	602	648	–	–
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 64 – water supply contributions	–	–	3,319	2,392
Total developer contributions	–	–	3,319	2,392
TOTAL GRANTS AND CONTRIBUTIONS	602	648	3,319	2,392

Accounting policy for contributions

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	7,081	6,897
Travel expenses	161	148
Employee leave entitlements (ELE)	1,233	1,182
Superannuation	1,272	1,252
Workers' compensation insurance	147	120
Fringe benefit tax (FBT)	19	44
Payroll tax	479	466
Training costs (other than salaries and wages)	242	246
Uniforms	57	51
Sick leave bonus	153	276
Total employee costs	10,844	10,682
Less: capitalised costs	(2,902)	(2,555)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>7,942</u>	<u>8,127</u>
Number of 'full-time equivalent' employees (FTE) at year end	96	94

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Riverina Water County Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		653	737
Total interest bearing liability costs		653	737
Less: capitalised costs – water treatment plant		–	(574)
Total interest bearing liability costs expensed		653	163
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>653</u>	<u>163</u>

Accounting policy for borrowing costs

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

(c) Materials and contracts

Raw materials and consumables	257	269
Contractor and consultancy costs	1,872	1,700
Auditors remuneration ⁽²⁾	55	47
Legal expenses:		
– Legal expenses: other	18	10
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>2,202</u>	<u>2,026</u>

Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:

Audit and other assurance services

Audit and review of financial statements	30	28
Total Auditor-General remuneration	30	28

Non NSW Auditor-General audit firms:

Audit and other assurance services

Other audit and assurance services: Council's Internal Auditor	25	19
Total remuneration of non NSW Auditor-General audit firms	25	19
Total Auditor remuneration	55	47

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		470	481
Office equipment		157	178
Infrastructure:			
– Buildings – non-specialised		50	47
– Buildings – specialised		143	142
– Water supply network		5,246	5,131
Total depreciation and amortisation costs		6,066	5,979
Impairment / revaluation decrement of IPP&E			
Intangible assets	10	(25)	(75)
Total IPP&E impairment / revaluation decrement costs / (reversals)		(25)	(75)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		6,041	5,904

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	54	52
Bank charges	123	115
Computer software charges	205	223
Members expenses – chairperson’s fee	10	9
Members expenses – members fees	52	51
Members expenses (incl. chairperson) – other (excluding fees above)	22	15
Donations, contributions and assistance to other organisations (Section 356)	89	40
Demand management	36	1
Electricity and heating	2,971	1,929
Insurance	146	160
Office expenses (including computer expenses)	44	102
Postage	121	116
Printing and stationery	30	29
Rates and user charges	225	219
Subscriptions and publications	84	33
Telephone and communications	177	145
<u>TOTAL OTHER EXPENSES</u>	<u>4,389</u>	<u>3,239</u>

Accounting policy for other expenses

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

Note 5. Gains or losses from the disposal of assets

Plant and equipment		
Proceeds from disposal – plant and equipment	214	452
Less: carrying amount of plant and equipment assets sold/written off	(222)	(374)
Net gain/(loss) on disposal	(8)	78

Accounting policy for disposal of assets

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,644	469
Cash-equivalent assets		
– Deposits at call	–	1
– Short-term deposits	17,491	20,776
Total cash and cash equivalents	19,135	21,246

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'Held to maturity'	7,000	–	–	–
Total investments	7,000	–	–	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>26,135</u>	<u>–</u>	<u>21,246</u>	<u>–</u>
Held to maturity investments				
Long term deposits	7,000	–	–	–
Total	7,000	–	–	–

Accounting policy for investments

Classification

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

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

Riverina Water County Council

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

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	26,135	–	21,246	–
attributable to:				
Internal restrictions (refer below)	8,714	–	8,093	–
Unrestricted	17,421	–	13,153	–
	26,135	–	21,246	–

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

Details of restrictions

Internal restrictions

Employees leave entitlement	1,856	1,158
Asset replacement	1,858	1,935
Sales fluctuation	5,000	5,000
Total internal restrictions	8,714	8,093
TOTAL RESTRICTIONS	8,714	8,093

Riverina Water County Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	739	—	755	—
User charges and fees	2,317	—	2,212	—
Accrued revenues				
Accrued interest on investments	73	—	37	—
Government grants and subsidies	200	—	205	—
Sundry debtors	247	—	378	—
Total	3,576	—	3,587	—
<u>TOTAL NET RECEIVABLES</u>	<u>3,576</u>	<u>—</u>	<u>3,587</u>	<u>—</u>

There are no restrictions applicable to the above assets.

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position.

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

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

Note 8. Inventories and other assets

Inventories

Inventories at cost

Stores and materials	2,334	—	2,383	—
Total inventories at cost	2,334	—	2,383	—
<u>TOTAL INVENTORIES</u>	<u>2,334</u>	<u>—</u>	<u>2,383</u>	<u>—</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

Inventory held for distribution

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

Riverina Water County Council

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

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period					as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	37,766	–	37,766	–	2,579	–	–	–	40,345	–	40,345
Plant and equipment	5,897	3,017	2,880	626	–	(222)	(470)	–	6,140	3,326	2,814
Office equipment	950	579	371	145	–	–	(157)	–	1,080	721	359
Land:											
– Operational land	3,714	–	3,714	702	–	–	–	–	4,416	–	4,416
Infrastructure:											
– Buildings – non-specialised	3,778	485	3,293	6	–	–	(50)	–	3,784	535	3,249
– Buildings – specialised	12,284	929	11,355	40	–	–	(143)	–	12,324	1,072	11,252
– Water supply network	414,489	138,166	276,323	4,141	2,686	–	(5,246)	5,835	427,149	143,410	283,739
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	478,878	143,176	335,702	5,660	5,265	(222)	(6,066)	5,835	495,238	149,064	346,174

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 year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

Water network assets are indexed annually between full revaluations in accordance with the latest indices provided in the Crown Lands and Water (CLAW) Reference Rates Manual.

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

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

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

Plant and equipment	Years	Water assets	Years
Office equipment	5 to 10	Reservoirs	80 to 100
Office furniture	10 to 20	Bores	20 to 40
Computer equipment	5	Reticulation pipes: PVC	80
Vehicles	5 to 10	Reticulation pipes: other	25 to 75
Heavy plant/road making equipment	5 to 10	Pumps and telemetry	15 to 20
Other plant and equipment	5 to 15	Buildings	
		Buildings: masonry	50 to 100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,575	3,500
Net book value – opening balance	3,575	3,500
Movements for the year		
– Purchases	100	–
– Fair valuation (decrement reversal via Income Statement)	25	75
– Fair valuation (increment to Equity - Asset Revaluation Reserve)	600	–
Closing values:		
Gross book value (30/6)	4,300	3,575
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>4,300</u>	<u>3,575</u>

¹ The net book value of intangible assets represent:

– Water licences	4,300	3,575
	4,300	3,575

Accounting policy for 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 revaluation increment are included.

Riverina Water County Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	151	–	97	–
Accrued expenses:				
– Salaries and wages	180	–	183	–
– Other expenditure accruals	612	–	1,081	–
Security bonds, deposits and retentions	75	–	88	–
Total payables	1,018	–	1,449	–
Income received in advance				
Payments received in advance	462	–	427	–
Total income received in advance	462	–	427	–
Borrowings				
Loans – secured ¹	1,675	9,012	1,582	10,680
Total borrowings	1,675	9,012	1,582	10,680
TOTAL PAYABLES AND BORROWINGS	3,155	9,012	3,458	10,680

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

¹ Loans are secured over the income of Council

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

\$ '000	2018	2017
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	81	88
	81	88

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	12,262	(1,575)	–	–	–	10,687
TOTAL	12,262	(1,575)	–	–	–	10,687

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
(d) 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	100	90
Market Rate Facility	500	500
Total financing arrangements	850	840
Drawn facilities as at balance date:		
– Credit cards/purchase cards	14	6
Total drawn financing arrangements	14	6
Undrawn facilities as at balance date:		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	86	84
– Market Rate Facility	500	500
Total undrawn financing arrangements	836	834

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

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	895	–	917	–
Sick leave	6	–	6	–
Long service leave	2,812	–	2,938	–
Sub-total – aggregate employee benefits	3,713	–	3,861	–
<u>TOTAL PROVISIONS</u>	<u>3,713</u>	<u>–</u>	<u>3,861</u>	<u>–</u>

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,927	3,210
	2,927	3,210

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Defined Benefit Superannuation Disclosure

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

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

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

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

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

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

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

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

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

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

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

(i) wind-up of the plan

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

(ii) entity's withdrawal from the plan

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Defined Benefit Superannuation Disclosure (continued)

(c) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

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

Council confirms that the plan is a defined benefit plan.

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

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

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

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

The expected contributions by Council to the Fund for the next annual reporting period are \$285,459.12

(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

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

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

* excluding member accounts and reserves in both assets and liabilities

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Defined Benefit Superannuation Disclosure (continued)

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

Investment Return	6.0% per annum
Salary inflation (plus promotional increases)	3.5% per annum
Increase in CPI	2.5% per annum

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

(iv) an indication of the level of Council's participation in the plan compared with other participating entities

Council's participation in the Scheme compared with other entities is about 0.31% based on the Council's current level of annual additional contributions against total contributions. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

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

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	19,135	21,246
Balance as per the Statement of Cash Flows		19,135	21,246
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		11,710	11,306
Adjust for non-cash items:			
Depreciation and amortisation		6,066	5,979
Net losses/(gains) on disposal of assets		8	(78)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		(25)	(75)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		11	1,919
Decrease/(increase) in inventories		49	387
Increase/(decrease) in payables		54	(68)
Increase/(decrease) in other accrued expenses payable		(472)	652
Increase/(decrease) in other liabilities		22	39
Increase/(decrease) in employee leave entitlements		(148)	58
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		17,275	20,119

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Commitments for expenditure

\$ '000	2018	2017
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Water Treatment Plant	1,692	4,232
Shires Reservoir	160	82
Low Level Reservoir	269	–
Total commitments	2,121	4,314
These expenditures are payable as follows:		
Within the next year	2,121	4,314
Total payable	2,121	4,314
Sources for funding of capital commitments:		
Unrestricted general funds	2,121	4,314
Total sources of funding	2,121	4,314

Details of capital commitments

Contract for the construction of the Wagga Wagga Water treatment plant, project to be finalised during 2018/19 financial year.

Contract for the Shires Reservoir construction to be finalised during 2018/19 financial year.

Contract for the Low Level Reservoir earthworks to be finalised during 2018/19 financial year.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council makes employer contributions to the defined benefits categories of the Scheme as rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 is an unlikely event. Amount totals \$64,337 (2016/17 \$75,571).

ASSETS NOT RECOGNISED:

Guarantees

(i) Water Treatment Plant Bank Guarantees

The Council holds bank guarantees totalling \$2.6 million for the contract period from contractors responsible for the construction of the Wagga Water Treatment Plant.

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	261	261	(261)	(261)
2017				
Possible impact of a 1% movement in interest rates	212	212	(212)	(212)

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	75%	73%	78%	76%
Overdue	25%	27%	22%	24%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			556	590
Overdue			183	165
			739	755
Other receivables				
Current			2,197	2,257
0 – 30 days overdue			640	575
			2,837	2,832

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	75	943	-	-	1,018	1,018
Loans and advances	5.69%	-	2,257	8,779	2,161	13,197	10,687
Total financial liabilities		75	3,200	8,779	2,161	14,215	11,705
2017							
Trade/other payables	0.00%	88	1,361	-	-	1,449	1,449
Loans and advances	4.59%	-	2,252	8,991	4,073	15,316	12,262
Total financial liabilities		88	3,613	8,991	4,073	16,765	13,711

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	5,016	5,271	255	5% F
User charges and fees	20,901	22,877	1,976	9% F
Interest and investment revenue	200	595	395	198% F
Cash levels are higher than anticipated due to payments for the Water Treatment Plant project being lower than budgeted due to project delays, as well as higher than anticipated water sales. This resulted in increased investment revenue.				
Other revenues	125	281	156	125% F
Higher than budgeted due to a temporary water licence allocation.				
Operating grants and contributions	207	602	395	191% F
Variance due to LIRS subsidy being budgeted as a capital grant rather than operational.				
Capital grants and contributions	2,662	3,319	657	25% F
Variance due to LIRS subsidy being budgeted as a capital grant rather than operational, plus higher than anticipated developer contributions.				
Reversal of revaluation decrements / impairment of IPP&E previously expensed	–	25	25	0% F
Increase in water licence valuation not included in the budget.				

Riverina Water County Council

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

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
EXPENSES				
Employee benefits and on-costs	8,330	7,942	388	5% F
Borrowing costs	745	653	92	12% F
Reduction in borrowing costs due to loans not drawn down due to delay in works on the Water Treatment Plant project.				
Materials and contracts	3,489	2,202	1,287	37% F
Increased focus on capital works projects has diverted expenditure away from operational.				
Depreciation and amortisation	7,120	6,066	1,054	15% F
Depreciation lower than budgeted due to revaluation of assets in the 2016 year and non commissioning of the new water treatment plant during 2018.				
Other expenses	5,015	4,389	626	12% F
Electricity budgeted increases were less than anticipated.				
Net losses from disposal of assets	–	8	(8)	0% U
Unanticipated loss on vehicle disposal.				

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

Cash flows from operating activities	13,050	17,275	4,225	32% F
Higher operating cash flow due to increased water sales due to weather, higher than anticipated developer contributions and increased focus on capital works.				
Cash flows from investing activities	(23,523)	(17,811)	5,712	(24%) F
Decreased capital expenditure due to delays in Water Treatment Plant project.				
Cash flows from financing activities	4,374	(1,575)	(5,949)	(136%) U
Loans not drawn down due to delay in works on the Water Treatment plant project.				

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

Fair values.		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Intangible assets					
High Security Water Licence	30/06/18	—	4,300	—	4,300
Total financial assets		—	4,300	—	4,300
Infrastructure, property, plant and equipment					
Water Treatment Plants	30/06/16	—	—	28,145	28,145
Ground Water Bores	30/06/16	—	—	6,972	6,972
Water Pumping Stations	30/06/16	—	—	8,193	8,193
Water Reservoirs	30/06/16	—	—	44,898	44,898
Other Water Assets	30/06/16	—	—	937	937
Pipes	30/06/16	—	—	194,594	194,594
Buildings	30/06/16	—	—	14,501	14,501
Land	30/06/16	—	—	4,416	4,416
Plant & Equipment	30/06/16	—	2,814	—	2,814
Office Equipment	30/06/16	—	359	—	359
Total infrastructure, property, plant and equipment		—	3,173	302,656	305,829

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

Fair values: (continued)		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Intangible assets					
High Security Water Licence	30/06/17	—	3,575	—	3,575
Total financial assets		—	3,575	—	3,575
Infrastructure, property, plant and equipment					
Water Treatment Plants	30/06/16	—	—	27,710	27,710
Ground Water Bores	30/06/16	—	—	6,990	6,990
Water Pumping Stations	30/06/16	—	—	8,263	8,263
Water Reservoirs	30/06/16	—	—	43,610	43,610
Other Water Assets	30/06/16	—	—	945	945
Pipes	30/06/16	—	—	188,806	188,806
Buildings	30/06/16	—	—	14,649	14,649
Land	30/06/16	—	—	3,714	3,714
Plant & Equipment	30/06/16	—	2,879	—	2,879
Office Equipment	30/06/16	—	369	—	369
Total infrastructure, property, plant and equipment		—	3,248	294,687	297,935

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

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

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

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

Intangible assets

An external valuation is conducted for the High Security Water Licence on an annual basis based on observed market rates for similar licences.

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

Council engages external, independent and qualified valuers to determine fair value of infrastructure and property assets on a regular basis. This was undertaken during 2015/16. Techniques used to derive fair values:

Land: where an active market exists, a market approach has been adopted. For other types of land the cost approach was adopted. Market valuations were determined by comparing recent sales of land with similar characteristics. Cost valuations were obtained by assuming the need to purchase land from an adjoining neighbour, the value could be determined based on known zoning and town planning restrictions, comparing recent sales of similar land.

Buildings: buildings are disaggregated into different components. Observable inputs to the valuation include design and construction, average cost of construction, condition and consumption, supported by inspection and market evidence. Unobservable inputs include pattern of consumption and remaining service potential, which required professional judgement.

Infrastructure: assets are componentised into significant parts. Unit rates are based on similar capacity, using market evidence or other inputs that require professional judgement.

Plant and Equipment: valued based on actual historical costs.

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

Refer Note 9 for the changes in level 3 fair value asset classes (Infrastructure, Property, Plant & Equipment).

(5). Highest and best use

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

Riverina Water County Council

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

Note 20. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Council had transactions with 12 KMP during the reporting period.

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

Compensation:	2018	2017
Short-term benefits	573,919	427,321
Post-employment benefits	36,249	34,155
Other long-term benefits	17,847	16,568
Total	628,015	478,044

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. supply of water to the residence of KMP) will not be disclosed.

Councillors of Riverina Water County Council are also Councillors for constituent member Councils. Councillors are elected as independent members of Riverina Water County Council's board. Constituent Councils do not hold direct control over Riverina Water County Council and transactions between Councils have not been classified as Related Party transactions.

Council had no other transactions with KMP and their related parties during the reporting period.

Riverina Water County Council

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

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S64 contributions	–	3,319	–	–	(3,319)	–	–	
Total contributions	–	3,319	–	–	(3,319)	–	–	–

Riverina Water County Council

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

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	8,374	28.27%	30.96%	32.54%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	29,626				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	29,024	88.10%	90.09%	86.10%	> 60.00%
Total continuing operating revenue ⁽¹⁾	32,945				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	32,045	9.43x	6.77x	9.59x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,398				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15,093	6.77x	8.97x	10.53x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,228				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	739	12.10%	12.41%	12.65%	< 10% regional & rural
Rates, annual and extra charges collectible	6,109				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	26,135	16.68 mths	16.0 mths	14.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,567				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

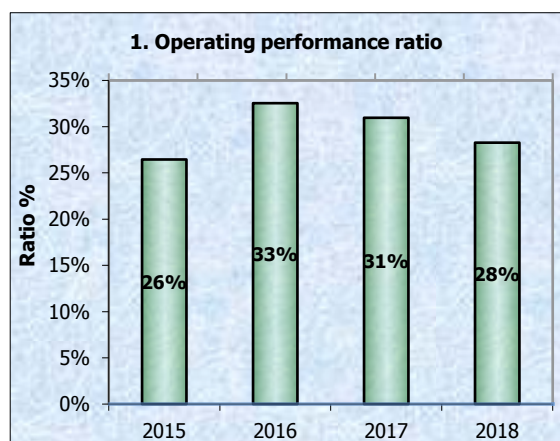
⁽⁴⁾ Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Riverina Water County Council

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

Note 22(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum $\geq 0.00\%$

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

Purpose of operating performance ratio

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

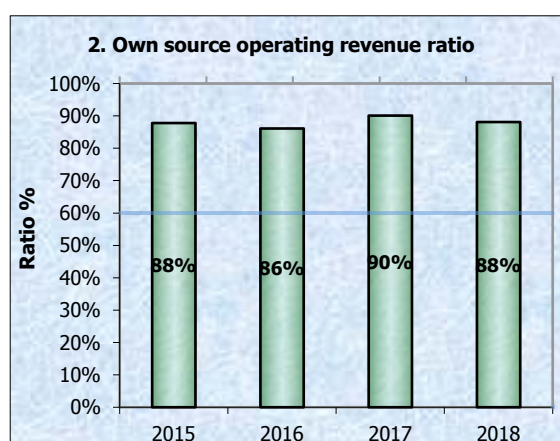
Commentary on 2017/18 result

2017/18 ratio 28.27%

Dry and hot weather over the summer period resulted in higher than anticipated water sales. Operating expenditure lower than forecast due to increased focus on capital works.

Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

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

Purpose of own source operating revenue ratio

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

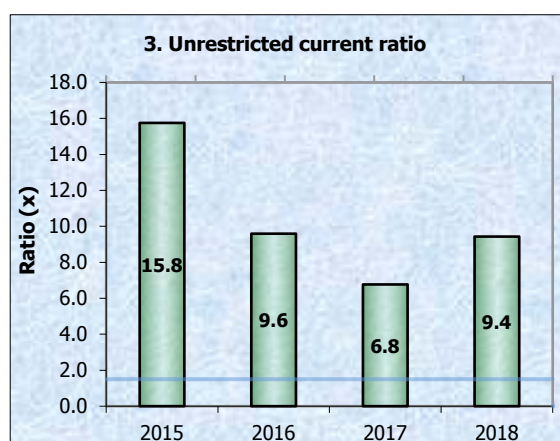
Commentary on 2017/18 result

2017/18 ratio 88.10%

Council primarily relies on water sales income to fund operations, which results in a consistently high ratio.

Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

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

Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 9.43x

An increase in this ratio for the current year is due to increased cash holdings. This has occurred due to increased water sales and a delay in the Water Treatment Plant project.

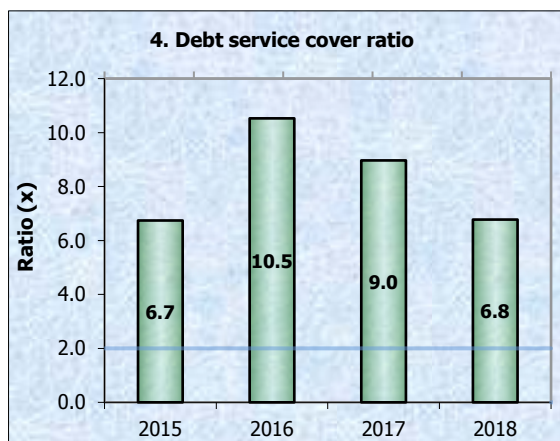
Ratio achieves benchmark

Ratio is outside benchmark

Riverina Water County Council

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

Note 22(b). Statement of performance measures – consolidated results (graphs)



Benchmark: ——— Minimum ≥ 2.00

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

Purpose of debt service cover ratio

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

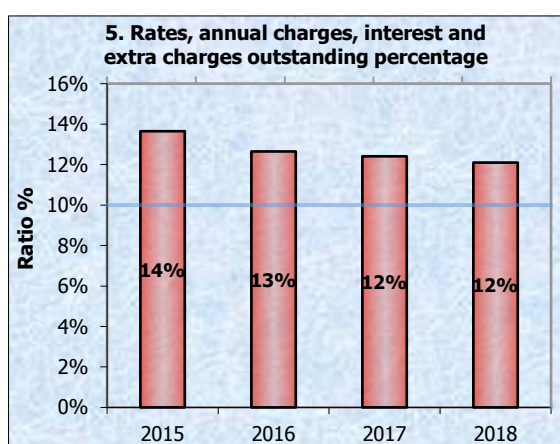
Commentary on 2017/18 result

2017/18 ratio 6.77x

Ratio has decreased due to borrowing costs relating to the Water Treatment Plant project being capitalised in prior years. As the project is nearing completion, this has not occurred in the current year.

Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: ——— Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

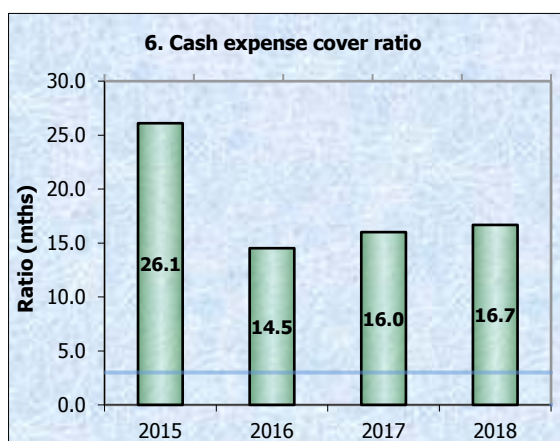
Commentary on 2017/18 result

2017/18 ratio 12.10%

This ratio is consistent over the years due to debt recovery measures in place. The ratio is high compared to benchmark due to a rolling quarterly billing cycle where accounts are raised throughout the quarter. This measure takes into account all accounts regardless of whether they are overdue.

Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: ——— Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 16.68 mths

This ratio has remained fairly consistent with slight increase due to increased cash holdings as year end.

Ratio achieves benchmark

Ratio is outside benchmark

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Financial performance figures					
Inflows:					
Rates and annual charges revenue	5,271	5,221	5,100	5,031	4,288
User charges revenue	22,877	21,412	21,727	20,994	19,391
Interest and investment revenue (losses)	595	522	922	1,140	1,106
Grants income – operating and capital	602	648	723	735	894
Total income from continuing operations	32,970	30,840	33,658	32,169	28,702
Sale proceeds from IPP&E	214	452	333	166	379
Outflows:					
Employee benefits and on-cost expenses	7,942	8,127	8,032	7,148	7,869
Borrowing costs	653	163	162	902	970
Materials and contracts expenses	2,202	2,026	1,492	3,096	2,548
Total expenses from continuing operations	21,260	19,534	19,607	20,925	21,309
Total cash purchases of IPP&E	11,025	17,716	35,016	11,870	6,180
Total loan repayments (incl. finance leases)	1,575	1,499	1,411	1,341	1,274
Operating surplus/(deficit) (excl. capital income)	8,391	8,914	10,202	8,129	4,338
Financial position figures					
Current assets	32,045	27,216	27,739	43,453	38,494
Current liabilities	6,868	7,319	6,128	5,904	5,169
Net current assets	25,177	19,897	21,611	37,549	33,325
Available working capital (Unrestricted net current assets)	23,338	15,898	19,068	26,059	16,374
Cash and investments – unrestricted	17,421	13,153	12,045	19,333	10,211
Cash and investments – internal restrictions	8,714	8,093	7,845	16,565	21,607
Cash and investments – total	26,135	21,246	19,890	35,898	31,818
Total borrowings outstanding (Loans, advances and finance leases)	10,687	12,262	13,761	15,172	16,513
Total value of IPP&E (excl. land and earthwork)	490,822	475,164	454,537	360,265	346,055
Total accumulated depreciation	149,064	143,176	137,663	157,401	150,783
Indicative remaining useful life (as a % of GBV)	70%	70%	70%	56%	56%

Source: published audited financial statements of Council (current year and prior year)

Riverina Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Council information and 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 A Crakanthorp

RESPONSIBLE ACCOUNTING OFFICER

Ms E Tonacia

PUBLIC OFFICER

Ms E Tonacia

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members

CHAIRPERSON

Clr G Verdon (Lockhart Shire)

COUNCILLORS

Clr P Funnell (City of Wagga Wagga)
Clr T Quinn (Greater Hume Shire)
Clr D Meyer, OAM (Greater Hume Shire)
Clr G Conkey, OAM (City of Wagga Wagga)
Clr T Koschel (City of Wagga Wagga)
Clr Y Braid, OAM (City of Wagga Wagga)
Clr V Keenan (City of Wagga Wagga)
Clr P Bourke (Federation Council)

Other information

ABN: 52 084 883 210



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report Riverina Water County Council

To the Councillors of the Riverina Water County Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director

21 September 2018
SYDNEY

Andrew Crakanthorp
General Manager
Riverina Water County Council
PO Box 456
WAGGA WAGGA NSW 2650

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: D1820276/1822

21 September 2018

Dear Mr Crakanthorp

Report on the Conduct of the Audit for the year ended 30 June 2018 Riverina Water County Council

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

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

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

INCOME STATEMENT

Operating result

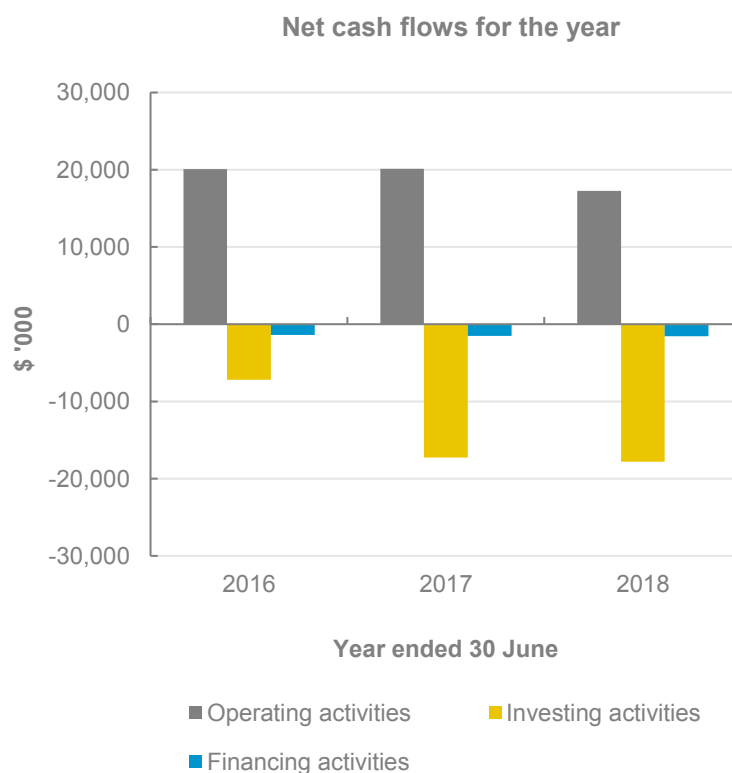
	2018 \$'000	2017 \$'000	Variance %
Rates and annual charges revenue	5,271	5,221	↑ 0.96
User Charges and fees	22,877	21,412	↑ 6.84
Grants and contributions revenue	3,921	3,040	↑ 28.98
Operating result for the year	11,710	11,306	↑ 3.57
Net operating result before capital amounts	8,391	8,914	↓ 5.86

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

- The Council's operating result for the year was a surplus of \$11.71 million (\$11.31 million for the year ended 30 June 2017). This is mainly attributable to an increase in grants and contributions provided for capital purposes. The Council budgeted for a surplus of \$4.41 million.
- The Council's net operating result before capital grants and contributions was a surplus of \$8.39 million (\$8.91 million for the year ended 30 June 2017). The decrease of \$523k from the 2016–17 result was mainly due to an increase in other expenses.
- User charges and fees increased by \$1.46 million (6.84%) to \$22.88 million. The increase can be attributed to the dry and hot weather over the summer period which resulted in higher water sales.
- Rates and annual charges revenue increased by \$50k (0.96%) to \$5.27 million.
- Grants and contributions revenue increased by \$881k (28.98%) to \$3.92 million due to higher than anticipated section 64 water contributions.
- Council's depreciation and amortisation expense increased by \$87k to \$6.06 million (\$5.98 million for the year ended 30 June 2017).
- Council recognised \$40.34 million as capital works in progress (\$37.76 million for the year ended 30 June 2017) that are not ready for use and is therefore not being depreciated. This is mainly attributed to the construction of the new Water Treatment Plant which is scheduled to be commissioned in the 2018/19 financial year.

STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$2.11 million at 30 June 2018 (net increase of \$1.35 million at 30 June 2017).
- Net cash provided by operating activities amounted to \$17.28 million. Council recorded cash receipts from rates and annual charges of \$5.29 million and user fees and charge of \$22.82 million. Council recorded \$8.14 million of cash payments for employee benefits and on-costs and \$2.32 million for materials and contracts.
- Net cash used in investing activities amounted to \$17.81 million. This is largely due to the net cash outflow of \$11.03 million for the purchase of infrastructure, property, plant and equipment during the year and the purchase of investment securities of \$7.00 million.



FINANCIAL POSITION

Cash and Investments

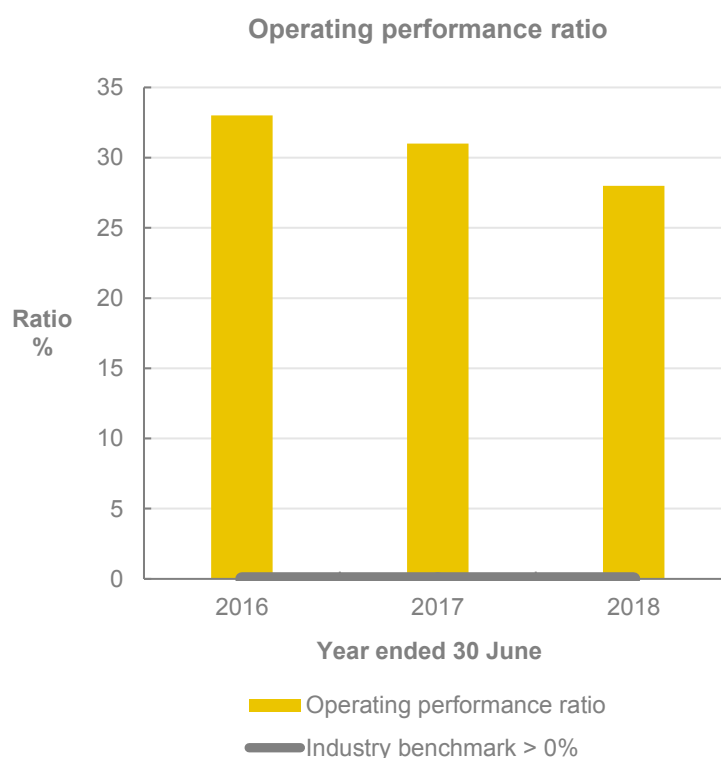
Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	--	--	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in the internally restricted cash balance is predominantly due an increase in employee leave entitlements. Unrestricted cash has increased due to higher than anticipated water sales due to dry weather in 2017–18. Delays in significant capital projects (water treatment plant) has also kept unrestricted cash holdings high.
Internal restrictions	8,714	8,093	
Unrestricted	17,421	13,153	
Cash and investments	26,135	21,246	

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 22 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

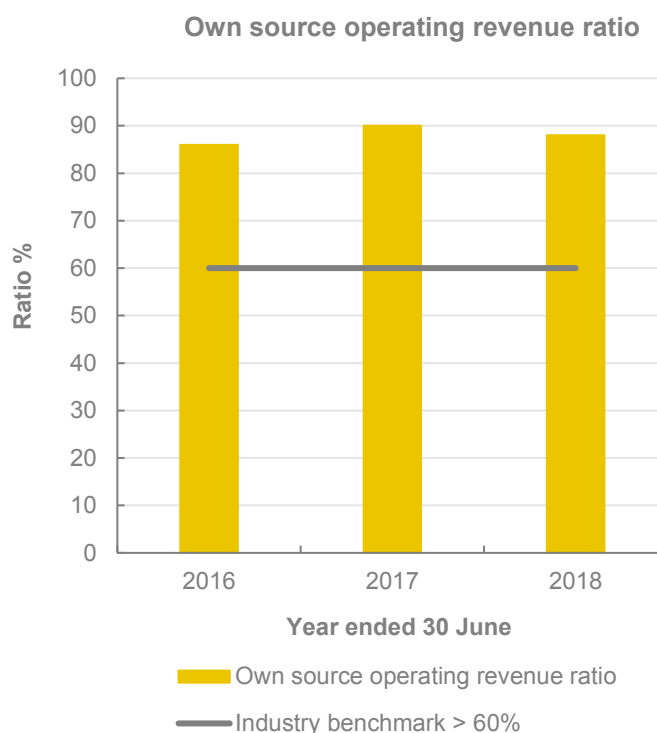
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than 0%.
- The operating performance ratio of 28.27% is above the industry benchmark of greater than 0%.
- The operating performance ratio decreased to 28.27% (2017: 30.96%) due to an increased focus on capital works.
- The positive operating performance ratio can be attributed to higher than anticipated water sales as a result of dry and hot weather over the summer period.



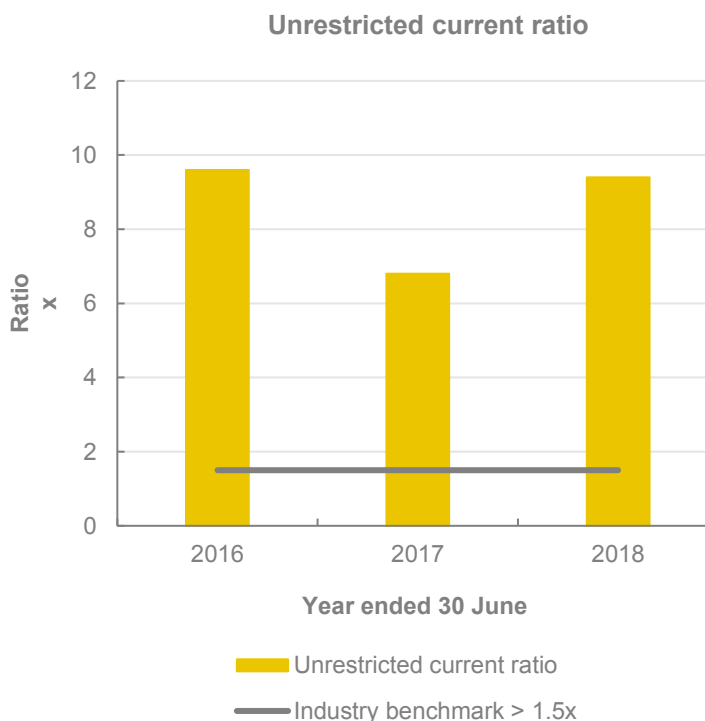
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60%.
- The Council's own source operating revenue ratio of 88.10% is above the industry benchmark of 60 per cent.
- The own source operating revenue ratio decreased to 88.10% (2017: 90.09%) due to the relative increase in grants and contributions received during 2017–18.
- Council has met this benchmark as its main source of income is from water sales, rather than reliance on operating grants and contributions.



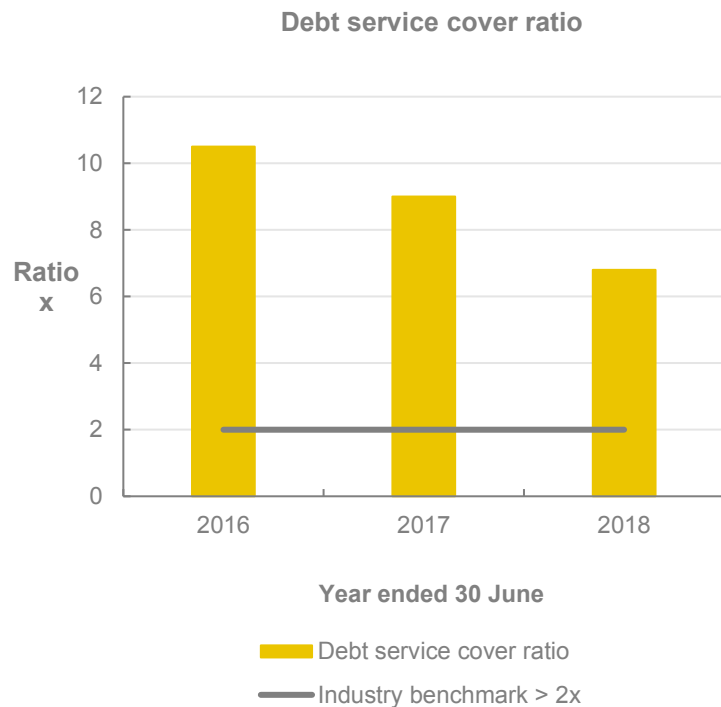
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 9.4 times is greater than the industry benchmark minimum of greater than 1.5 times.
- The increase in the ratio compared with prior year is due to an overall increase in cash holdings. This is a result of increased water sales and cash holdings due to the delay in the completion of the Water Treatment Plant project.
- This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



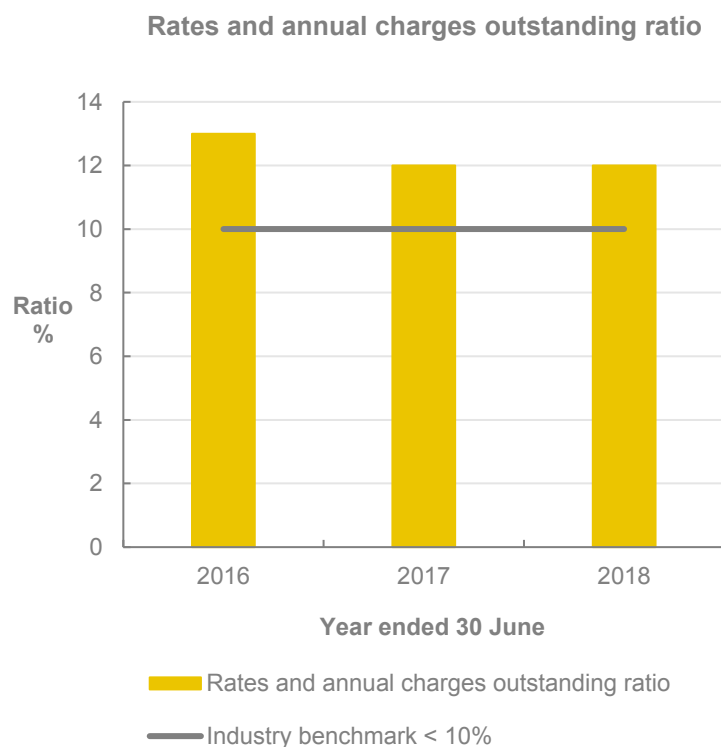
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 6.8 times is greater than the industry benchmark of greater than 2 times.
- Council continues to meet this benchmark but has seen a decrease in the ratio compared with prior year. This is due to the borrowing costs of loans attributable to the Water Treatment Plant project being expensed as a result of delays in financing this project during 2017–18. Borrowing costs were capitalised to the asset in prior periods.
- The ratio indicates that Council has 6.8 times in operating cash available to service its debts. Council generates sufficient cash from its operations to fund its debt obligations.



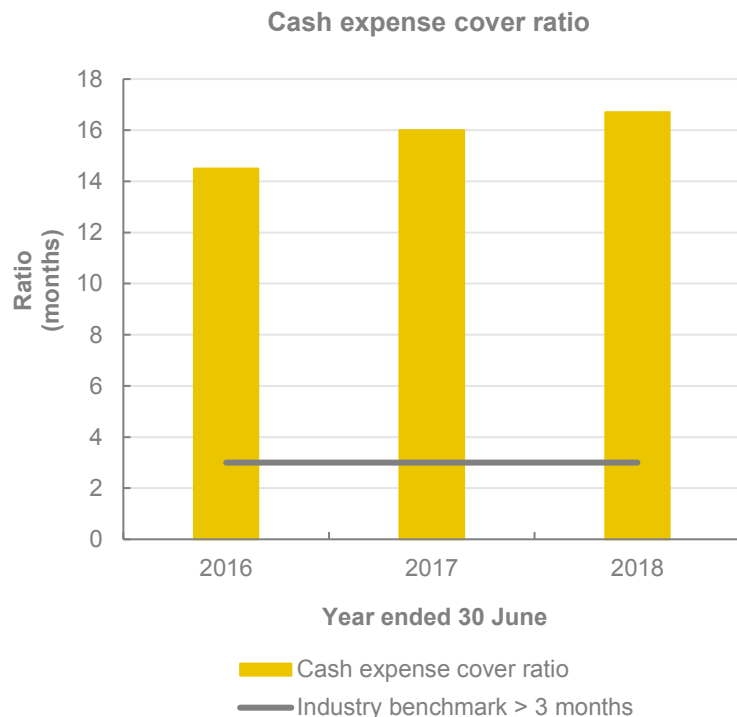
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10% for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 12% is outside the industry benchmark of less than 10 per cent for rural councils.
- Council continues to exceed this benchmark and the result remains consistent with the prior periods due to rolling quarterly billing arrangements.
- The billing cycle of water county councils need to be considered when assessing this ratio against other Councils.



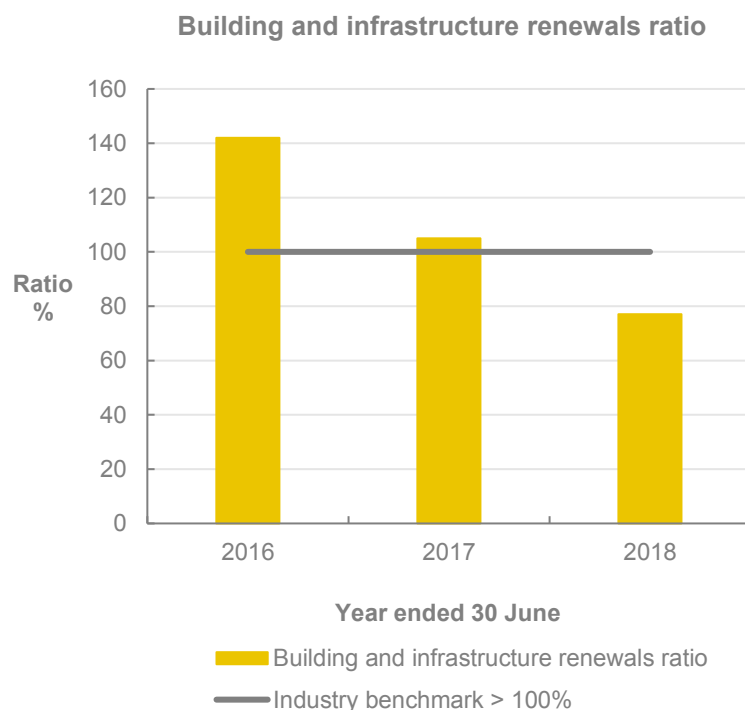
Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 16.7 months, which is above the industry benchmark of greater than 3 months.
- The cash expense cover ratio increased compared with prior year is due to an overall increase in cash holdings. This is a result of increased water sales and cash holdings due to the delay in the completion of the Water Treatment Plant project.
- This indicates that Council had the capacity to cover 16.7 months of cash expenditure without additional cash inflows at 30 June 2018.



Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%. This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The ratio of 77% is below the industry benchmark of greater than 100%.
- Council is below the benchmark due to the focus on the development and finalisation of the water treatment plant during the 2018 year.



OTHER MATTERS

New accounting standards implemented

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

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities. Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 1(a).

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

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

This Standard amends AASB 116 and 136 to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities. Instead it is accepted that the recoverable amount of non-cash-generating specialised assets is expected to be materially the same as fair value.

Council's disclosure of the changes in their assets arising from amendments in the standard is disclosed in Note 1(a).

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

21 September 2018
SYDNEY

cc: Greg Verdon, Chairperson
David Maxwell, Chairperson Audit, Risk and Improvement Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Riverina Water County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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



Riverina Water County Council

Special Purpose Financial Statements for the year ended 30 June 2018

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2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	4
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	11

Background

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

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

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

Riverina Water County Council

Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 August 2018.



Mr G Verdon
Chairperson



Mr P Funnell
Councillor



Mr A Crakanthorp
General Manager



Ms E Tonacia
Responsible accounting officer

Riverina Water County Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	5,271	5,221
User charges	22,877	21,412
Interest	595	522
Grants and contributions provided for non-capital purposes	602	648
Profit from the sale of assets	–	78
Other income	306	567
Total income from continuing operations	29,651	28,448
Expenses from continuing operations		
Employee benefits and on-costs	7,942	8,127
Borrowing costs	653	163
Materials and contracts	2,202	1,757
Depreciation, amortisation and impairment	6,066	5,979
Water purchase charges	255	269
Loss on sale of assets	8	–
Calculated taxation equivalents	38	39
Other expenses	4,134	3,239
Total expenses from continuing operations	21,298	19,573
Surplus (deficit) from continuing operations before capital amounts	8,353	8,875
Grants and contributions provided for capital purposes	3,319	2,392
Surplus (deficit) from continuing operations after capital amounts	11,672	11,267
Surplus (deficit) from all operations before tax	11,672	11,267
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,506)	(2,663)
SURPLUS (DEFICIT) AFTER TAX	9,166	8,605
Plus opening retained profits	110,199	98,893
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	38	39
– Corporate taxation equivalent	2,506	2,663
Closing retained profits	121,909	110,199
Return on capital %	2.6%	2.7%
Subsidy from Council	98	–
Calculation of dividend payable:		
Surplus (deficit) after tax	9,166	8,605
Less: capital grants and contributions (excluding developer contributions)	1,191	–
Surplus for dividend calculation purposes	10,357	8,605
Potential dividend calculated from surplus	5,179	4,302

Riverina Water County Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	19,135	21,246
Investments	7,000	–
Receivables	3,576	3,587
Inventories	2,334	2,383
Total current assets	32,045	27,216
Non-current assets		
Infrastructure, property, plant and equipment	346,174	335,702
Intangible assets	4,300	3,575
Total non-current assets	350,474	339,277
TOTAL ASSETS	382,519	366,493
LIABILITIES		
Current liabilities		
Payables	1,018	1,449
Income received in advance	462	427
Borrowings	1,675	1,582
Provisions	3,713	3,861
Total current liabilities	6,868	7,319
Non-current liabilities		
Borrowings	9,012	10,680
Total non-current liabilities	9,012	10,680
TOTAL LIABILITIES	15,880	17,999
NET ASSETS	366,639	348,494
EQUITY		
Accumulated surplus	121,909	110,199
Revaluation reserves	244,730	238,295
TOTAL EQUITY	366,639	348,494

Riverina Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	9
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Riverina Water County Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

Riverina Water County Council

Water supply operations servicing the local government areas of Wagga Wagga City, Federation, Lockhart, & Greater Hume Shire.

Riverina Water County Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

Nil

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

Income tax

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

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

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

Riverina Water County Council

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

Note 1. Significant accounting policies (continued)

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

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

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

(ii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

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

(iii) Dividends

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

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

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Riverina Water County Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	38,000
(ii)	Number of assessments multiplied by \$3/assessment	101,574
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	38,000
(iv)	Amounts actually paid for tax equivalents	

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	5,178,550
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	977,740
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	29,924,000

2018 Surplus	10,357,100	2017 Surplus	8,604,500	2016 Surplus	10,962,400
		2017 Dividend	—	2016 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	977,740
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Riverina Water County Council

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

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	32,458
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.69%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	343,001
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	14,338
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	10,925
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.48%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Riverina Water County Council

To the Councillors of the Riverina Water County Council

Opinion

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

The Declared Business Activity of the Council is Water Supply.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact. I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

21 September 2018
SYDNEY

Riverina Water County Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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



Riverina Water County Council

Special Schedules for the year ended 30 June 2018

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Special Schedule 5	Sewerage Service Operations – incl. Income Statement n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position n/a
Notes to Special Schedule 3	8
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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Riverina Water County Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	-	-	-	-
Administration	-	-	-	-
Public order and safety				
Fire service levy, fire protection, emergency services	-	-	-	-
Beach control	-	-	-	-
Enforcement of local government regulations	-	-	-	-
Animal control	-	-	-	-
Other	-	-	-	-
Total public order and safety	-	-	-	-
Health	-	-	-	-
Environment				
Noxious plants and insect/vermin control	-	-	-	-
Other environmental protection	-	-	-	-
Solid waste management	-	-	-	-
Street cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater management	-	-	-	-
Total environment	-	-	-	-
Community services and education				
Administration and education	-	-	-	-
Social protection (welfare)	-	-	-	-
Aged persons and disabled	-	-	-	-
Children's services	-	-	-	-
Total community services and education	-	-	-	-
Housing and community amenities				
Public cemeteries	-	-	-	-
Public conveniences	-	-	-	-
Street lighting	-	-	-	-
Town planning	-	-	-	-
Other community amenities	-	-	-	-
Total housing and community amenities	-	-	-	-
Water supplies	21,260	29,651	3,319	11,710
Sewerage services	-	-	-	-

Riverina Water County Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	–	–	–	–
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	–	–	–	–
Total recreation and culture	–	–	–	–
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	–	–	–	–
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
Total transport and communication	–	–	–	–
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	–	–	–
Total economic affairs	–	–	–	–
Totals – functions	21,260	29,651	3,319	11,710
General purpose revenues ⁽¹⁾		–		–
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	21,260	29,651	3,319	11,710

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Riverina Water County Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,654	2,560
b. Engineering and supervision	4,170	3,527
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	504	624
d. Maintenance expenses	1,293	986
– Reservoirs		
e. Operation expenses	113	82
f. Maintenance expenses	266	285
– Pumping stations		
g. Operation expenses (excluding energy costs)	57	14
h. Energy costs	2,971	1,929
i. Maintenance expenses	100	172
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	348	291
l. Maintenance expenses	616	646
– Other		
m. Operation expenses	350	219
n. Maintenance expenses	639	561
o. Purchase of water	257	269
3. Depreciation expenses		
a. System assets	5,439	5,320
b. Plant and equipment	627	659
4. Miscellaneous expenses		
a. Interest expenses	653	163
b. Revaluation decrements	–	–
c. Other expenses	195	1,227
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	21,252	19,534

Riverina Water County Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	4,785	4,736
b. Usage charges	14,896	14,076
7. Non-residential charges		
a. Access (including rates)	486	485
b. Usage charges	6,497	6,387
c. Other charges	513	390
8. Extra charges	83	105
9. Interest income	512	417
10. Other income	1,277	1,126
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	200	205
c. Other grants	402	443
12. Contributions		
a. Developer charges	3,319	2,392
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	32,970	30,762
14. Gain (or loss) on disposal of assets	(8)	78
15. Operating result	11,710	11,306
15a. Operating result (less grants for acquisition of assets)	11,710	11,306

Riverina Water County Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	5,265	10,706
c. Renewals	4,889	6,034
d. Plant and equipment	771	975
17. Repayment of debt	1,575	–
18. Totals	12,500	17,715
Non-operating funds employed		
19. Proceeds from disposal of assets	217	452
20. Borrowing utilised	–	–
21. Totals	217	452
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	29,712	29,329
b. Residential (unoccupied, ie. vacant lot)	1,403	1,428
c. Non-residential (occupied)	2,743	2,734
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	648 ET	501 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 200,069	\$ 410,653

Riverina Water County Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	1,856	–	1,856
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	24,279	–	24,279
26. Receivables			
a. Specific purpose grants	143	–	143
b. Rates and availability charges	739	–	739
c. User charges	2,318	–	2,318
d. Other	376	–	376
27. Inventories	2,334	–	2,334
28. Property, plant and equipment			
a. System assets	–	343,001	343,001
b. Plant and equipment	–	3,173	3,173
29. Other assets	–	4,300	4,300
30. Total assets	32,045	350,474	382,519
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1,480	–	1,480
33. Borrowings	1,675	9,012	10,687
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	3,713	–	3,713
35. Total liabilities	6,868	9,012	15,880
36. NET ASSETS COMMITTED	25,177	341,462	366,639
EQUITY			
37. Accumulated surplus			121,909
38. Asset revaluation reserve			244,730
39. Other reserves			–
40. TOTAL EQUITY			366,639
Note to system assets:			
41. Current replacement cost of system assets			488,018
42. Accumulated current cost depreciation of system assets			(145,017)
43. Written down current cost of system assets			343,001

Riverina Water County Council

Notes to Special Schedule 3

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedule 3) comprises the following:

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

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedule 3) comprises the following:

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Riverina Water County Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	223	217	3,249	3,784	40%	54%	6%	0%	0%
	Buildings – specialised	–	–	140	124	11,252	12,324	55%	12%	31%	2%	0%
	Sub-total	–	–	363	341	14,501	16,108	51.5%	21.9%	25.1%	1.5%	0.0%
Water supply network	Treatment Plants	2,552	2,552	680	616	28,145	42,898	0%	17%	38%	45%	0%
	Bores	266	266	170	112	6,972	11,863	3%	30%	63%	4%	0%
	Reservoirs	1,085	1,085	215	266	44,898	61,574	10%	11%	54%	24%	1%
	Pumping Stations	252	252	170	100	9,130	16,252	9%	9%	68%	7%	7%
	Pipeline	17,674	17,674	1,065	1,293	194,594	294,562	25%	37%	32%	6%	0%
	Sub-total	21,829	21,829	2,300	2,387	283,739	427,149	19.1%	30.0%	38.0%	12.5%	0.4%
	TOTAL – ALL ASSETS	21,829	21,829	2,663	2,728	298,240	443,257	20.3%	29.7%	37.5%	12.1%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Riverina Water County Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	4,187	76.98%	104.85%	142.36%	>= 100%
Depreciation, amortisation and impairment	5,439				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	21,829	7.32%	29.26%	16.64%	< 2.00%
Net carrying amount of infrastructure assets	298,240				
3. Asset maintenance ratio					
Actual asset maintenance	2,728	102.44%	101.71%	93.76%	> 100%
Required asset maintenance	2,663				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,829	4.92%	19.78%	14.57%	
Gross replacement cost	443,257				

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

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

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