

31 October 2014

The Mayor  
Muswellbrook Shire Council  
PO Box 122  
**MUSWELLBROOK NSW 2333**

Mayor,

### **Audit Report - Year Ended 30 June 2014**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

## **I. RESULTS FOR THE YEAR**

### **1.1 Operating Result**

The operating result for the year was a surplus of \$12.265 million compared with \$18.936 million previous year.

#### **Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

|  | 2014<br>\$000 | % of<br>Total | 2013<br>\$000 | % of<br>Total | Increase<br>(Decrease)<br>\$000 |
|--|---------------|---------------|---------------|---------------|---------------------------------|
| <b>Revenues before capital items</b>                   |               |               |               |               |                                 |
| Rates & annual charges                                 | 17,120        | 45%           | 16,111        | 41%           | 1,009                           |
| User charges, fees & other revenues                    | 13,113        | 35%           | 14,257        | 36%           | (1,144)                         |
| Grants & contributions provided for operating purposes | 4,547         | 12%           | 6,326         | 16%           | (1,779)                         |
| Interest & investment revenue                          | 2,909         | 8%            | 2,857         | 7%            | 52                              |
|  | <b>37,689</b> | <b>100%</b>   | <b>39,551</b> | <b>100%</b>   | <b>(1,862)</b>                  |
| <b>Expenses</b>  |               |               |               |               |                                 |
| Employee benefits & costs                              | 12,788        | 33%           | 12,792        | 35%           | (4)                             |
| Materials, contracts & other expenses                  | 13,992        | 37%           | 12,021        | 33%           | 1,971                           |
| Depreciation, amortisation & impairment                | 10,642        | 28%           | 10,924        | 30%           | (282)                           |
| Borrowing costs  | 886           | 2%            | 809           | 2%            | 77                              |
|  | <b>38,308</b> | <b>100%</b>   | <b>36,546</b> | <b>100%</b>   | <b>1,762</b>                    |
| <b>Surplus (Deficit) before capital items</b>          | <b>(619)</b>  |               | <b>3,005</b>  |               | <b>(3,624)</b>                  |
| Grants & contributions provided for capital purposes   | 12,884        |               | 15,931        |               | (3,047)                         |
| <b>Net Surplus (Deficit) for the year</b>              | <b>12,265</b> |               | <b>18,936</b> |               | <b>(6,671)</b>                  |
| <b>Performance Measures</b>                            | <b>2014</b>   |               | <b>2013</b>   |               |                                 |
| Operating Performance                                  | -0.71%        |               | 0.25%         |               |                                 |
| Own Source Operating Revenue                           | 65.46%        |               | 57.66%        |               |                                 |

The above table shows an overall decrease of \$6.671 million from the previous year, which can mostly be attributed to reduced grants and contributions received compared to the previous year. Also contributing to the decrease was the movement in valuation of investment properties which decreased by \$448,000, compared to an increase of \$309,000 in the previous year.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -0.71% and was below the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 65.46% and exceeded the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

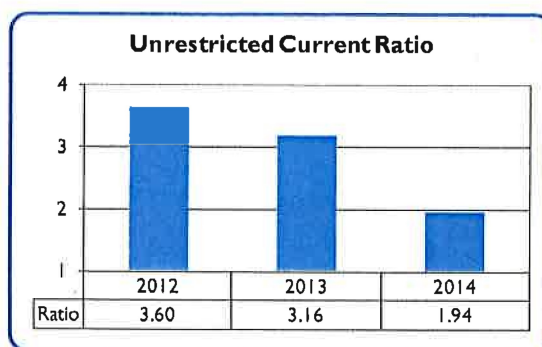
|   | 2014          | 2013          |
|---|---------------|---------------|
|   | \$000         | \$000         |
| <b>Funds were provided by:-</b>                         |               |               |
| <b>Operating Result (as above)</b>                      | <b>12,265</b> | <b>18,936</b> |
| Add back non funding items:-                            |               |               |
| - Depreciation, amortisation & impairment               | 10,642        | 10,924        |
| - Book value of non-current assets sold                 | 539           | 398           |
| - Fair value adjustment to interest free loan           | 70            | 77            |
| - Non-cash contributions of assets acquired             | (3,113)       | (6,873)       |
| - (Gain)/Loss of fair value to investment properties    | 448           | (309)         |
| - (Surplus)/Deficit in joint ventures                   | (12)          | (7)           |
|   | 20,839        | 23,146        |
| New loan borrowings                                     | 5,700         | 0             |
| Transfers from externally restricted assets (net)       | 5,431         | 0             |
| Transfers from internal reserves (net)                  | 3,073         | 2,466         |
| Net Changes in current/non-current assets & liabilities | 171           | 185           |
|   | 35,214        | 25,797        |
| <b>Funds were applied to:-</b>                          |               |               |
| Purchase and construction of assets                     | (29,983)      | (14,032)      |
| Increase/Purchase in non-current investments            | (2,393)       | (8,970)       |
| Principal repaid on loans                               | (744)         | (591)         |
| Transfers to externally restricted assets (net)         | 0             | (2,372)       |
|   | (33,120)      | (25,965)      |
| <b>Increase/(Decrease) in Available Working Capital</b> | <b>2,094</b>  | <b>(168)</b>  |

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$4.112 million representing a factor of 1.94 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$5.053 million as detailed below;

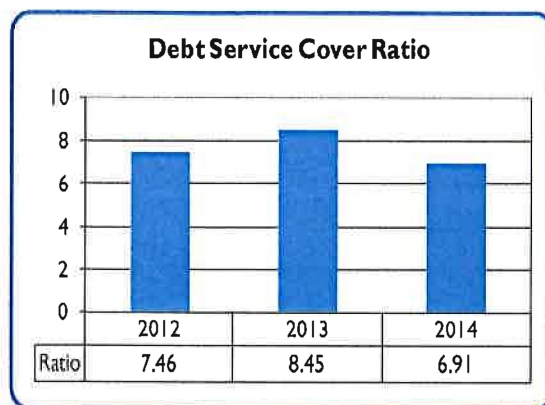
|  | 2014<br>\$000 | 2013<br>\$000 | Change<br>\$000 |
|--|---------------|---------------|-----------------|
| <b>Net Current Assets (Working Capital) as per Accounts</b>  | <b>9,757</b>  | <b>16,342</b> | <b>(6,585)</b>  |
| <b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above | 862           | 964           | (102)           |
| <b>Adjusted Net Current Assets</b>   | <b>10,619</b> | <b>17,306</b> | <b>(6,687)</b>  |
| <b>Add:</b> Budgeted & expected to pay in the next 12 months                                       |               |               |                 |
| - Borrowings   | 829           | 549           | 280             |
| - Employees leave entitlements   | 740           | 777           | (37)            |
| - Deposits & retention moneys  | 506           | 472           | 34              |
| <b>Less:</b> Externally restricted assets  | (6,507)       | (11,938)      | 5,431           |
| <b>Less:</b> Internally restricted assets  | (1,134)       | (4,207)       | 3,073           |
| <b>Available Working Capital as at 30 June</b>   | <b>5,053</b>  | <b>2,959</b>  | <b>2,094</b>    |

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

After repaying principal and interest of \$1.308 million and taking up new borrowings of \$5.7 million, total debt as at 30 June 2014 stood at \$12.802 million (2013 - \$7.776 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 6.91 to 1.



## 2.4 Summary

Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

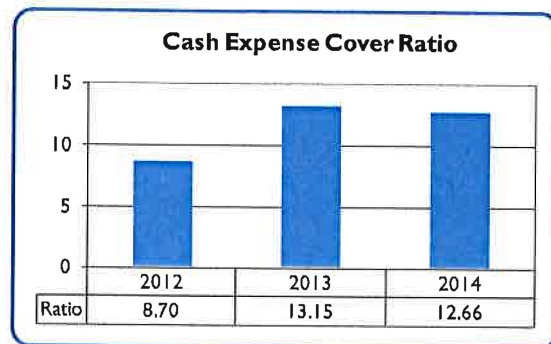


### 3. CASH ASSETS

#### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

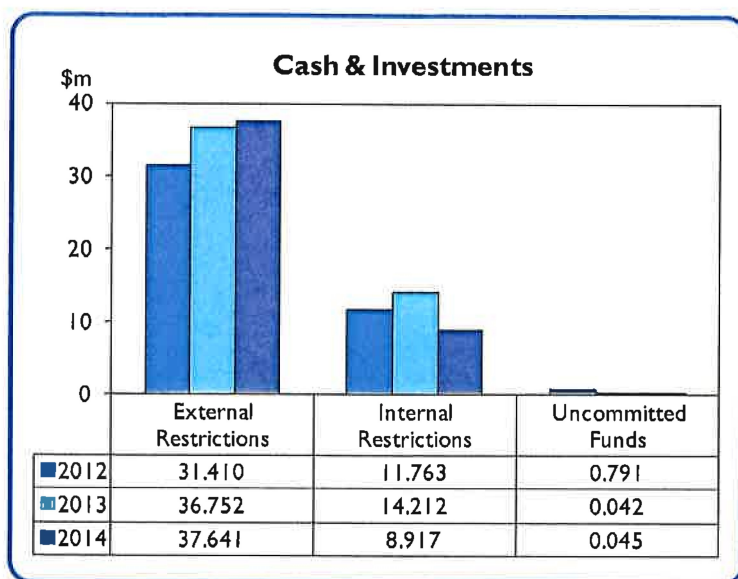
For 2014, this ratio stood at 12.66 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$46.603 million at 30 June 2014 as compared with \$51.006 million in 2013 and \$43.964 million in 2012.

The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$1.65 million), unexpended developer contributions (\$18.283 million), specific purpose grants (\$893,000), domestic waste management charges (\$196,000) and water and sewerage funds (\$16.619 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$8.917 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$45,000, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$4.505 million to \$3.352 million at the close of the year.

In addition to operating activities which contributed net cash of \$17.428 million were the proceeds from the sale of investment securities (\$13.371 million), sale of assets (\$759,000) and the receipt of borrowings (\$5.7 million). Cash outflows other than operating activities were used to purchase investment securities (\$13.283 million), repay loans (\$744,000) and to purchase and construct assets (\$27.736 million).

## 4. RECEIVABLES

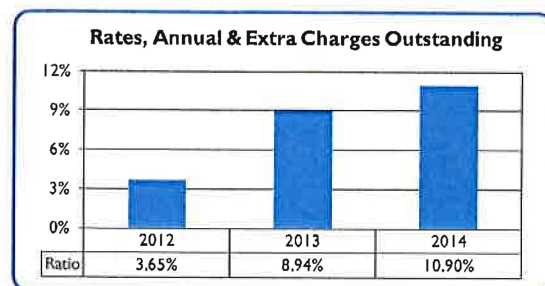
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$17.120 million and represented 34% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$18.618 million of which \$16.575 million (89%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$2.043 million at the end of the year and represented 10.9% of those receivables. The level of rates debtors has increased in recent times and can be largely attributed outstanding mining rates.



### 4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$6.13 million and included amounts due from government departments (\$2.681 million), community enhancement contributions (\$967,000) and accrued interest on investments (\$973,000). Receivables considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$63,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$3.113 million. Internally restricted cash and investments of \$1.248 million was held representing 40% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

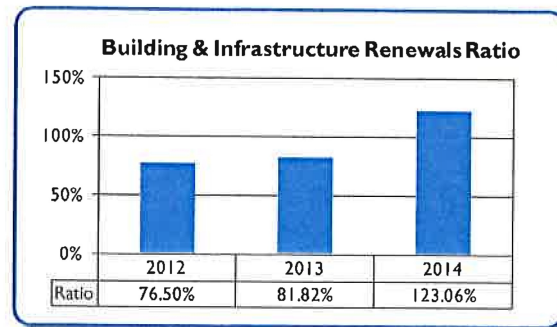
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$666,000 and were 77% funded by internally restricted cash and investments.

## 6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 133% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 19 July 2014 and included our recommendations on possible ways to strengthen and/or improve procedures.

## 8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,

**HILL ROGERS SPENCER STEER**

**BRETT HANGER**

Partner

Muswellbrook Shire Council  
**Special Purpose  
Financial Statements**

for year ended 30 June 2014



**muswellbrook  
shire council**

# Muswellbrook Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2014

| Contents   | Page         |
|--|--------------|
| <b>1. Statement by Councillors and Management</b>                | <b>2</b>     |
| <b>2. Special Purpose Financial Statements:</b>                  |              |
| Income Statement - Water Supply Business Activity                | 3            |
| Income Statement - Sewerage Business Activity                    | 4            |
| Income Statement - Other Business Activities                     | 5            |
| Statement of Financial Position - Water Supply Business Activity | 6            |
| Statement of Financial Position - Sewerage Business Activity     | 7            |
| Statement of Financial Position - Other Business Activities      | 8            |
| <b>3. Notes to the Special Purpose Financial Statements</b>      | <b>9-16</b>  |
| <b>4. Auditor's Report</b>                                       | <b>17-18</b> |

---

### 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-



## Muswellbrook Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

### 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 (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

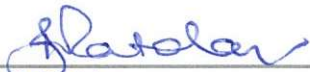
**To the best of our knowledge and belief, these Financial Statements:**

- 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 13 October 2014.**

 (x2)  
 Cr. M. Rush  
 MAYOR

  
 Cr. K. Portolan  
 COUNCILLOR

  
 Steve McDonald  
 GENERAL MANAGER

  
 Grant O'Leary  
 RESPONSIBLE ACCOUNTING OFFICER

## Muswellbrook Shire Council

Income Statement of Council's Water Supply Business Activity  
for the financial year ended 30 June 2014

| \$ '000  | Actual<br>2014 | Actual<br>2013 |
|--|----------------|----------------|
| <b>Income from continuing operations</b>                                   |                |                |
| Access charges   | 1,326          | 1,288          |
| User charges   | 3,478          | 2,680          |
| Fees   | -              | -              |
| Interest   | 1,126          | 893            |
| Grants and contributions provided for non capital purposes                 | 29             | 50             |
| Profit from the sale of assets   | 4              | -              |
| Other income   | 363            | 412            |
| <b>Total income from continuing operations</b>                             | <b>6,326</b>   | <b>5,323</b>   |
| <b>Expenses from continuing operations</b>                                 |                |                |
| Employee benefits and on-costs   | 1,003          | 1,083          |
| Borrowing costs  | 200            | 211            |
| Materials and contracts  | 2,650          | 2,222          |
| Depreciation and impairment  | 1,423          | 1,345          |
| Water purchase charges   | 145            | 170            |
| Loss on sale of assets   | -              | 14             |
| Calculated taxation equivalents  | 2              | 3              |
| Debt guarantee fee (if applicable)   | -              | -              |
| Other expenses   | 356            | 339            |
| <b>Total expenses from continuing operations</b>                           | <b>5,779</b>   | <b>5,387</b>   |
| <b>Surplus (deficit) from Continuing Operations before capital amounts</b> | <b>547</b>     | <b>(64)</b>    |
| Grants and contributions provided for capital purposes                     | 388            | 2,193          |
| <b>Surplus (deficit) from Continuing Operations after capital amounts</b>  | <b>935</b>     | <b>2,129</b>   |
| Surplus (deficit) from discontinued operations                             | -              | -              |
| <b>Surplus (deficit) from ALL Operations before tax</b>                    | <b>935</b>     | <b>2,129</b>   |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (164)          | -              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>771</b>     | <b>2,129</b>   |
| plus Opening Retained Profits  | 36,518         | 34,386         |
| plus/less: Prior Period Adjustments  | -              | -              |
| plus Adjustments for amounts unpaid:                                       |                |                |
| - Taxation equivalent payments   | 2              | 3              |
| - Debt guarantee fees  | -              | -              |
| - Corporate taxation equivalent  | 164            | -              |
| less:  |                |                |
| - Tax Equivalent Dividend paid   | -              | -              |
| - Surplus dividend paid  | -              | -              |
| <b>Closing Retained Profits</b>  | <b>37,455</b>  | <b>36,518</b>  |
| <b>Return on Capital %</b>   | <b>1.5%</b>    | <b>0.3%</b>    |
| <b>Subsidy from Council</b>  | <b>990</b>     | <b>1,672</b>   |
| <b>Calculation of dividend payable:</b>                                    |                |                |
| Surplus (deficit) after tax  | 771            | 2,129          |
| less: Capital grants and contributions (excluding developer contributions) | (1)            | (361)          |
| <b>Surplus for dividend calculation purposes</b>                           | <b>770</b>     | <b>1,768</b>   |
| <b>Potential Dividend calculated from surplus</b>                          | <b>385</b>     | <b>884</b>     |

## Muswellbrook Shire Council

Income Statement of Council's Sewerage Business Activity  
for the financial year ended 30 June 2014

| \$ '000  | Actual<br>2014 | Actual<br>2013 |
|--|----------------|----------------|
| <b>Income from continuing operations</b>                                   |                |                |
| Access charges   | 3,134          | 2,879          |
| User charges   | 392            | 308            |
| Liquid Trade Waste charges   | 52             | 36             |
| Fees   | -              | -              |
| Interest   | 580            | 607            |
| Grants and contributions provided for non capital purposes                 | 32             | 32             |
| Profit from the sale of assets   | -              | -              |
| Other income   | 513            | 286            |
| <b>Total income from continuing operations</b>                             | <b>4,703</b>   | <b>4,148</b>   |
| <b>Expenses from continuing operations</b>                                 |                |                |
| Employee benefits and on-costs   | 898            | 954            |
| Borrowing costs  | 66             | 69             |
| Materials and contracts  | 1,091          | 943            |
| Depreciation and impairment  | 1,067          | 966            |
| Loss on sale of assets   | -              | -              |
| Calculated taxation equivalents  | 7              | 4              |
| Debt guarantee fee (if applicable)   | -              | -              |
| Other expenses   | 264            | 233            |
| <b>Total expenses from continuing operations</b>                           | <b>3,393</b>   | <b>3,169</b>   |
| <b>Surplus (deficit) from Continuing Operations before capital amounts</b> | <b>1,310</b>   | <b>979</b>     |
| Grants and contributions provided for capital purposes                     | 1,625          | 4,627          |
| <b>Surplus (deficit) from Continuing Operations after capital amounts</b>  | <b>2,935</b>   | <b>5,606</b>   |
| Surplus (deficit) from discontinued operations                             | -              | -              |
| <b>Surplus (deficit) from ALL Operations before tax</b>                    | <b>2,935</b>   | <b>5,606</b>   |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (393)          | (294)          |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>2,542</b>   | <b>5,312</b>   |
| plus Opening Retained Profits  | 38,610         | 33,000         |
| plus/less: Prior Period Adjustments  | -              | -              |
| plus Adjustments for amounts unpaid:                                       |                |                |
| - Taxation equivalent payments   | 7              | 4              |
| - Debt guarantee fees  | -              | -              |
| - Corporate taxation equivalent  | 393            | 294            |
| less:  |                |                |
| - Tax Equivalent Dividend paid   | -              | -              |
| - Surplus dividend paid  | -              | -              |
| <b>Closing Retained Profits</b>  | <b>41,552</b>  | <b>38,610</b>  |
| <b>Return on Capital %</b>   | <b>2.8%</b>    | <b>2.4%</b>    |
| <b>Subsidy from Council</b>  | <b>369</b>     | <b>632</b>     |
| <b>Calculation of dividend payable:</b>                                    |                |                |
| Surplus (deficit) after tax  | 2,542          | 5,312          |
| less: Capital grants and contributions (excluding developer contributions) | (11)           | (4,627)        |
| <b>Surplus for dividend calculation purposes</b>                           | <b>2,531</b>   | <b>685</b>     |
| <b>Potential Dividend calculated from surplus</b>                          | <b>1,266</b>   | <b>343</b>     |

## Muswellbrook Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

|  | Commercial Buildings |                | Business Activity B |                |
|--|----------------------|----------------|---------------------|----------------|
|  | Category 2           |                | Category 1/2        |                |
| \$ '000  | Actual<br>2014       | Actual<br>2013 | Actual<br>2014      | Actual<br>2013 |
| <b>Income from continuing operations</b>                                   |                      |                |                     |                |
| Access charges   | -                    | -              | -                   | -              |
| User charges   | 887                  | 913            | -                   | -              |
| Fees   | -                    | -              | -                   | -              |
| Interest   | 75                   | 78             | -                   | -              |
| Grants and contributions provided for non capital purposes                 | -                    | -              | -                   | -              |
| Profit from the sale of assets   | -                    | 2,191          | -                   | -              |
| Other income   | 88                   | 357            | -                   | -              |
| <b>Total income from continuing operations</b>                             | <b>1,050</b>         | <b>3,539</b>   | <b>-</b>            | <b>-</b>       |
| <b>Expenses from continuing operations</b>                                 |                      |                |                     |                |
| Employee benefits and on-costs   | -                    | 1              | -                   | -              |
| Borrowing costs  | 46                   | 44             | -                   | -              |
| Materials and contracts  | 468                  | 333            | -                   | -              |
| Depreciation and impairment  | 14                   | 14             | -                   | -              |
| Loss on sale of assets   | -                    | -              | -                   | -              |
| Calculated taxation equivalents  | 64                   | 58             | -                   | -              |
| Debt guarantee fee (if applicable)   | 6                    | 6              | -                   | -              |
| Other expenses   | 595                  | 79             | -                   | -              |
| <b>Total expenses from continuing operations</b>                           | <b>1,193</b>         | <b>535</b>     | <b>-</b>            | <b>-</b>       |
| <b>Surplus (deficit) from Continuing Operations before capital amounts</b> | <b>(143)</b>         | <b>3,004</b>   | <b>-</b>            | <b>-</b>       |
| Grants and contributions provided for capital purposes                     | 2,160                | 135            | -                   | -              |
| <b>Surplus (deficit) from Continuing Operations after capital amounts</b>  | <b>2,017</b>         | <b>3,139</b>   | <b>-</b>            | <b>-</b>       |
| Surplus (deficit) from discontinued operations                             | -                    | -              | -                   | -              |
| <b>Surplus (deficit) from ALL Operations before tax</b>                    | <b>2,017</b>         | <b>3,139</b>   | <b>-</b>            | <b>-</b>       |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | -                    | (901)          | -                   | -              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>2,017</b>         | <b>2,238</b>   | <b>-</b>            | <b>-</b>       |
| plus Opening Retained Profits  | 12,649               | 11,868         | -                   | -              |
| plus/less: Prior Period Adjustments  | -                    | -              | -                   | -              |
| plus Adjustments for amounts unpaid:                                       |                      |                |                     |                |
| - Taxation equivalent payments   | 64                   | 58             | -                   | -              |
| - Debt guarantee fees  | 6                    | 6              | -                   | -              |
| - Corporate taxation equivalent  | -                    | 901            | -                   | -              |
| add:   |                      |                |                     |                |
| - Subsidy Paid/Contribution To Operations                                  | 1,441                | (2,422)        | -                   | -              |
| less:  |                      |                |                     |                |
| - TER dividend paid  | -                    | -              | -                   | -              |
| - Dividend paid  | -                    | -              | -                   | -              |
| <b>Closing Retained Profits</b>  | <b>16,177</b>        | <b>12,649</b>  | <b>-</b>            | <b>-</b>       |
| <b>Return on Capital %</b>   | <b>-1.0%</b>         | <b>76.1%</b>   | <b>n/a</b>          | <b>n/a</b>     |
| <b>Subsidy from Council</b>  | <b>454</b>           | <b>-</b>       | <b>-</b>            | <b>-</b>       |

## Muswellbrook Shire Council

Statement of Financial Position - Council's Water Supply Business Activity  
as at 30 June 2014

| \$ '000  | Actual<br>2014 | Actual<br>2013 |
|--|----------------|----------------|
| <b>ASSETS</b>                                  |                |                |
| <b>Current Assets</b>                          |                |                |
| Cash and cash equivalents                      | -              | -              |
| Investments                                    | 4,534          | 5,261          |
| Receivables                                    | 561            | 808            |
| Inventories                                    | 3              | 3              |
| Other  | -              | -              |
| Non-current assets classified as held for sale | -              | -              |
| <b>Total Current Assets</b>                    | <b>5,098</b>   | <b>6,072</b>   |
| <b>Non-Current Assets</b>                      |                |                |
| Investments                                    | 14,966         | 12,477         |
| Receivables                                    | 1,589          | 1,622          |
| Inventories                                    | -              | -              |
| Infrastructure, property, plant and equipment  | 48,781         | 48,250         |
| Investments accounted for using equity method  | -              | -              |
| Investment property                            | -              | -              |
| Other  | -              | -              |
| <b>Total non-Current Assets</b>                | <b>65,336</b>  | <b>62,349</b>  |
| <b>TOTAL ASSETS</b>                            | <b>70,434</b>  | <b>68,421</b>  |
| <b>LIABILITIES</b>                             |                |                |
| <b>Current Liabilities</b>                     |                |                |
| Bank Overdraft                                 | -              | -              |
| Payables                                       | 461            | 229            |
| Interest bearing liabilities                   | 227            | 211            |
| Provisions                                     | 362            | 399            |
| <b>Total Current Liabilities</b>               | <b>1,050</b>   | <b>839</b>     |
| <b>Non-Current Liabilities</b>                 |                |                |
| Payables                                       | -              | -              |
| Interest bearing liabilities                   | 2,712          | 2,939          |
| Provisions                                     | -              | -              |
| <b>Total Non-Current Liabilities</b>           | <b>2,712</b>   | <b>2,939</b>   |
| <b>TOTAL LIABILITIES</b>                       | <b>3,762</b>   | <b>3,778</b>   |
| <b>NET ASSETS</b>                              | <b>66,672</b>  | <b>64,643</b>  |
| <b>EQUITY</b>                                  |                |                |
| Retained earnings                              | 37,455         | 36,518         |
| Revaluation reserves                           | 29,217         | 28,125         |
| Council equity interest                        | 66,672         | 64,643         |
| Non-controlling equity interest                | -              | -              |
| <b>TOTAL EQUITY</b>                            | <b>66,672</b>  | <b>64,643</b>  |



## Muswellbrook Shire Council

## Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

| \$ '000  | Actual<br>2014 | Actual<br>2013 |
|--|----------------|----------------|
| <b>ASSETS</b>                                  |                |                |
| <b>Current Assets</b>                          |                |                |
| Cash and cash equivalents                      | -              | -              |
| Investments                                    | 2,629          | 4,037          |
| Receivables                                    | 830            | 873            |
| Inventories                                    | -              | -              |
| Other  | -              | -              |
| Non-current assets classified as held for sale | -              | -              |
| <b>Total Current Assets</b>                    | <b>3,459</b>   | <b>4,910</b>   |
| <b>Non-Current Assets</b>                      |                |                |
| Investments                                    | 8,827          | 9,580          |
| Receivables                                    | -              | -              |
| Inventories                                    | -              | -              |
| Infrastructure, property, plant and equipment  | 49,012         | 44,556         |
| Investments accounted for using equity method  | -              | -              |
| Investment property                            | -              | -              |
| Other  | -              | -              |
| <b>Total non-Current Assets</b>                | <b>57,839</b>  | <b>54,136</b>  |
| <b>TOTAL ASSETS</b>                            | <b>61,298</b>  | <b>59,046</b>  |
| <b>LIABILITIES</b>                             |                |                |
| <b>Current Liabilities</b>                     |                |                |
| Bank Overdraft                                 | -              | -              |
| Payables                                       | 816            | 87             |
| Interest bearing liabilities                   | 55             | 52             |
| Provisions                                     | 168            | 205            |
| <b>Total Current Liabilities</b>               | <b>1,039</b>   | <b>344</b>     |
| <b>Non-Current Liabilities</b>                 |                |                |
| Payables                                       | -              | -              |
| Interest bearing liabilities                   | 910            | 962            |
| Provisions                                     | -              | -              |
| <b>Total Non-Current Liabilities</b>           | <b>910</b>     | <b>962</b>     |
| <b>TOTAL LIABILITIES</b>                       | <b>1,949</b>   | <b>1,306</b>   |
| <b>NET ASSETS</b>                              | <b>59,349</b>  | <b>57,740</b>  |
| <b>EQUITY</b>                                  |                |                |
| Retained earnings                              | 41,552         | 38,610         |
| Revaluation reserves                           | 17,797         | 19,130         |
| Council equity interest                        | 59,349         | 57,740         |
| Non-controlling equity interest                | -              | -              |
| <b>TOTAL EQUITY</b>                            | <b>59,349</b>  | <b>57,740</b>  |

## Muswellbrook Shire Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

|  | Commercial Buildings |                | Business Activity B |                |
|--|----------------------|----------------|---------------------|----------------|
|  | Category 2           |                | Category 1/2        |                |
| \$ '000  | Actual<br>2014       | Actual<br>2013 | Actual<br>2014      | Actual<br>2013 |
| <b>ASSETS</b>                                  |                      |                |                     |                |
| <b>Current Assets</b>                          |                      |                |                     |                |
| Cash and cash equivalents                      | -                    | -              | -                   | -              |
| Investments                                    | -                    | 412            | -                   | -              |
| Receivables                                    | -                    | -              | -                   | -              |
| Inventories                                    | -                    | -              | -                   | -              |
| Other  | -                    | -              | -                   | -              |
| Non-current assets classified as held for sale | -                    | -              | -                   | -              |
| <b>Total Current Assets</b>                    | -                    | 412            | -                   | -              |
| <b>Non-Current Assets</b>                      |                      |                |                     |                |
| Investments                                    | 18                   | 1,010          | -                   | -              |
| Receivables                                    | -                    | -              | -                   | -              |
| Inventories                                    | 1,922                | 1,862          | -                   | -              |
| Infrastructure, property, plant and equipment  | 10,022               | 4,005          | -                   | -              |
| Investments accounted for using equity method  | -                    | -              | -                   | -              |
| Investment property                            | 7,485                | 5,828          | -                   | -              |
| Other  | -                    | -              | -                   | -              |
| <b>Total Non-Current Assets</b>                | 19,447               | 12,705         | -                   | -              |
| <b>TOTAL ASSETS</b>                            | 19,447               | 13,117         | -                   | -              |
| <b>LIABILITIES</b>                             |                      |                |                     |                |
| <b>Current Liabilities</b>                     |                      |                |                     |                |
| Bank Overdraft                                 | -                    | -              | -                   | -              |
| Payables                                       | -                    | -              | -                   | -              |
| Interest bearing liabilities                   | 11                   | 10             | -                   | -              |
| Provisions                                     | -                    | -              | -                   | -              |
| <b>Total Current Liabilities</b>               | 11                   | 10             | -                   | -              |
| <b>Non-Current Liabilities</b>                 |                      |                |                     |                |
| Payables                                       | -                    | -              | -                   | -              |
| Interest bearing liabilities                   | 3,259                | 570            | -                   | -              |
| Provisions                                     | -                    | -              | -                   | -              |
| Other Liabilities                              | -                    | -              | -                   | -              |
| <b>Total Non-Current Liabilities</b>           | 3,259                | 570            | -                   | -              |
| <b>TOTAL LIABILITIES</b>                       | 3,270                | 580            | -                   | -              |
| <b>NET ASSETS</b>                              | 16,177               | 12,537         | -                   | -              |
| <b>EQUITY</b>                                  |                      |                |                     |                |
| Retained earnings                              | 16,177               | 12,537         | -                   | -              |
| Revaluation reserves                           | -                    | -              | -                   | -              |
| Council equity interest                        | 16,177               | 12,537         | -                   | -              |
| Non-controlling equity interest                | -                    | -              | -                   | -              |
| <b>TOTAL EQUITY</b>                            | 16,177               | 12,537         | -                   | -              |

## Muswellbrook Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Contents of the Notes accompanying the Financial Statements

| Note | Details  | Page  |
|------|--|-------|
| 1    | Summary of Significant Accounting Policies                             | 10-12 |
| 2    | Water Supply Business Best Practice Management disclosure requirements | 13-14 |
| 3    | Sewerage Business Best Practice Management disclosure requirements     | 15-17 |

## Muswellbrook Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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' to 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 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & 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 & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

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

##### a. Water Supplies

Provision of potable water for the communities of Muswellbrook, Denman and Sandy Hollow.

##### b. Sewerage Services

Provision of sewage treatment and disposal for the communities of Muswellbrook and Denman.

##### Category 2

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

##### a. Commercial Buildings

The provision of residential and commercial properties for lease and sale of both development ready and surplus vacant land.

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

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

## Muswellbrook Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

##### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these 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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, 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 in the Best Practice Management of Water Supply and Sewerage Guides to as a “Dividend for Taxation equivalent”, may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage 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 each reported Business Activity.

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the “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 Council's General Purpose Financial Statements.

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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



## Muswellbrook Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

---

##### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

##### (iii) Return on Investments (Rate of Return)

The 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 Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

---

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30 June 2014.

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

##### (iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

# Muswellbrook Shire Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

### Note 2. Water Supply Business

#### Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

#### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

|  |        |
|--|--------|
| (i) Calculated Tax Equivalents                                     | 2,000  |
| (ii) No of assessments multiplied by \$3/assessment                | 18,393 |
| (iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)] | 2,000  |
| (iv) Amounts actually paid for Tax Equivalents                     |        |

#### 2. Dividend from Surplus

|  |           |
|--|-----------|
| (i) 50% of Surplus before Dividends<br>[Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]                     | 384,950   |
| (ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment  | 181,930   |
| (iii) Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012 | 2,609,300 |

|              |         |               |           |               |        |
|--------------|---------|---------------|-----------|---------------|--------|
| 2014 Surplus | 769,900 | 2013 Surplus  | 1,768,000 | 2012 Surplus  | 71,400 |
|              |         | 2013 Dividend | -         | 2012 Dividend |        |

|  |         |
|--|---------|
| (iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]                          | 181,930 |
| (v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria] |         |

#### 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<br>[Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines] | YES |
| - Complying charges [Item 2(b) in Table 1]  | YES |
| - DSP with Commercial Developer Charges [Item 2(e) in Table 1]  | YES |
| - If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]  | NO  |
| (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 |

## Muswellbrook Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

## National Water Initiative (NWI) Financial Performance Indicators

|                |   |        |        |
|----------------|---|--------|--------|
| <b>NWI F1</b>  | Total Revenue (Water)<br>Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)<br>- Aboriginal Communities W&S Program Income (w10a)  | \$'000 | 5,606  |
| <b>NWI F4</b>  | Revenue from Residential Usage Charges (Water)<br>Income from Residential Usage Charges (w6b) x 100 divided by the sum of<br>[Income from Residential Usage Charges (w6a) + Income from Residential<br>Access Charges (w6b)]  | %      | 71.19% |
| <b>NWI F9</b>  | Written Down Replacement Cost of Fixed Assets (Water)<br>Written down current cost of system assets (w47)   | \$'000 | 48,514 |
| <b>NWI F11</b> | Operating Cost (OMA) (Water)<br>Management Expenses (w1) + Operational & Maintenance Expenses (w2)  | \$'000 | 4,140  |
| <b>NWI F14</b> | Capital Expenditure (Water)<br>Acquisition of fixed assets (w16)  | \$'000 | 887    |
| <b>NWI F17</b> | Economic Real Rate of Return (Water)<br>[Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) -<br>Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by<br>[Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)] | %      | 0.09%  |
| <b>NWI F26</b> | Capital Works Grants (Water)<br>Grants for the Acquisition of Assets (w11a)   | \$'000 | -      |

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 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.

# Muswellbrook Shire Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

### Note 3. Sewerage Business

#### Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

#### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

|  |        |
|--|--------|
| (i) Calculated Tax Equivalents                                     | 7,000  |
| (ii) No of assessments multiplied by \$3/assessment                | 17,982 |
| (iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)] | 7,000  |
| (iv) Amounts actually paid for Tax Equivalents                     |        |

#### 2. Dividend from Surplus

|  |           |
|--|-----------|
| (i) 50% of Surplus before Dividends<br>[Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]                     | 1,265,500 |
| (ii) No. of assessments x (\$30 less tax equivalent charges per assessment)  | 172,820   |
| (iii) Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012 | 3,644,000 |

|              |           |               |         |               |         |
|--------------|-----------|---------------|---------|---------------|---------|
| 2014 Surplus | 2,531,000 | 2013 Surplus  | 685,300 | 2012 Surplus  | 427,700 |
|              |           | 2013 Dividend | -       | 2012 Dividend |         |

|  |         |
|--|---------|
| (iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]                          | 172,820 |
| (v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria] |         |

#### 3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

|  |     |
|--|-----|
| (i) Completion of Strategic Business Plan (including Financial Plan)   | YES |
| (ii) Pricing with full cost-recovery, without significant cross subsidies<br>[Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines] | YES |
| Complying charges (a) Residential [Item 2(c) in Table 1]   | YES |
| (b) Non Residential [Item 2(c) in Table 1]   | YES |
| (c) Trade Waste [Item 2(d) in Table 1]   | YES |
| DSP with Commercial Developer Charges [Item 2(e) in Table 1]   | YES |
| Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]   | YES |
| (iii) Complete Performance Reporting Form (by 15 September each year)  | YES |
| (iv) a. Integrated Water Cycle Management Evaluation   | YES |
| b. Complete and implement Integrated Water Cycle Management Strategy   | YES |

## Muswellbrook Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014

## Note 3. Sewerage Business

## Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

## National Water Initiative (NWI) Financial Performance Indicators

|                |   |        |        |
|----------------|---|--------|--------|
| <b>NWI F2</b>  | Total Revenue (Sewerage)<br>Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)<br>- Aboriginal Communities W&S Program Income (w10a)  | \$'000 | 5,768  |
| <b>NWI F10</b> | Written Down Replacement Cost of Fixed Assets (Sewerage)<br>Written down current cost of system assets (s48)  | \$'000 | 48,982 |
| <b>NWI F12</b> | Operating Cost (Sewerage)<br>Management Expenses (s1) + Operational & Maintenance Expenses (s2)   | \$'000 | 2,252  |
| <b>NWI F15</b> | Capital Expenditure (Sewerage)<br>Acquisition of Fixed Assets (s17)   | \$'000 | 6,860  |
| <b>NWI F18</b> | Economic Real Rate of Return (Sewerage)<br>[Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a)<br>- Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by<br>[Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)] | %      | 5.00%  |
| <b>NWI F27</b> | Capital Works Grants (Sewerage)<br>Grants for the Acquisition of Assets (12a)   | \$'000 | -      |

National Water Initiative (NWI) Financial Performance Indicators  
Water and Sewer (combined)

|                |   |        |        |
|----------------|---|--------|--------|
| <b>NWI F3</b>  | Total Income (Water & Sewerage)<br>Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15)<br>minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)  | \$'000 | 11,378 |
| <b>NWI F8</b>  | Revenue from Community Service Obligations (Water & Sewerage)<br>Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)   | %      | 0.56%  |
| <b>NWI F16</b> | Capital Expenditure (Water & Sewerage)<br>Acquisition of Fixed Assets (w16 + s17)   | \$'000 | 7,747  |
| <b>NWI F19</b> | Economic Real Rate of Return (Water & Sewerage)<br>[Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets<br>(w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100<br>divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10)<br>+ Plant & equipment (w33b + s34b)] | %      | 2.55%  |
| <b>NWI F20</b> | Dividend (Water & Sewerage)<br>Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)   | \$'000 | -      |
| <b>NWI F21</b> | Dividend Payout Ratio (Water & Sewerage)<br>Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)  | %      | 0.00%  |

## Muswellbrook Shire Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

National Water Initiative (NWI) Financial Performance Indicators  
Water and Sewer (combined)

|                |  |        |                 |
|----------------|--|--------|-----------------|
| <b>NWI F22</b> | Net Debt to Equity (Water and Sewerage)  | %      | <b>-21.47%</b>  |
|                | Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31)<br>x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]                               |        |                 |
| <b>NWI F23</b> | Interest Cover (Water and Sewerage)  |        | <b>&gt; 100</b> |
|                | Earnings before Interest & Tax (EBIT) divided by Net Interest  |        |                 |
|                | Earnings before Interest & Tax (EBIT):   |        | <b>2,492</b>    |
|                | Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10)<br>- Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) |        |                 |
|                | Net Interest:  |        | <b>- 1,396</b>  |
|                | Interest Expense (w4a + s4a) - Interest Income (w9 + s10)  |        |                 |
| <b>NWI F24</b> | Net Profit After Tax (Water and Sewerage)  | \$'000 | <b>3,879</b>    |
|                | Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))  |        |                 |
| <b>NWI F25</b> | Community Service Obligations (Water and Sewerage)   | \$'000 | <b>64</b>       |
|                | Grants for Pensioner Rebates (w11b + s12b)   |        |                 |

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 and 6 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.



**MUSWELLBROOK SHIRE COUNCIL**  
**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITORS' REPORT**

---

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying special purpose financial statements of Muswellbrook Shire Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

**Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Auditor's Opinion***

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note I and the Local Government Code of Accounting Practice and Financial Reporting.

***Basis of Accounting***

Without modifying our opinion, we draw attention to Note I to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Sydney this 31st day of October 2014

Muswellbrook Shire Council  
**Special Schedules**

for year ended 30 June 2014



**muswellbrook**  
**shire council**

# Muswellbrook Shire Council

## Special Schedules

for the financial year ended 30 June 2014

### Contents

Page

### Special Schedules<sup>1</sup>

|  |  |       |
|--|--|-------|
| - Special Schedule No. 1               | Net Cost of Services                                 | 2-3   |
| - Special Schedule No. 2(a)            | Statement of Long Term Debt (all purposes)           | 4     |
| - Special Schedule No. 2(b)            | Statement of Internal Loans (Sect. 410(3) LGA 1993)  | 5     |
| - Special Schedule No. 3               | Water Supply Operations - incl. Income Statement     | 6-9   |
| - Special Schedule No. 4               | Water Supply - Statement of Financial Position       | 10    |
| - Special Schedule No. 5               | Sewerage Service Operations - incl. Income Statement | 11-14 |
| - Special Schedule No. 6               | Sewerage Service - Statement of Financial Position   | 15    |
| - Notes to Special Schedules No. 3 & 5 |  | 16    |
| - Special Schedule No. 7               | Report on Infrastructure Assets (as at 30 June 2014) | 17-22 |
| - Special Schedule No. 8               | Financial Projections                                | 23    |
| - Special Schedule No. 9               | Permissible Income Calculation                       | 24-26 |

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

### 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.

## Muswellbrook Shire Council

# Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

| Function or Activity                                   | Expenses from Continuing Operations | Income from continuing operations |         | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|---------|----------------------|
|  |                                     | Non Capital                       | Capital |                      |
| <b>Governance</b>                                      | 548                                 | -                                 | -       | (548)                |
| <b>Administration</b>                                  | 4,370                               | 2,759                             | -       | (1,611)              |
| <b>Public Order and Safety</b>                         |                                     |                                   |         |                      |
| Fire Service Levy, Fire Protection, Emergency Services | 670                                 | 341                               | 452     | 123                  |
| Beach Control  | -                                   | -                                 | -       | -                    |
| Enforcement of Local Govt. Regulations                 | -                                   | -                                 | -       | -                    |
| Animal Control   | 368                                 | 163                               | -       | (205)                |
| Other  | -                                   | -                                 | -       | -                    |
| <b>Total Public Order &amp; Safety</b>                 | 1,038                               | 504                               | 452     | (82)                 |
| <b>Health</b>  | -                                   | -                                 | -       | -                    |
| <b>Environment</b>                                     |                                     |                                   |         |                      |
| Noxious Plants and Insect/Vermin Control               | -                                   | -                                 | -       | -                    |
| Other Environmental Protection                         | 785                                 | 397                               | -       | (388)                |
| Solid Waste Management                                 | 4,937                               | 4,522                             | -       | (415)                |
| Street Cleaning  | 195                                 | -                                 | -       | (195)                |
| Drainage   | -                                   | -                                 | -       | -                    |
| Stormwater Management                                  | 107                                 | -                                 | 15      | (92)                 |
| <b>Total Environment</b>                               | 6,024                               | 4,919                             | 15      | (1,090)              |
| <b>Community Services and Education</b>                |                                     |                                   |         |                      |
| Administration and Education                           | 428                                 | 203                               | -       | (225)                |
| Social Protection (Welfare)                            | -                                   | -                                 | -       | -                    |
| Aged Persons and Disabled                              | -                                   | -                                 | -       | -                    |
| Children's Services                                    | -                                   | -                                 | -       | -                    |
| <b>Total Community Services &amp; Education</b>        | 428                                 | 203                               | -       | (225)                |
| <b>Housing and Community Amenities</b>                 |                                     |                                   |         |                      |
| Public Cemeteries                                      | 93                                  | 61                                | -       | (32)                 |
| Public Conveniences                                    | 47                                  | -                                 | -       | (47)                 |
| Street Lighting  | 433                                 | 57                                | -       | (376)                |
| Town Planning  | 1,108                               | 597                               | 91      | (420)                |
| Other Community Amenities                              | 283                                 | 18                                | -       | (265)                |
| <b>Total Housing and Community Amenities</b>           | 1,964                               | 733                               | 91      | (1,140)              |
| <b>Water Supplies</b>                                  | 5,071                               | 5,630                             | 388     | 947                  |
| <b>Sewerage Services</b>                               | 2,989                               | 4,103                             | 1,614   | 2,728                |

## Muswellbrook Shire Council

## Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

| Function or Activity  | Expenses from Continuing Operations | Income from continuing operations |               | Net Cost of Services |
|---|-------------------------------------|-----------------------------------|---------------|----------------------|
|   |                                     | Non Capital                       | Capital       |                      |
| <b>Recreation and Culture</b>   |                                     |                                   |               |                      |
| Public Libraries  | 843                                 | 76                                | 12            | (755)                |
| Museums   | -                                   | -                                 | -             | -                    |
| Art Galleries   | 275                                 | 25                                | 30            | (220)                |
| Community Centres and Halls   | -                                   | -                                 | -             | -                    |
| Performing Arts Venues  | -                                   | -                                 | -             | -                    |
| Other Performing Arts   | -                                   | -                                 | -             | -                    |
| Other Cultural Services   | -                                   | -                                 | -             | -                    |
| Sporting Grounds and Venues   | -                                   | -                                 | -             | -                    |
| Swimming Pools  | 1,344                               | 571                               | -             | (773)                |
| Parks & Gardens (Lakes)   | 2,206                               | 77                                | 2,342         | 213                  |
| Other Sport and Recreation  | -                                   | -                                 | -             | -                    |
| <b>Total Recreation and Culture</b>   | <b>4,668</b>                        | <b>749</b>                        | <b>2,384</b>  | <b>(1,535)</b>       |
| <b>Fuel &amp; Energy</b>  | -                                   | -                                 | -             | -                    |
| <b>Agriculture</b>  | -                                   | -                                 | -             | -                    |
| <b>Mining, Manufacturing and Construction</b>                                       |                                     |                                   |               |                      |
| Building Control  | -                                   | -                                 | -             | -                    |
| <b>Total Mining, Manufacturing and Const.</b>                                       | -                                   | -                                 | -             | -                    |
| <b>Transport and Communication</b>  |                                     |                                   |               |                      |
| Urban Roads (UR) - Local  | 343                                 | 40                                | 1,868         | 1,565                |
| Urban Roads - Regional  | 40                                  | 622                               | -             | 582                  |
| Sealed Rural Roads (SRR) - Local  | 2,197                               | 2,258                             | 3,508         | 3,569                |
| Sealed Rural Roads (SRR) - Regional   | 907                                 | 429                               | -             | (478)                |
| Unsealed Rural Roads (URR) - Local  | -                                   | -                                 | -             | -                    |
| Unsealed Rural Roads (URR) - Regional   | -                                   | -                                 | -             | -                    |
| Bridges on UR - Local   | -                                   | -                                 | -             | -                    |
| Bridges on SRR - Local  | -                                   | -                                 | -             | -                    |
| Bridges on URR - Local  | 26                                  | -                                 | -             | (26)                 |
| Bridges on Regional Roads   | 43                                  | -                                 | -             | (43)                 |
| Parking Areas   | 92                                  | -                                 | -             | (92)                 |
| Footpaths   | 78                                  | -                                 | -             | (78)                 |
| Other Transport and Communication   | 6,480                               | 207                               | 404           | (5,869)              |
| <b>Total Transport and Communication</b>  | <b>10,206</b>                       | <b>3,556</b>                      | <b>5,780</b>  | <b>(870)</b>         |
| <b>Economic Affairs</b>   |                                     |                                   |               |                      |
| Camping Areas & Caravan Parks   | -                                   | -                                 | -             | -                    |
| Other Economic Affairs  | 1,002                               | 1,062                             | 2,160         | 2,220                |
| <b>Total Economic Affairs</b>   | <b>1,002</b>                        | <b>1,062</b>                      | <b>2,160</b>  | <b>2,220</b>         |
| <b>Totals – Functions</b>   | <b>38,308</b>                       | <b>24,218</b>                     | <b>12,884</b> | <b>(1,206)</b>       |
| <b>General Purpose Revenues<sup>(2)</sup></b>                                       |                                     | <b>13,459</b>                     |               | <b>13,459</b>        |
| <b>Share of interests - joint ventures &amp; associates using the equity method</b> | -                                   | 12                                |               | 12                   |
| <b>NET OPERATING RESULT<sup>(1)</sup></b>   | <b>38,308</b>                       | <b>37,689</b>                     | <b>12,884</b> | <b>12,265</b>        |

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

# Muswellbrook Shire Council

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose) for the financial year ended 30 June 2014

\$'000

| Classification of Debt      | Principal outstanding at beginning of the year |              |              | New Loans raised during the year | Debt redemption during the year |               | Transfers to Sinking Funds | Interest applicable for Year | Principal outstanding at the end of the year |               |               |
|-----------------------------|--|--------------|--------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|---------------|---------------|
|                             | Current  | Non Current  | Total        |                                  | From Revenue                    | Sinking Funds |                            |                              | Current                                      | Non Current   | Total         |
| <b>Loans (by Source)</b>    |  |              |              |                                  |                                 |               |                            |                              |  |               |               |
| Commonwealth Government     | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| Treasury Corporation        | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| Other State Government      | 156  | 936          | 1,092        |                                  | 156                             |               |                            |                              | 156  | 780           | 936           |
| Public Subscription         | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| Financial Institutions      | 480  | 6,548        | 7,028        | 5,700                            | 588                             |               |                            | 564                          | 673  | 11,467        | 12,140        |
| Other                       | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| <b>Total Loans</b>          | <b>636</b>                                     | <b>7,484</b> | <b>8,120</b> | <b>5,700</b>                     | <b>744</b>                      | <b>-</b>      | <b>-</b>                   | <b>564</b>                   | <b>829</b>                                   | <b>12,247</b> | <b>13,076</b> |
| <b>Other Long Term Debt</b> |  |              |              |                                  |                                 |               |                            |                              |  |               |               |
| Ratepayers Advances         | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| Government Advances         | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| Finance Leases              | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| Deferred Payments           | -  | -            | -            |                                  |                                 |               |                            |                              |  | -             | -             |
| <b>Total Long Term Debt</b> | <b>-</b>                                       | <b>-</b>     | <b>-</b>     | <b>-</b>                         | <b>-</b>                        | <b>-</b>      | <b>-</b>                   | <b>-</b>                     | <b>-</b>                                     | <b>-</b>      | <b>-</b>      |
| <b>Total Debt</b>           | <b>636</b>                                     | <b>7,484</b> | <b>8,120</b> | <b>5,700</b>                     | <b>744</b>                      | <b>-</b>      | <b>-</b>                   | <b>564</b>                   | <b>829</b>                                   | <b>12,247</b> | <b>13,076</b> |

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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



# Muswellbrook Shire Council

## Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2014

\$'000

### Summary of Internal Loans

| Borrower (by purpose)  | Amount originally raised | Total repaid during the year<br>(Principal & Interest) | Principal Outstanding<br>at end of year |
|--|--------------------------|--|---|
| General<br>Water<br>Sewer<br>Domestic Waste Management<br>Gas<br>Other | 1,750                    | 136  | 1,622                                   |
| <b>Totals</b>  | <b>1,750</b>             | <b>136</b>   | <b>1,622</b>                            |

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

### Details of Individual Internal Loans

| Borrower<br>(by purpose) | Lender<br>(by purpose) | Date of<br>Minister's<br>Approval | Date Raised | Term<br>(years) | Dates of<br>Maturity | Rate of<br>Interest | Amount<br>Originally<br>raised | Total repaid<br>during year<br>(Princ. & Int.) | Principal<br>Outstanding<br>at end of year |
|--------------------------|------------------------|-----------------------------------|-------------|-----------------|----------------------|---------------------|--------------------------------|--|--|
| General Fund             | Water Fund             | 10/08/10                          | 11/08/10    | 25              | 10/08/35             | 6.00%               | 1,750                          | 136  | 1,622                                      |
| <b>Totals</b>            |                        |                                   |             |                 |                      |                     | <b>1,750</b>                   | <b>136</b>                                     | <b>1,622</b>                               |

## Muswellbrook Shire Council

## Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

| \$'000   | Actuals<br>2014 | Actuals<br>2013 |
|--|-----------------|-----------------|
| <b>A Expenses and Income Expenses</b>                |                 |                 |
| <b>1. Management expenses</b>                        |                 |                 |
| a. Administration                                    | 795             | 674             |
| b. Engineering and Supervision                       | 639             | 556             |
| <b>2. Operation and Maintenance expenses</b>         |                 |                 |
| a. Operation expenses                                | -               | -               |
| b. Maintenance expenses                              | -               | -               |
| <b>- Mains</b>                                       |                 |                 |
| c. Operation expenses                                | 14              | 11              |
| d. Maintenance expenses                              | 333             | 278             |
| <b>- Reservoirs</b>                                  |                 |                 |
| e. Operation expenses                                | 15              | 16              |
| f. Maintenance expenses                              | 9               | 22              |
| <b>- Pumping Stations</b>                            |                 |                 |
| g. Operation expenses (excluding energy costs)       | 6               | 7               |
| h. Energy costs                                      | 280             | 257             |
| i. Maintenance expenses                              | 122             | 174             |
| <b>- Treatment</b>                                   |                 |                 |
| j. Operation expenses (excluding chemical costs)     | 51              | 57              |
| k. Chemical costs                                    | 314             | 338             |
| l. Maintenance expenses                              | 909             | 831             |
| <b>- Other</b>                                       |                 |                 |
| m. Operation expenses                                | 93              | 58              |
| n. Maintenance expenses                              | 415             | 356             |
| o. Purchase of water                                 | 145             | 170             |
| <b>3. Depreciation expenses</b>                      |                 |                 |
| a. System assets                                     | 1,355           | 1,287           |
| b. Plant and equipment                               | 68              | 58              |
| <b>4. Miscellaneous expenses</b>                     |                 |                 |
| a. Interest expenses                                 | 200             | 211             |
| b. Revaluation Decrements                            | -               | -               |
| c. Other expenses                                    | 11              | 8               |
| d. Impairment - System assets                        | -               | -               |
| e. Impairment - Plant and equipment                  | -               | -               |
| f. Aboriginal Communities Water and Sewerage Program | -               | -               |
| g. Tax Equivalents Dividends (actually paid)         | -               | -               |
| <b>5. Total expenses</b>                             | <b>5,774</b>    | <b>5,369</b>    |

## Muswellbrook Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

| \$'000   | Actuals<br>2014 | Actuals<br>2013 |
|--|-----------------|-----------------|
| <b>Income</b>  |                 |                 |
| <b>6. Residential charges</b>  |                 |                 |
| a. Access (including rates)  | 970             | 946             |
| b. Usage charges   | 2,397           | 1,721           |
| <b>7. Non-residential charges</b>                                    |                 |                 |
| a. Access (including rates)  | 355             | 341             |
| b. Usage charges   | 1,065           | 959             |
| <b>8. Extra charges</b>  | 25              | 18              |
| <b>9. Interest income</b>  | 1,101           | 875             |
| <b>10. Other income</b>  | 363             | 412             |
| <b>10a. Aboriginal Communities Water and Sewerage Program</b>        | -               | -               |
| <b>11. Grants</b>  |                 |                 |
| a. Grants for acquisition of assets                                  | -               | 376             |
| b. Grants for pensioner rebates                                      | 32              | 32              |
| c. Other grants  | 11              | 4               |
| <b>12. Contributions</b>   |                 |                 |
| a. Developer charges   | 282             | 1,005           |
| b. Developer provided assets   | 106             | 827             |
| c. Other contributions   | -               | -               |
| <b>13. Total income</b>  | <b>6,707</b>    | <b>7,516</b>    |
| <b>14. Gain (or loss) on disposal of assets</b>                      | 4               | (16)            |
| <b>15. Operating Result</b>  | <b>937</b>      | <b>2,131</b>    |
| <b>15a. Operating Result (less grants for acquisition of assets)</b> | 937             | 1,755           |

## Muswellbrook Shire Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

| \$'000   | Actuals<br>2014 | Actuals<br>2013 |
|--|-----------------|-----------------|
| <b>B Capital transactions</b>                                      |                 |                 |
| <b>Non-operating expenditures</b>                                  |                 |                 |
| <b>16. Acquisition of Fixed Assets</b>                             |                 |                 |
| a. New Assets for Improved Standards                               | 81              | 82              |
| b. New Assets for Growth   | 434             | 863             |
| c. Renewals  | 326             | 254             |
| d. Plant and equipment   | 46              | 86              |
| <b>17. Repayment of debt</b>                                       |                 |                 |
| a. Loans   | 211             | 200             |
| b. Advances  | -               | -               |
| c. Finance leases  | -               | -               |
| <b>18. Transfer to sinking fund</b>                                | -               | -               |
| <b>19. Totals</b>  | <b>1,098</b>    | <b>1,485</b>    |
| <b>Non-operating funds employed</b>                                |                 |                 |
| <b>20. Proceeds from disposal of assets</b>                        | -               | -               |
| <b>21. Borrowing utilised</b>                                      |                 |                 |
| a. Loans   | -               | -               |
| b. Advances  | -               | -               |
| c. Finance leases  | -               | -               |
| <b>22. Transfer from sinking fund</b>                              | -               | -               |
| <b>23. Totals</b>  | <b>-</b>        | <b>-</b>        |
| <b>C Rates and charges</b>   |                 |                 |
| <b>24. Number of assessments</b>                                   |                 |                 |
| a. Residential (occupied)  | 5,249           | 5,070           |
| b. Residential (unoccupied, ie. vacant lot)                        | 318             | 451             |
| c. Non-residential (occupied)                                      | 458             | 453             |
| d. Non-residential (unoccupied, ie. vacant lot)                    | 106             | 113             |
| <b>25. Number of ETs for which developer charges were received</b> | 50 ET           | 158 ET          |
| <b>26. Total amount of pensioner rebates (actual dollars)</b>      | \$ 56,590       | \$ 57,951       |

## Muswellbrook Shire Council

# Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2014

| \$'000   | Yes                      | No                       | Amount                         |
|--|--------------------------|--------------------------|--------------------------------|
| <b>D Best practice annual charges and developer charges*</b>   |                          |                          |                                |
| <b>27. Annual charges</b>  |                          |                          |                                |
| a. Does Council have best-practice water supply annual charges and usage charges*?   | <input type="checkbox"/> | <input type="checkbox"/> |                                |
| If Yes, go to 28a.   |                          |                          |                                |
| If No, please report if council has removed <b>land value</b> from access charges (ie rates)?  |                          |                          |                                |
| <b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.   |                          |                          |                                |
| b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)   |                          |                          | <input type="text"/>           |
| c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)   |                          |                          | <input type="text"/>           |
| d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)   |                          |                          | <input type="text"/>           |
| <b>28. Developer charges</b>   |                          |                          |                                |
| a. Has council completed a water supply Development Servicing** Plan?  | <input type="checkbox"/> | <input type="checkbox"/> |                                |
| b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)   |                          |                          | <input type="text"/>           |
| ** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.   |                          |                          |                                |
| <b>29. Disclosure of cross-subsidies</b>   |                          |                          |                                |
| <b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>   |                          |                          | <input type="text" value="-"/> |
| <p>* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.</p> <p>However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.</p> |                          |                          |                                |

## Muswellbrook Shire Council

## Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

| \$'000  | Actuals<br>Current | Actuals<br>Non Current | Actuals<br>Total |
|---|--------------------|------------------------|------------------|
| <b>ASSETS</b>   |                    |                        |                  |
| <b>30. Cash and investments</b>                                   |                    |                        |                  |
| a. Developer charges  | 1,208              | 4,333                  | 5,541            |
| b. Special purpose grants   | 8                  | 22                     | 30               |
| c. Accrued leave  | 362                | -                      | 362              |
| d. Unexpended loans   | -                  | -                      | -                |
| e. Sinking fund   | -                  | -                      | -                |
| f. Other  | 2,956              | 10,611                 | 13,567           |
| <b>31. Receivables</b>  |                    |                        |                  |
| a. Specific purpose grants  | -                  | -                      | -                |
| b. Rates and Availability Charges                                 | 66                 | -                      | 66               |
| c. User Charges   | 458                | -                      | 458              |
| d. Other  | 37                 | 1,589                  | 1,626            |
| <b>32. Inventories</b>  | 3                  | -                      | 3                |
| <b>33. Property, plant and equipment</b>                          |                    |                        |                  |
| a. System assets  | -                  | 48,514                 | 48,514           |
| b. Plant and equipment  | -                  | 267                    | 267              |
| <b>34. Other assets</b>   | -                  | -                      | -                |
| <b>35. Total assets</b>   | <b>5,098</b>       | <b>65,336</b>          | <b>70,434</b>    |
| <b>LIABILITIES</b>  |                    |                        |                  |
| <b>36. Bank overdraft</b>   | -                  | -                      | -                |
| <b>37. Creditors</b>  | 461                | -                      | 461              |
| <b>38. Borrowings</b>   |                    |                        |                  |
| a. Loans  | 227                | 2,712                  | 2,939            |
| b. Advances   | -                  | -                      | -                |
| c. Finance leases   | -                  | -                      | -                |
| <b>39. Provisions</b>   |                    |                        |                  |
| a. Tax equivalents  | -                  | -                      | -                |
| b. Dividend   | -                  | -                      | -                |
| c. Other  | 362                | -                      | 362              |
| <b>40. Total liabilities</b>                                      | <b>1,050</b>       | <b>2,712</b>           | <b>3,762</b>     |
| <b>41. NET ASSETS COMMITTED</b>                                   | <b>4,048</b>       | <b>62,624</b>          | <b>66,672</b>    |
| <b>EQUITY</b>   |                    |                        |                  |
| <b>42. Accumulated surplus</b>                                    |                    |                        | 36,369           |
| <b>43. Asset revaluation reserve</b>                              |                    |                        | 30,303           |
| <b>44. TOTAL EQUITY</b>   |                    |                        | <b>66,672</b>    |
| <b>Note to system assets:</b>                                     |                    |                        |                  |
| <b>45. Current replacement cost</b> of system assets              |                    |                        | 83,085           |
| <b>46. Accumulated current cost</b> depreciation of system assets |                    |                        | (34,571)         |
| <b>47. Written down current cost</b> of system assets             |                    |                        | 48,514           |

## Muswellbrook Shire Council

## Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

| \$'000  | Actuals<br>2014 | Actuals<br>2013 |
|---|-----------------|-----------------|
| <b>A Expenses and Income</b>  |                 |                 |
| <b>Expenses</b>   |                 |                 |
| <b>1. Management expenses</b>   |                 |                 |
| a. Administration   | 482             | 478             |
| b. Engineering and Supervision  | 561             | 543             |
| <b>2. Operation and Maintenance expenses</b>  |                 |                 |
| <b>- Mains</b>  |                 |                 |
| a. Operation expenses   | -               | -               |
| b. Maintenance expenses   | 210             | 154             |
| <b>- Pumping Stations</b>   |                 |                 |
| c. Operation expenses (excluding energy costs)                                      | 62              | 43              |
| d. Energy costs   | 133             | 85              |
| e. Maintenance expenses   | 156             | 118             |
| <b>- Treatment</b>  |                 |                 |
| f. Operation expenses (excl. chemical, energy, effluent/biosolids management costs) | 90              | 64              |
| g. Chemical costs   | 12              | 11              |
| h. Energy costs   | -               | -               |
| i. Effluent Management  | -               | -               |
| j. Biosolids Management   | -               | -               |
| k. Maintenance expenses   | 398             | 415             |
| <b>- Other</b>  |                 |                 |
| l. Operation expenses   | 79              | 94              |
| m. Maintenance expenses   | 69              | 26              |
| <b>3. Depreciation expenses</b>   |                 |                 |
| a. System assets  | 1,048           | 948             |
| b. Plant and equipment  | 19              | 19              |
| <b>4. Miscellaneous expenses</b>  |                 |                 |
| a. Interest expenses  | 65              | 69              |
| b. Revaluation Decrements   | -               | -               |
| c. Other expenses   | 2               | 97              |
| d. Impairment - System assets   | -               | -               |
| e. Impairment - Plant and equipment   | -               | -               |
| f. Aboriginal Communities Water and Sewerage Program                                | -               | -               |
| g. Tax Equivalents Dividends (actually paid)  | -               | -               |
| <b>5. Total expenses</b>  | <b>3,386</b>    | <b>3,164</b>    |



## Muswellbrook Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

| \$'000   | Actuals<br>2014 | Actuals<br>2013 |
|--|-----------------|-----------------|
| <b>Income</b>  |                 |                 |
| <b>6. Residential charges</b> (including rates)                      | 2,973           | 2,766           |
| <b>7. Non-residential charges</b>                                    |                 |                 |
| a. Access (including rates)  | 161             | 114             |
| b. Usage charges   | 392             | 308             |
| <b>8. Trade Waste Charges</b>  |                 |                 |
| a. Annual Fees   | -               | -               |
| b. Usage charges   | 46              | 32              |
| c. Excess mass charges   | -               | -               |
| d. Re-inspection fees  | -               | -               |
| <b>9. Extra charges</b>  | 20              | 17              |
| <b>10. Interest income</b>   | 560             | 590             |
| <b>11. Other income</b>  | 519             | 289             |
| <b>11a. Aboriginal Communities Water and Sewerage Program</b>        | -               | -               |
| <b>12. Grants</b>  |                 |                 |
| a. Grants for acquisition of assets                                  | -               | 402             |
| b. Grants for pensioner rebates                                      | 32              | 33              |
| c. Other grants  | -               | -               |
| <b>13. Contributions</b>   |                 |                 |
| a. Developer charges   | 712             | 1,625           |
| b. Developer provided assets   | 913             | 2,600           |
| c. Other contributions   | -               | -               |
| <b>14. Total income</b>  | <b>6,328</b>    | <b>8,776</b>    |
| <b>15. Gain (or loss) on disposal of assets</b>                      | -               | -               |
| <b>16. Operating Result</b>  | <b>2,942</b>    | <b>5,612</b>    |
| <b>16a. Operating Result (less grants for acquisition of assets)</b> | 2,942           | 5,210           |

## Muswellbrook Shire Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

| \$'000   | Actuals<br>2014 | Actuals<br>2013 |
|--|-----------------|-----------------|
| <b>B Capital transactions</b>                                      |                 |                 |
| <b>Non-operating expenditures</b>                                  |                 |                 |
| <b>17. Acquisition of Fixed Assets</b>                             |                 |                 |
| a. New Assets for Improved Standards                               | -               | -               |
| b. New Assets for Growth   | 5,841           | 3,001           |
| c. Renewals  | 791             | 328             |
| d. Plant and equipment   | 228             | 9               |
| <b>18. Repayment of debt</b>                                       |                 |                 |
| a. Loans   | 52              | 49              |
| b. Advances  | -               | -               |
| c. Finance leases  | -               | -               |
| <b>19. Transfer to sinking fund</b>                                | -               | -               |
| <b>20. Totals</b>  | <b>6,912</b>    | <b>3,387</b>    |
| <b>Non-operating funds employed</b>                                |                 |                 |
| <b>21. Proceeds from disposal of assets</b>                        | -               | -               |
| <b>22. Borrowing utilised</b>                                      |                 |                 |
| a. Loans   | -               | -               |
| b. Advances  | -               | -               |
| c. Finance leases  | -               | -               |
| <b>23. Transfer from sinking fund</b>                              | -               | -               |
| <b>24. Totals</b>  | -               | -               |
| <b>C Rates and charges</b>   |                 |                 |
| <b>25. Number of assessments</b>                                   |                 |                 |
| a. Residential (occupied)  | 5,313           | 5,107           |
| b. Residential (unoccupied, ie. vacant lot)                        | 295             | 417             |
| c. Non-residential (occupied)                                      | 335             | 335             |
| d. Non-residential (unoccupied, ie. vacant lot)                    | 51              | 53              |
| <b>26. Number of ETs for which developer charges were received</b> | 117 ET          | 245 ET          |
| <b>27. Total amount of pensioner rebates (actual dollars)</b>      | \$ 56,765       | \$ 57,804       |

## Muswellbrook Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2014

| \$'000  | Yes                      | No                       | Amount               |
|---|--------------------------|--------------------------|----------------------|
| <b>D Best practice annual charges and developer charges*</b>  |                          |                          |                      |
| <b>28. Annual charges</b>   |                          |                          |                      |
| a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees and charges*?  | <input type="checkbox"/> | <input type="checkbox"/> |                      |
| If Yes, go to 29a.  |                          |                          |                      |
| If No, please report if council has removed <b>land value</b> from access charges (ie rates)?   |                          |                          |                      |
| <p><b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 and 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.</p>   |                          |                          |                      |
| b. Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)  |                          |                          | <input type="text"/> |
| c. Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)   |                          |                          | <input type="text"/> |
| <b>29. Developer charges</b>  |                          |                          |                      |
| a. Has council completed a sewerage Development Servicing** Plan?   | <input type="checkbox"/> | <input type="checkbox"/> |                      |
| b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)  |                          |                          | <input type="text"/> |
| <p>** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.</p>   |                          |                          |                      |
| <b>30. Disclosure of cross-subsidies</b>  |                          |                          |                      |
| <b>Total of cross-subsidies (28b + 28c + 29b)</b>   |                          |                          | <input type="text"/> |
| <p>* Councils which have not yet implemented best practice sewer pricing and liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.</p> <p>However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.</p> |                          |                          |                      |

## Muswellbrook Shire Council

## Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

| \$'000  | Actuals<br>Current | Actuals<br>Non Current | Actuals<br>Total |
|---|--------------------|------------------------|------------------|
| <b>ASSETS</b>   |                    |                        |                  |
| <b>31. Cash and investments</b>                                   |                    |                        |                  |
| a. Developer charges  | 1,911              | 6,855                  | 8,766            |
| b. Special purpose grants   | -                  | -                      | -                |
| c. Accrued leave  | 168                | -                      | 168              |
| d. Unexpended loans   | -                  | -                      | -                |
| e. Sinking fund   | -                  | -                      | -                |
| f. Other  | 550                | 1,972                  | 2,522            |
| <b>32. Receivables</b>  |                    |                        |                  |
| a. Specific purpose grants  | -                  | -                      | -                |
| b. Rates and Availability Charges                                 | 300                | -                      | 300              |
| c. User Charges   | -                  | -                      | -                |
| d. Other  | 530                | -                      | 530              |
| <b>33. Inventories</b>  | -                  | -                      | -                |
| <b>34. Property, plant and equipment</b>                          |                    |                        |                  |
| a. System assets  | -                  | 48,982                 | 48,982           |
| b. Plant and equipment  | -                  | 30                     | 30               |
| <b>35. Other assets</b>   | -                  | -                      | -                |
| <b>36. Total Assets</b>   | <b>3,459</b>       | <b>57,839</b>          | <b>61,298</b>    |
| <b>LIABILITIES</b>  |                    |                        |                  |
| <b>37. Bank overdraft</b>   | -                  | -                      | -                |
| <b>38. Creditors</b>  | 815                | -                      | 815              |
| <b>39. Borrowings</b>   |                    |                        |                  |
| a. Loans  | 55                 | 910                    | 965              |
| b. Advances   | -                  | -                      | -                |
| c. Finance leases   | -                  | -                      | -                |
| <b>40. Provisions</b>   |                    |                        |                  |
| a. Tax equivalents  | -                  | -                      | -                |
| b. Dividend   | -                  | -                      | -                |
| c. Other  | 169                | -                      | 169              |
| <b>41. Total Liabilities</b>                                      | <b>1,039</b>       | <b>910</b>             | <b>1,949</b>     |
| <b>42. NET ASSETS COMMITTED</b>                                   | <b>2,420</b>       | <b>56,929</b>          | <b>59,349</b>    |
| <b>EQUITY</b>   |                    |                        |                  |
| <b>42. Accumulated surplus</b>                                    |                    |                        | 41,546           |
| <b>44. Asset revaluation reserve</b>                              |                    |                        | 17,803           |
| <b>45. TOTAL EQUITY</b>   |                    |                        | <b>59,349</b>    |
| <b>Note to system assets:</b>                                     |                    |                        |                  |
| <b>46. Current replacement cost of system assets</b>              |                    |                        | 79,448           |
| <b>47. Accumulated current cost depreciation of system assets</b> |                    |                        | (30,466)         |
| <b>48. Written down current cost of system assets</b>             |                    |                        | 48,982           |

# Muswellbrook Shire Council

## Notes to Special Schedule No.'s 3 and 5

for the financial year ended 30 June 2014

### Administration <sup>(1)</sup>

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

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

### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

### Notes:

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

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

**Muswellbrook Shire Council**  
**Special Schedule No. 7 - Report on Infrastructure Assets**  
as at 30 June 2014

\$'000

| Asset Class      | Asset Category                           | Estimated cost to bring up to a satisfactory standard <sup>(1)</sup> | Required <sup>(2)</sup> Annual Maintenance | Actual <sup>(3)</sup> Maintenance 2013/14 | Written Down Value (WDV) <sup>(4)</sup> | Assets in Condition as a % of WDV <sup>(4), (5)</sup> |              |             |             |             |
|------------------|--|--|--|---|---|---|--------------|-------------|-------------|-------------|
|                  |  |  |  |   |   | 1   | 2            | 3           | 4           | 5           |
| <b>Buildings</b> | Council Offices / Administration Centres | -  | 73   | 174                                       | 3,855                                   | 24%   | 76%          | 0%          | 0%          | 0%          |
|                  | Council Works Depot                      | -  | 20   | 38  | 972                                     | 12%   | 84%          | 4%          | 0%          | 0%          |
|                  | Council Pound                            | -  | 4  | 12  | 318                                     | 0%  | 100%         | 0%          | 0%          | 0%          |
|                  | Council Houses                           | -  | 7  | 17  | 2,368                                   | 0%  | 100%         | 0%          | 0%          | 0%          |
|                  | Bus Shelters                             | -  | 2  | -   | 116                                     | 66%   | 34%          | 0%          | 0%          | 0%          |
|                  | Library/Art Gallery/Halls                | -  | 115  | 289                                       | 8,344                                   | 82%   | 16%          | 0%          | 0%          | 2%          |
|                  | Sports/Recreation                        | -  | 268  | 112                                       | 13,811                                  | 60%   | 40%          | 0%          | 0%          | 0%          |
|                  | Community Services                       | -  | 107  | 50  | 4,116                                   | 49%   | 50%          | 0%          | 1%          | 0%          |
|                  | Waste                                    | -  | 21   | 21  | 150                                     | 100%  | 0%           | 0%          | 0%          | 0%          |
|                  | Bushfire/SES                             | -  | 44   | 55  | 3,220                                   | 45%   | 44%          | 11%         | 0%          | 0%          |
|                  | <b>sub total</b>                         | <b>-</b>   | <b>661</b>                                 | <b>768</b>                                | <b>37,270</b>                           | <b>53.3%</b>  | <b>45.1%</b> | <b>1.1%</b> | <b>0.1%</b> | <b>0.4%</b> |
| <b>Roads</b>     | Sealed Roads Surface                     | 129  | 472  | 387                                       | 33,492                                  | 73%   | 19%          | 5%          | 2%          | 1%          |
|                  | Sealed Roads Structure                   | 2,372  | 1,200                                      | 645                                       | 127,032                                 | 88%   | 6%           | 4%          | 2%          | 0%          |
|                  | Unsealed Roads                           | 751  | 365  | 520                                       | 6,139                                   | 25%   | 30%          | 35%         | 10%         | 0%          |
|                  | Bridges                                  | 500  | 130  | 66  | 43,201                                  | 5%  | 65%          | 29%         | 1%          | 0%          |
|                  | Footpaths/Cycleways                      | 181  | 78   | 78  | 6,109                                   | 18%   | 24%          | 43%         | 12%         | 3%          |
|                  | Earthworks                               | -  | -  | -   | 89,492                                  | 100%  | 0%           | 0%          | 0%          | 0%          |
|                  | Traffic Control Devices                  | -  | 102  | 100                                       | 5,322                                   | 1%  | 77%          | 13%         | 9%          | 0%          |
|                  | <b>sub total</b>                         | <b>3,933</b>   | <b>2,347</b>                               | <b>1,796</b>                              | <b>310,787</b>                          | <b>74.2%</b>  | <b>15.9%</b> | <b>8.0%</b> | <b>1.8%</b> | <b>0.2%</b> |

# Muswellbrook Shire Council

## Special Schedule No. 7 - Condition of Public Works (continued) as at 30 June 2014

Special Schedules 2014

\$'000

| Asset Class          | Asset Category    | Estimated cost to bring up to a satisfactory standard <sup>(1)</sup> | Required <sup>(2)</sup> Annual Maintenance | Actual <sup>(3)</sup> Maintenance 2013/14 | Written Down Value (WDV) <sup>(4)</sup> | Assets in Condition as a % of WDV <sup>(4), (5)</sup> |              |              |              |              |
|----------------------|-------------------|--|--|---|---|---|--------------|--------------|--------------|--------------|
|                      |                   |  |  |   |   | 1   | 2            | 3            | 4            | 5            |
| Water Supply Network | Mains             | 2,617  | 438  | 533                                       | 27,603                                  | 21%   | 40%          | 31%          | 2%           | 6%           |
|                      | Reservoirs        | 2,412  | 187  | 30  | 10,313                                  | 9%  | 36%          | 9%           | 27%          | 19%          |
|                      | Pumping Station/s | -  | 99   | 130                                       | 2,232                                   | 9%  | 64%          | 9%           | 18%          | 0%           |
|                      | Treatment         | 852  | 377  | 907                                       | 7,471                                   | 4%  | 41%          | 28%          | 22%          | 5%           |
|                      | <b>sub total</b>  | <b>5,881</b>   | <b>1,101</b>                               | <b>1,600</b>                              | <b>47,619</b>                           | <b>15.2%</b>  | <b>40.4%</b> | <b>24.7%</b> | <b>11.3%</b> | <b>8.4%</b>  |
| Sewerage Network     | Mains             | 5,605  | 506  | 210                                       | 33,173                                  | 15%   | 16%          | 43%          | 9%           | 17%          |
|                      | Pumping Station/s | 169  | 220  | 174                                       | 5,494                                   | 13%   | 15%          | 36%          | 18%          | 18%          |
|                      | Treatment         | 726  | 367  | 408                                       | 4,232                                   | 6%  | 19%          | 22%          | 14%          | 39%          |
|                      | Reuse Water Mains | -  | 39   | 68  | 2,602                                   | 0%  | 12%          | 76%          | 12%          | 0%           |
|                      | <b>sub total</b>  | <b>6,500</b>   | <b>1,132</b>                               | <b>860</b>                                | <b>45,502</b>                           | <b>13.1%</b>  | <b>15.9%</b> | <b>42.1%</b> | <b>10.7%</b> | <b>18.2%</b> |



Special Schedule No. 7 - Condition of Public Works (continued)  
as at 30 June 2014

\$'000

| Asset Class         | Asset Category      | Estimated cost to bring up to a satisfactory standard <sup>(1)</sup> | Required <sup>(2)</sup> Annual Maintenance | Actual <sup>(3)</sup> Maintenance 2013/14 | Written Down Value (WDV) <sup>(4)</sup> | Assets in Condition as a % of WDV <sup>(4)</sup> , <sup>(5)</sup> |              |              |             |             |
|---------------------|---------------------|--|--|---|---|---|--------------|--------------|-------------|-------------|
|                     |                     |  |  |   |   | 1   | 2            | 3            | 4           | 5           |
| Stormwater Drainage | Stormwater          | 171  | 293  | 60  | 16,116                                  | 21%   | 14%          | 59%          | 5%          | 1%          |
|                     | Causeways/Floodways | 309  | 47   | 12  | 3,027                                   | 33%   | 36%          | 21%          | 8%          | 2%          |
|                     | Rural Culverts      | 200  | 159  | 59  | 7,838                                   | 2%  | 77%          | 20%          | 1%          | 0%          |
|                     | Kerb and Gutter     | 50   | 219  | 50  | 17,231                                  | 4%  | 37%          | 58%          | 1%          | 0%          |
|                     | <b>sub total</b>    | <b>730</b>   | <b>718</b>                                 | <b>181</b>                                | <b>44,214</b>                           | <b>11.8%</b>  | <b>35.6%</b> | <b>49.1%</b> | <b>2.9%</b> | <b>0.5%</b> |

## Muswellbrook Shire Council

Special Schedule No. 7 - Condition of Public Works (continued)  
as at 30 June 2014

\$'000

| Asset Class                           | Asset Category           | Estimated cost to bring up to a satisfactory standard <sup>(1)</sup> | Required Annual Maintenance <sup>(2)</sup> | Actual Maintenance 2013/14 <sup>(3)</sup> | Written Down Value (WDV) <sup>(4)</sup> | Assets in Condition as a % of WDV <sup>(4)</sup> , <sup>(5)</sup> |       |       |      |      |
|---------------------------------------|--------------------------|--|--|---|---|---|-------|-------|------|------|
|                                       |                          |  |  |   |   | 1   | 2     | 3     | 4    | 5    |
| Open Space/<br>Recreational<br>Assets | Swimming Pools           | 2,126  | 522  | 134                                       | 2,135                                   | 62%   | 11%   | 0%    | 7%   | 20%  |
|                                       | Playgrounds/Sportsfields | 336  | 428  | 535                                       | 4,063                                   | 37%   | 35%   | 23%   | 1%   | 4%   |
|                                       | Other (enter details...) |  |  |   |   |   |       |       |      |      |
|                                       | sub total                | 2,462  | 950  | 669                                       | 6,198                                   | 45.6%   | 26.7% | 15.1% | 3.1% | 9.5% |
|                                       | TOTAL - ALL ASSETS       | 19,506   | 6,909                                      | 5,874                                     | 491,590                                 | 55.3%   | 22.4% | 16.0% | 3.5% | 2.8% |

## Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements

## (5). Infrastructure Asset Condition Assessment "Key"

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

## Muswellbrook Shire Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

| \$ '000  | Amounts<br>2014 | Indicator<br>2014 | Prior Periods<br>20132012 |        |
|--|-----------------|-------------------|---------------------------|--------|
| Infrastructure Asset Performance Indicators Consolidated   |                 |                   |                           |        |
| 1. Building and Infrastructure Renewals Ratio  |                 |                   |                           |        |
| Asset Renewals (Building and Infrastructure) <sup>(1)</sup>  | 10,587          | 123.06%           | 81.82%                    | 76.50% |
| Depreciation, Amortisation & Impairment  | 8,603           |                   |                           |        |
| 2. Infrastructure Backlog Ratio  |                 |                   |                           |        |
| Estimated Cost to bring Assets to a Satisfactory Condition   | 19,506          | 0.04              | 0.07                      | 0.06   |
| Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets | 494,324         |                   |                           |        |
| 3. Asset Maintenance Ratio   |                 |                   |                           |        |
| Actual Asset Maintenance   | 5,874           | 0.85              | 0.82                      | 0.70   |
| Required Asset Maintenance   | 6,909           |                   |                           |        |
| 4. Capital Expenditure Ratio   |                 |                   |                           |        |
| Annual Capital Expenditure   | 30,452          | 2.86              | 1.87                      | 1.84   |
| Annual Depreciation  | 10,642          |                   |                           |        |

## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Written down value

## Muswellbrook Shire Council

# Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

| \$ '000   | Water<br>2014 | Sewer<br>2014  | General <sup>(1)</sup><br>2014 |
|---|---------------|----------------|--------------------------------|
| <b>Infrastructure Asset Performance Indicators<br/>By Fund</b>  |               |                |                                |
| <b>1. Building and Infrastructure Renewals Ratio</b>  |               |                |                                |
| Asset Renewals (Building and Infrastructure) <sup>(1)</sup>   | <b>24.06%</b> | <b>164.22%</b> | <b>137.74%</b>                 |
| Depreciation, Amortisation & Impairment   |               |                |                                |
| prior period  | 85.24%        | 13.82%         | 90.70%                         |
| <b>2. Infrastructure Backlog Ratio</b>  |               |                |                                |
| Estimated Cost to bring Assets to a<br>Satisfactory Condition   |               |                |                                |
| Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures<br>& Depreciable Land Improvement Assets | <b>0.12</b>   | <b>0.14</b>    | <b>0.02</b>                    |
| prior period  | 0.11          | 0.22           | 0.04                           |
| <b>3. Asset Maintenance Ratio</b>   |               |                |                                |
| Actual Asset Maintenance  |               |                |                                |
| Required Asset Maintenance  | <b>1.45</b>   | <b>0.76</b>    | <b>0.73</b>                    |
| prior period  | 0.85          | 0.78           | 0.82                           |
| <b>4. Capital Expenditure Ratio</b>   |               |                |                                |
| Annual Capital Expenditure  |               |                |                                |
| Annual Depreciation   | <b>0.62</b>   | <b>6.43</b>    | <b>2.79</b>                    |
| prior period  | 0.96          | 3.45           | -0.54                          |

## Notes

<sup>(1)</sup> General Fund refers to all of Council's activities except for its Water and Sewer activities which are listed separately.

<sup>(2)</sup> Asset Renewals represent the replacement and refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(3)</sup> Written down value

## Muswellbrook Shire Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

| \$'000                                       | Actual <sup>(1)</sup><br>13/14 | Forecast <sup>(3)</sup><br>14/15 | Forecast <sup>(3)</sup><br>15/16 | Forecast <sup>(3)</sup><br>16/17 | Forecast <sup>(3)</sup><br>17/18 | Forecast <sup>(3)</sup><br>18/19 | Forecast <sup>(3)</sup><br>19/20 | Forecast <sup>(3)</sup><br>20/21 | Forecast <sup>(3)</sup><br>21/22 | Forecast <sup>(3)</sup><br>22/23 | Forecast <sup>(3)</sup><br>23/24 |
|--|--------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| (i) OPERATING BUDGET                         |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Income from continuing operations            | 50,573                         | 68,421                           | 48,875                           | 50,519                           | 52,034                           | 54,059                           | 55,540                           | 57,308                           | 59,496                           | 62,071                           | 64,153                           |
| Expenses from continuing operations          | 38,308                         | 45,035                           | 45,711                           | 46,826                           | 48,027                           | 49,657                           | 52,053                           | 53,803                           | 55,658                           | 57,585                           | 58,669                           |
| Operating Result from Cont' Operations       | 12,265                         | 23,386                           | 3,164                            | 3,693                            | 4,007                            | 4,402                            | 3,487                            | 3,505                            | 3,838                            | 4,486                            | 5,484                            |
| (ii) CAPITAL BUDGET                          |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| New Capital Works <sup>(2)</sup>             | 17,652                         | 12,306                           |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Replacement/Refurbishment of Existing Assets | 13,339                         | 25,849                           | 8,963                            | 9,660                            | 9,047                            | 22,119                           | 49,453                           | 27,166                           | 14,100                           | 13,288                           | 13,262                           |
| Total Capital Budget                         | 30,991                         | 38,155                           | 8,963                            | 9,660                            | 9,047                            | 22,119                           | 49,453                           | 27,166                           | 14,100                           | 13,288                           | 13,262                           |
| Funded by:                                   |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| — Loans                                      | 4,200                          | 2,500                            |                                  |                                  |                                  | 15,092                           | 15,825                           |                                  |                                  |                                  |                                  |
| — Asset sales                                | 133                            | 285                              |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| — Reserves                                   | 12,461                         | 6,094                            |                                  |                                  |                                  |                                  | 20,883                           | 14,039                           |                                  |                                  |                                  |
| — Grants/Contributions                       | 13,186                         | 24,837                           | 738                              | 745                              | 753                              | 4,122                            | 4,245                            | 4,372                            | 4,502                            | 4,635                            | 4,771                            |
| — Recurrent revenue                          | 1,011                          | 4,439                            | 8,225                            | 8,915                            | 8,294                            | 2,905                            | 8,500                            | 8,755                            | 9,598                            | 8,653                            | 8,491                            |
| — Other                                      |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
|  | 30,991                         | 38,155                           | 8,963                            | 9,660                            | 9,047                            | 22,119                           | 49,453                           | 27,166                           | 14,100                           | 13,288                           | 13,262                           |

## Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Muswellbrook Shire Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

| \$'000   |                 | Calculation<br>2013/14 | Calculation<br>2014/15 |
|--|-----------------|------------------------|------------------------|
| <b>Notional General Income Calculation <sup>(1)</sup></b>                  |                 |                        |                        |
| Last Year Notional General Income Yield                                    | a               | 10,057                 | 10,726                 |
| Plus or minus Adjustments <sup>(2)</sup>                                   | b               | 315                    | 393                    |
| <b>Notional General Income</b>   | c               | <b>10,372</b>          | <b>11,119</b>          |
| <b>Permissible Income Calculation</b>                                      |                 |                        |                        |
| Special variation percentage <sup>(3)</sup>                                | d               | 0.00%                  | 0.00%                  |
| or Rate peg percentage   | e               | 3.40%                  | 2.30%                  |
| or Crown land adjustment incl. rate peg percentage                         | f               | 0.00%                  | 0.00%                  |
| <b>less</b> expiring Special variation amount                              | g               | -                      | -                      |
| <b>plus</b> Special variation amount                                       | h = c x d       | -                      | -                      |
| or <b>plus</b> Rate peg amount   | i = c x e       | 353                    | 256                    |
| or <b>plus</b> Crown land adjustment and rate peg amount                   | j = c x f       | -                      | -                      |
| <b>sub-total</b>   | k = (c+g+h+i+j) | <b>10,725</b>          | <b>11,375</b>          |
| <b>plus</b> (or minus) last year's Carry Forward Total                     | l               | 10                     | (0)                    |
| <b>less</b> Valuation Objections claimed in the previous year              | m               | -                      | -                      |
| <b>sub-total</b>   | n = (l + m)     | <b>10</b>              | <b>(0)</b>             |
| <b>Total Permissible income</b>  | o = k + n       | <b>10,735</b>          | <b>11,374</b>          |
| <b>less</b> Notional General Income Yield                                  | p               | 10,726                 | 11,369                 |
| <b>Catch-up or (excess) result</b>   | q = o - p       | <b>9</b>               | <b>5</b>               |
| <b>plus</b> Income lost due to valuation objections claimed <sup>(4)</sup> | r               | -                      | -                      |
| <b>less</b> Unused catch-up <sup>(5)</sup>                                 | s               | (9)                    | -                      |
| <b>Carry forward to next year</b>  | t = q + r - s   | <b>(0)</b>             | <b>5</b>               |

### Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

**MUSWELLBROOK SHIRE COUNCIL**

**SPECIAL SCHEDULE NO. 9**

**INDEPENDENT AUDITORS' REPORT**

---

**REPORT ON SPECIAL SCHEDULE NO. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Muswellbrook Shire Council for the year ending 30 June 2015.

***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

**Assurance Partners**

T. +61 2 9232 5111  
F. +61 2 9233 7950

Level 5, 1 Chifley Square  
Sydney NSW 2000 Australia

GPO Box 7066  
Sydney NSW 2001

[www.hr-ss.com.au](http://www.hr-ss.com.au)  
[info@hr-ss.com.au](mailto:info@hr-ss.com.au)

Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966



In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Audit Opinion***

In our opinion, Special Schedule No. 9 of Muswellbrook Shire Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Basis of Accounting***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

**HILL ROGERS SPENCER STEER**



**BRETT HANGER**

Partner

Dated at Sydney this 31st day of October 2014