

Hill Rogers  
Spencer Steer

29 October 2015

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

Mayor,

### **Audit Report - Year Ended 30 June 2015**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2015 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 \$19.96 million compared with \$12.265 million previous year.

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

	2015 \$000	% of Total	2014 \$000	% of Total	Increase (Decrease) \$000
<b>Revenues before capital items</b>					
Rates & annual charges	17,715	47%	17,120	45%	595
User charges, fees & other revenues	12,069	32%	13,113	35%	(1,044)
Grants & contributions provided for operating purposes	5,209	14%	4,547	12%	662
Interest & investment revenue	2,340	6%	2,909	8%	(569)
	<b>37,333</b>	<b>100%</b>	<b>37,689</b>	<b>100%</b>	<b>(356)</b>
<b>Expenses</b>					
Employee benefits & costs	12,798	32%	12,788	33%	10
Materials, contracts & other expenses	15,401	39%	13,992	37%	1,409
Depreciation, amortisation & impairment	10,831	27%	10,642	28%	189
Borrowing costs	919	2%	886	2%	33
	<b>39,949</b>	<b>100%</b>	<b>38,308</b>	<b>100%</b>	<b>1,641</b>
<b>Surplus (Deficit) before capital items</b>	<b>(2,616)</b>		<b>(619)</b>		<b>(1,997)</b>
Grants & contributions provided for capital purposes	22,576		12,884		9,692
<b>Net Surplus (Deficit) for the year</b>	<b>19,960</b>		<b>12,265</b>		<b>7,695</b>
<b>Performance Measures</b>	<b>2015</b>		<b>2014</b>		
Operating Performance	-3.09%		-0.71%		
Own Source Operating Revenue	53.60%		65.46%		

The above table shows an overall increase of \$7.695 million from the previous year. The increase can be attributed to an increase of \$13.2 million in capital grants received; which included the upgrade of Thomas Mitchell Drive and various other State funded road projects. This increase was offset by a decrease in capital contributions (\$3.508 million) and an overall increase in expenses (\$1.641 million).

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2015, this indicator was -3.09% 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 2015, this indicator was 53.6% and was below 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.

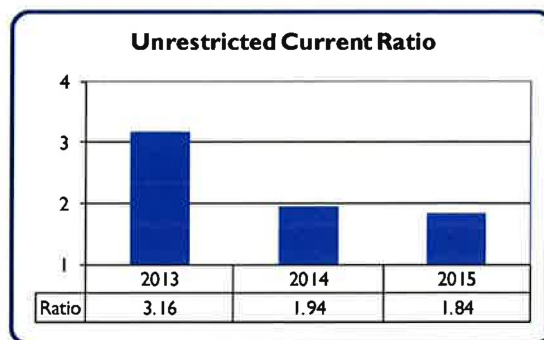
	2015	2014
	\$000	\$000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>19,960</b>	<b>12,265</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	10,831	10,642
- Book value of non-current assets sold	785	539
- Fair value adjustment to interest free loan	64	70
- Non-cash contributions of assets acquired	(1,515)	(3,113)
- (Gain)/Loss of fair value to investment properties	875	448
- (Surplus)/Deficit in joint ventures	(30)	(12)
	<b>30,970</b>	<b>20,839</b>
New loan borrowings	5,350	5,700
Transfers from externally restricted assets (net)	0	5,431
Transfers from internal reserves (net)	0	3,073
Net Changes in current/non-current assets & liabilities	257	171
	<b>36,577</b>	<b>35,214</b>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(29,182)	(29,983)
Increase/Purchase in non-current investments	(703)	(2,393)
Principal repaid on loans	(1,616)	(744)
Transfers to externally restricted assets (net)	(1,264)	0
Transfers to internal reserves (net)	(5,323)	0
	<b>(38,088)</b>	<b>(33,120)</b>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>(1,511)</b>	<b>2,094</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 \$5.878 million representing a factor of 1.84 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$3.542 million as detailed below;

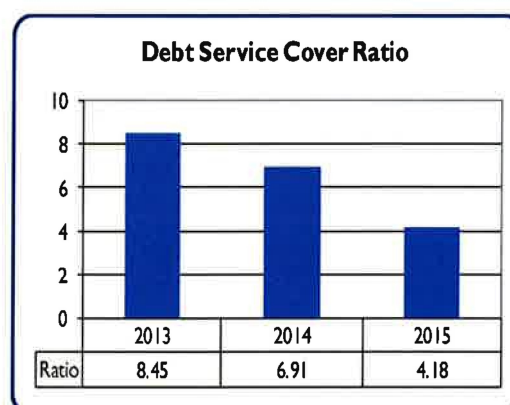
	2015 \$000	2014 \$000	Change \$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>12,860</b>	<b>9,757</b>	<b>3,103</b>
<b>Add:</b> Payables, provisions & inventories not expected to be realised in the next 12 months included above	789	862	(73)
<b>Adjusted Net Current Assets</b>	<b>13,649</b>	<b>10,619</b>	<b>3,030</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	2,925	829	2,096
- Employees leave entitlements	676	740	(64)
- Deposits & retention moneys	520	506	14
<b>Less:</b> Externally restricted assets	(7,771)	(6,507)	(1,264)
<b>Less:</b> Internally restricted assets	(6,457)	(1,134)	(5,323)
<b>Available Working Capital as at 30 June</b>	<b>3,542</b>	<b>5,053</b>	<b>(1,511)</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 \$2.204 million and taking up new borrowings of \$5.35 million, total debt as at 30 June 2015 stood at \$16.6 million (2014 - \$12.802 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2015 before capital, interest and depreciation covered payments required to service debt by a factor of 4.18 to 1.



## 2.4 Summary

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

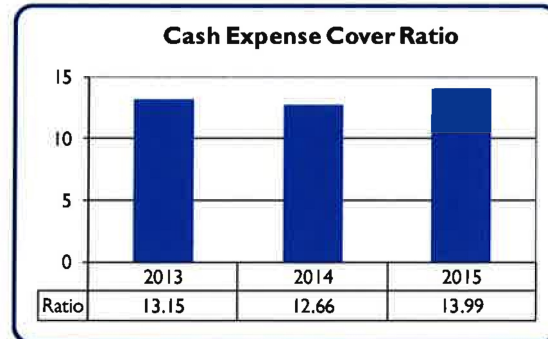


### 3. CASH ASSETS

#### 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.

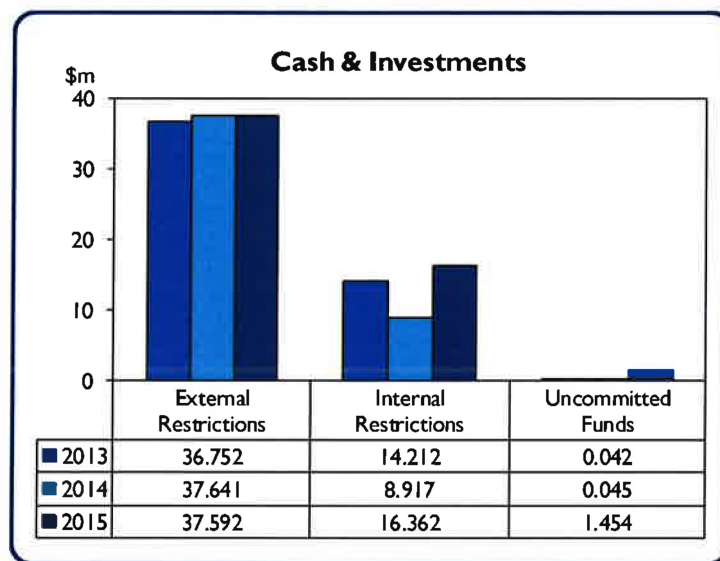
For 2015, this ratio stood at 13.99 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$55.408 million at 30 June 2015 as compared with \$46.603 million in 2014 and \$51.006 million in 2013.

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 (\$872,000), unexpended developer contributions (\$19.576 million), specific purpose grants (\$978,000), domestic waste management charges (\$366,000) and water and sewerage funds (\$15.8 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 \$16.362 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$1.454 million, 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 increased by \$5.944 million to \$9.296 million at the close of the year.

In addition to operating activities which contributed net cash of \$33.781 million were the proceeds from the sale of investment securities (\$7.491 million), sale of assets (\$167,000) and the receipt of borrowings (\$5.35 million). Cash outflows other than operating activities were used to purchase investment securities (\$10.303 million), repay loans (\$1.616 million) and to purchase and construct assets (\$28.926 million).

## 4. RECEIVABLES

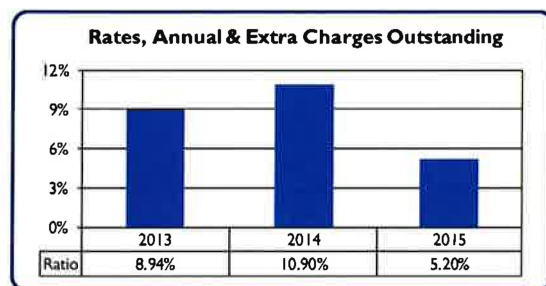
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$17.715 million and represented 30% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$19.758 million of which \$18.724 million (95%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.034 million at the end of the year and represented 5.2% of those receivables. The higher level of rates debtors in previous years largely related to outstanding mining rates.



### 4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$4.488 million and included amounts due from government departments (\$1.51 million), community enhancement contributions (\$1.04 million) and accrued interest on investments (\$756,000). 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 \$3.108 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.

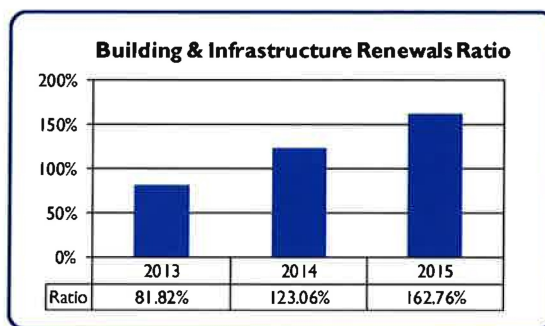
## 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$684,000 and were 89% 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 2015 represented 163% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. REVALUATION OF ASSETS

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, water and sewerage asset values were indexed and other infrastructure assets were revalued. This resulted in a net decrease of \$8.35 million that was credited directly to Equity.

## 8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 29 June 2015 and included our recommendations on possible ways to strengthen and/or improve procedures.

## 9. 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 2015



**muswellbrook  
shire council**

# Muswellbrook Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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).
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# Muswellbrook Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

## 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 & 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 26 October 2015.



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 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	1,368	1,326
User charges	2,975	3,478
Fees	-	-
Interest	817	1,126
Grants and contributions provided for non capital purposes	37	29
Profit from the sale of assets	6	4
Other income	135	363
<b>Total income from continuing operations</b>	<b>5,338</b>	<b>6,326</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	886	1,003
Borrowing costs	172	200
Materials and contracts	2,354	2,650
Depreciation and impairment	1,458	1,423
Water purchase charges	111	145
Loss on sale of assets	-	-
Calculated taxation equivalents	2	2
Debt guarantee fee (if applicable)	-	-
Other expenses	416	356
<b>Total expenses from continuing operations</b>	<b>5,399</b>	<b>5,779</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(61)</b>	<b>547</b>
Grants and contributions provided for capital purposes	315	388
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>254</b>	<b>935</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>254</b>	<b>935</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(164)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>254</b>	<b>771</b>
<b>plus Opening Retained Profits</b>	<b>37,455</b>	<b>36,518</b>
<b>plus/less: Prior Period Adjustments</b>		-
<b>plus Adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	2	2
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	164
<b>less:</b>		
- Tax Equivalent Dividend paid		-
- Surplus dividend paid		-
<b>Closing Retained Profits</b>	<b>37,711</b>	<b>37,455</b>
<b>Return on Capital %</b>	<b>0.2%</b>	<b>1.5%</b>
<b>Subsidy from Council</b>	<b>1,396</b>	<b>990</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	254	771
less: Capital grants and contributions (excluding developer contributions)	(315)	(388)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>383</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>191</b>

## Muswellbrook Shire Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	3,253	3,134
User charges	339	392
Liquid Trade Waste charges	28	52
Fees	-	-
Interest	472	580
Grants and contributions provided for non capital purposes	33	32
Profit from the sale of assets	4	-
Other income	314	513
<b>Total income from continuing operations</b>	<b>4,443</b>	<b>4,703</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	790	898
Borrowing costs	61	66
Materials and contracts	1,156	1,091
Depreciation and impairment	1,176	1,067
Loss on sale of assets	-	-
Calculated taxation equivalents	7	7
Debt guarantee fee (if applicable)	-	-
Other expenses	309	264
<b>Total expenses from continuing operations</b>	<b>3,499</b>	<b>3,393</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>944</b>	<b>1,310</b>
Grants and contributions provided for capital purposes	107	1,625
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,051</b>	<b>2,935</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,051</b>	<b>2,935</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(283)	(393)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>768</b>	<b>2,542</b>
plus Opening Retained Profits	41,552	38,610
plus/less: Prior Period Adjustments		-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	7	7
- Debt guarantee fees	-	-
- Corporate taxation equivalent	283	393
less:		
- Tax Equivalent Dividend paid		-
- Surplus dividend paid		-
<b>Closing Retained Profits</b>	<b>42,610</b>	<b>41,552</b>
<b>Return on Capital %</b>	<b>1.9%</b>	<b>2.8%</b>
<b>Subsidy from Council</b>	<b>611</b>	<b>369</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	768	2,542
less: Capital grants and contributions (excluding developer contributions)	(107)	(1,625)
<b>Surplus for dividend calculation purposes</b>	<b>661</b>	<b>917</b>
<b>Potential Dividend calculated from surplus</b>	<b>330</b>	<b>459</b>

## Muswellbrook Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

	Commercial Buildings		Business Activity B	
	Category 2		Category 1/2	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	1,073	887	-	-
Fees	-	-	-	-
Interest	-	75	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	33	88	-	-
<b>Total income from continuing operations</b>	<b>1,106</b>	<b>1,050</b>	<b>-</b>	<b>-</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	-	-	-	-
Borrowing costs	91	46	-	-
Materials and contracts	430	468	-	-
Depreciation and impairment	14	14	-	-
Loss on sale of assets	280	-	-	-
Calculated taxation equivalents	-	64	-	-
Debt guarantee fee (if applicable)	6	6	-	-
Other expenses	657	595	-	-
<b>Total expenses from continuing operations</b>	<b>1,478</b>	<b>1,193</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(372)</b>	<b>(143)</b>	<b>-</b>	<b>-</b>
Grants and contributions provided for capital purposes	405	2,160	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>33</b>	<b>2,017</b>	<b>-</b>	<b>-</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>33</b>	<b>2,017</b>	<b>-</b>	<b>-</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>33</b>	<b>2,017</b>	<b>-</b>	<b>-</b>
plus Opening Retained Profits	16,177	12,649	-	-
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	64	-	-
- Debt guarantee fees	6	6	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	1,994	1,441	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>18,210</b>	<b>16,177</b>	<b>-</b>	<b>-</b>
Return on Capital %	-2.6%	-1.0%	n/a	n/a
Subsidy from Council	610	-	-	-

## Muswellbrook Shire Council

## Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	5,230	4,534
Receivables	501	561
Inventories	3	3
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>5,734</b>	<b>5,098</b>
<b>Non-Current Assets</b>		
Investments	13,756	14,966
Receivables	1,493	1,589
Inventories	-	-
Infrastructure, property, plant and equipment	49,892	48,781
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>65,141</b>	<b>65,336</b>
<b>TOTAL ASSETS</b>	<b>70,875</b>	<b>70,434</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	638	461
Interest bearing liabilities	242	227
Provisions	381	362
<b>Total Current Liabilities</b>	<b>1,261</b>	<b>1,050</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	2,470	2,712
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>2,470</b>	<b>2,712</b>
<b>TOTAL LIABILITIES</b>	<b>3,731</b>	<b>3,762</b>
<b>NET ASSETS</b>	<b>67,144</b>	<b>66,672</b>
<b>EQUITY</b>		
Retained earnings	37,711	37,455
Revaluation reserves	29,433	29,217
Council equity interest	67,144	66,672
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>67,144</b>	<b>66,672</b>



## Muswellbrook Shire Council

Statement of Financial Position - Council's Sewerage Business Activity  
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	3,303	2,629
Receivables	379	830
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>3,682</b>	<b>3,459</b>
<b>Non-Current Assets</b>		
Investments	8,731	8,827
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	53,521	49,012
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>62,252</b>	<b>57,839</b>
<b>TOTAL ASSETS</b>	<b>65,934</b>	<b>61,298</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	236	816
Interest bearing liabilities	59	55
Provisions	225	168
<b>Total Current Liabilities</b>	<b>520</b>	<b>1,039</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	851	910
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>851</b>	<b>910</b>
<b>TOTAL LIABILITIES</b>	<b>1,371</b>	<b>1,949</b>
<b>NET ASSETS</b>	<b>64,563</b>	<b>59,349</b>
<b>EQUITY</b>		
Retained earnings	42,610	41,552
Revaluation reserves	21,953	17,797
Council equity interest	64,563	59,349
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>64,563</b>	<b>59,349</b>

## Muswellbrook Shire Council

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

as at 30 June 2015

	Commercial Buildings		Business Activity B	
	Category 2		Category 1/2	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	-	-	-	-
<b>Non-Current Assets</b>				
Investments	13	18	-	-
Receivables	-	-	-	-
Inventories	1,948	1,922	-	-
Infrastructure, property, plant and equipment	10,909	10,022	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	8,681	7,485	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>21,551</b>	<b>19,447</b>	-	-
<b>TOTAL ASSETS</b>	<b>21,551</b>	<b>19,447</b>	-	-
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	-	11	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	-	<b>11</b>	-	-
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	3,341	3,259	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>3,341</b>	<b>3,259</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>3,341</b>	<b>3,270</b>	-	-
<b>NET ASSETS</b>	<b>18,210</b>	<b>16,177</b>	-	-
<b>EQUITY</b>				
Retained earnings	18,210	16,177	-	-
Revaluation reserves	-	-	-	-
Council equity interest	18,210	16,177	-	-
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>18,210</b>	<b>16,177</b>	-	-

## Muswellbrook Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### 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 2015

#### 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) and
- 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 and Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office of Local Government in July 1997 has also been adopted.

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

##### Category 1

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

##### Water Supplies

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

##### Sewerage Services

Provision of sewage treatment for the communities of Muswellbrook and Denman

##### Category 2

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

##### Commercial Buildings

The provision of residential and commercial properties for lease and the 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 2015

#### 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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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 and Charges

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

##### Loan and Debt Guarantee Fees

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

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and 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 2015

#### 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 IPP and E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30 June 2015.

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 2015 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 2015Note 2. Water Supply Business  
Best Practice Management disclosure requirements

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

2015

## 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	18,477
(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 [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	182,770
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	321,900

2015 Surplus	(61,000)	2014 Surplus	382,900	2013 Surplus	
		2014 Dividend	-	2013 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	-
(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 [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 2015Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

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

2015

## National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,860
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	65.87%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	49,647
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	3,639
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,356
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-0.48%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

# Muswellbrook Shire Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

### Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2015

#### 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	17,994
(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 [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	330,400
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	172,940
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	1,577,800

2015 Surplus	660,800	2014 Surplus	917,000	2013 Surplus	
		2014 Dividend	-	2013 Dividend	

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	172,940
(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 [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 2015

### Note 3. Sewerage Business

#### Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

#### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	4,094
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	53,481
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,149
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,530
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.44%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

#### National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	8,964
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.74%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	3,886
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	0.51%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) 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 2015

## Note 3. Sewerage Business

## Best Practice Management disclosure requirements (continued)

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

2015

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

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage)	%	-20.80%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest Cover (Water & Sewerage)		> 100
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		532
	Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)		
	Net Interest:		- 1,008
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage)	\$'000	1,314
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage)	\$'000	66
	Grants for Pensioner Rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & 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 2015, 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 Office 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.

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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 Office 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 29th day of October 2015

Muswellbrook Shire Council  
**Special Schedules**

for year ended 30 June 2015



**muswellbrook**  
**shire council**

# Muswellbrook Shire Council

## Special Schedules

for the financial year ended 30 June 2015

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- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	23

<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 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	558	-	-	(558)
<b>Administration</b>	4,446	3,153	-	(1,293)
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	778	231	-	(547)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	380	119	-	(261)
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	1,158	350	-	(808)
<b>Health</b>	-	-	-	-
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	753	333	-	(420)
Solid Waste Management	4,989	3,804	-	(1,185)
Street Cleaning	201	-	-	(201)
Drainage	-	-	-	-
Stormwater Management	62	-	35	(27)
<b>Total Environment</b>	6,005	4,137	35	(1,833)
<b>Community Services and Education</b>				
Administration & Education	442	58	-	(384)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
<b>Total Community Services &amp; Education</b>	442	58	-	(384)
<b>Housing and Community Amenities</b>				
Public Cemeteries	106	68	-	(38)
Public Conveniences	55	-	-	(55)
Street Lighting	357	57	-	(300)
Town Planning	1,428	359	91	(978)
Other Community Amenities	-	81	-	81
<b>Total Housing and Community Amenities</b>	1,946	565	91	(1,290)
<b>Water Supplies</b>	4,840	5,334	315	809
<b>Sewerage Services</b>	3,096	4,439	107	1,450



## Muswellbrook Shire Council

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

for the financial year ended 30 June 2015

\$'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	870	170	54	(646)
Museums	-	-	-	-
Art Galleries	425	50	-	(375)
Community Centres and Halls	128	-	-	(128)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	1,244	606	-	(638)
Parks & Gardens (Lakes)	2,323	80	330	(1,913)
Other Sport and Recreation	-	-	-	-
<b>Total Recreation and Culture</b>	<b>4,990</b>	<b>906</b>	<b>384</b>	<b>(3,700)</b>
<b>Fuel and Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	359	51	1,713	1,405
Urban Roads - Regional	871	146	-	(725)
Sealed Rural Roads (SRR) - Local	1,566	1,314	15,989	15,737
Sealed Rural Roads (SRR) - Regional	520	226	-	(294)
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	18	-	-	(18)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	33	-	-	(33)
Bridges on Regional Roads	-	-	-	-
Parking Areas	103	-	-	(103)
Footpaths	82	-	-	(82)
Aerodromes	-	-	-	-
Other Transport & Communication	7,328	84	2,159	(5,085)
<b>Total Transport and Communication</b>	<b>10,880</b>	<b>1,821</b>	<b>19,861</b>	<b>10,802</b>
<b>Economic Affairs</b>				
Camping Areas and Caravan Parks	-	-	-	-
Other Economic Affairs	1,588	1,166	1,783	1,361
<b>Total Economic Affairs</b>	<b>1,588</b>	<b>1,166</b>	<b>1,783</b>	<b>1,361</b>
<b>Totals – Functions</b>	<b>39,949</b>	<b>21,929</b>	<b>22,576</b>	<b>4,556</b>
<b>General Purpose Revenues <sup>(2)</sup></b>		<b>15,374</b>		<b>15,374</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>30</b>		<b>30</b>
<b>NET OPERATING RESULT <sup>(1)</sup></b>	<b>39,949</b>	<b>37,333</b>	<b>22,576</b>	<b>19,960</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 2015

\$'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	156	780	936		156				95	685	780
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	673	11,467	12,140	3,300	1,516			588	780	13,144	13,924
Other	-	-	-	2,050					2,050	-	2,050
<b>Total Loans</b>	<b>829</b>	<b>12,247</b>	<b>13,076</b>	<b>5,350</b>	<b>1,672</b>	-	-	<b>588</b>	<b>2,925</b>	<b>13,829</b>	<b>16,754</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>Total Debt</b>	<b>829</b>	<b>12,247</b>	<b>13,076</b>	<b>5,350</b>	<b>1,672</b>	-	-	<b>588</b>	<b>2,925</b>	<b>13,829</b>	<b>16,754</b>

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

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

# Muswellbrook Shire Council

## Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2015

\$'000

### Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General Water Sewer Domestic Waste Management Gas	1,750	136	1,583
<b>Totals</b>	<b>1,750</b>	<b>136</b>	<b>1,583</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 (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Water Fund	10/08/10	11/08/10	25	10/08/35	6.00%	1,750	136	1,583
<b>Totals</b>							<b>1,750</b>	<b>136</b>	<b>1,583</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 2015

\$'000	Actuals 2015	Actuals 2014
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	753	795
b. Engineering and Supervision	365	639
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
<b>- Mains</b>		
c. Operation expenses	12	14
d. Maintenance expenses	173	333
<b>- Reservoirs</b>		
e. Operation expenses	15	15
f. Maintenance expenses	32	9
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	6	6
h. Energy costs	231	280
i. Maintenance expenses	146	122
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	59	51
k. Chemical costs	284	314
l. Maintenance expenses	990	909
<b>- Other</b>		
m. Operation expenses	79	93
n. Maintenance expenses	383	415
o. Purchase of water	111	145
<b>3. Depreciation expenses</b>		
a. System assets	1,408	1,355
b. Plant and equipment	50	68
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	172	200
b. Revaluation Decrements	-	-
c. Other expenses	95	11
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	35	-
<b>5. Total expenses</b>	<b>5,399</b>	<b>5,774</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 2015

\$'000	Actuals 2015	Actuals 2014
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,000	970
b. Usage charges	1,930	2,397
<b>7. Non-residential charges</b>		
a. Access (including rates)	368	355
b. Usage charges	1,046	1,065
<b>8. Extra charges</b>	28	25
<b>9. Interest income</b>	789	1,101
<b>10. Other income</b>	135	363
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	33	32
c. Other grants	5	11
<b>12. Contributions</b>		
a. Developer charges	114	282
b. Developer provided assets	201	106
c. Other contributions	-	-
<b>13. Total income</b>	<b>5,649</b>	<b>6,707</b>
<b>14. Gain (or loss) on disposal of assets</b>	6	4
<b>15. Operating Result</b>	<b>256</b>	<b>937</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	256	937

## 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 2015

\$'000	Actuals 2015	Actuals 2014
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	81
b. New Assets for Growth	1,162	434
c. Renewals	1,023	326
d. Plant and equipment	171	46
<b>17. Repayment of debt</b>		
a. Loans	227	211
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>2,583</b>	<b>1,098</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>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	5,317	5,249
b. Residential (unoccupied, ie. vacant lot)	277	318
c. Non-residential (occupied)	459	458
d. Non-residential (unoccupied, ie. vacant lot)	106	106
<b>25. Number of ETs for which developer charges were received</b>	ET	50 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 59,708	\$ 56,590

## Muswellbrook Shire Council

# Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2015

\$'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)?			
NB. 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="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above. 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.			



## 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 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	1,541	4,371	5,912
b. Special purpose grants	-	-	-
c. Accrued leave	381	-	381
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	3,308	9,385	12,693
<b>31. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	67	-	67
c. User Charges	340	-	340
d. Other	94	1,493	1,587
<b>32. Inventories</b>	3	-	3
<b>33. Property, plant and equipment</b>			
a. System assets	-	49,647	49,647
b. Plant and equipment	-	245	245
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<b>5,734</b>	<b>65,141</b>	<b>70,875</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	638	-	638
<b>38. Borrowings</b>			
a. Loans	242	2,470	2,712
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	381	-	381
<b>40. Total liabilities</b>	<b>1,261</b>	<b>2,470</b>	<b>3,731</b>
<b>41. NET ASSETS COMMITTED</b>	<b>4,473</b>	<b>62,671</b>	<b>67,144</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			36,626
<b>43. Asset revaluation reserve</b>			30,518
<b>44. TOTAL EQUITY</b>			<b>67,144</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			85,676
<b>46. Accumulated current cost</b> depreciation of system assets			(36,029)
<b>47. Written down current cost</b> of system assets			49,647

## 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 2015

\$'000	Actuals 2015	Actuals 2014
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	497	482
b. Engineering and Supervision	451	561
<b>2. Operation and Maintenance expenses</b>		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	226	210
- Pumping Stations		
c. Operation expenses (excluding energy costs)	63	62
d. Energy costs	113	133
e. Maintenance expenses	199	156
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	78	90
g. Chemical costs	44	12
h. Energy costs	-	-
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	374	398
- Other		
l. Operation expenses	57	79
m. Maintenance expenses	47	69
<b>3. Depreciation expenses</b>		
a. System assets	1,157	1,048
b. Plant and equipment	19	19
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	61	65
b. Revaluation Decrements	-	-
c. Other expenses	10	2
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	96	-
<b>5. Total expenses</b>	<b>3,492</b>	<b>3,386</b>

## Muswellbrook Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	3,102	2,973
<b>7. Non-residential charges</b>		
a. Access (including rates)	151	161
b. Usage charges	339	392
<b>8. Trade Waste Charges</b>		
a. Annual Fees	-	-
b. Usage charges	21	46
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	20	20
<b>10. Interest income</b>	452	560
<b>11. Other income</b>	321	519
<b>11a. Aboriginal Communities Water &amp; Sewerage Program</b>	-	-
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	33	32
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	107	712
b. Developer provided assets	-	913
c. Other contributions	-	-
<b>14. Total income</b>	<b>4,546</b>	<b>6,328</b>
<b>15. Gain (or loss) on disposal of assets</b>	4	-
<b>16. Operating Result</b>	<b>1,058</b>	<b>2,942</b>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	1,058	2,942

## Muswellbrook Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
<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	1,021	5,841
c. Renewals	433	791
d. Plant and equipment	76	228
<b>18. Repayment of debt</b>		
a. Loans	55	52
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>1,585</b>	<b>6,912</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)	5,388	5,313
b. Residential (unoccupied, ie. vacant lot)	229	295
c. Non-residential (occupied)	332	335
d. Non-residential (unoccupied, ie. vacant lot)	49	51
<b>26. Number of ETs for which developer charges were received</b>	ET	117 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 59,883	\$ 56,765

## Muswellbrook Shire Council

# Special Schedule No. 5 - Sewerage Service Cross Subsidies

for the financial year ended 30 June 2015

\$'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 & 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)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 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.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to 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"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** 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.

## 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 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	2,418	6,859	9,277
b. Special purpose grants	-	-	-
c. Accrued leave	225	-	225
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	660	1,872	2,532
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	300	-	300
c. User Charges	-	-	-
d. Other	79	-	79
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	53,481	53,481
b. Plant and equipment	-	40	40
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<b>3,682</b>	<b>62,252</b>	<b>65,934</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	236	-	236
<b>39. Borrowings</b>			
a. Loans	59	851	910
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	225	-	225
<b>41. Total Liabilities</b>	<b>520</b>	<b>851</b>	<b>1,371</b>
<b>42. NET ASSETS COMMITTED</b>	<b>3,162</b>	<b>61,401</b>	<b>64,563</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			42,604
<b>44. Asset revaluation reserve</b>			21,959
<b>45. TOTAL EQUITY</b>			<b>64,563</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost of system assets</b>			85,336
<b>47. Accumulated current cost depreciation of system assets</b>			(31,855)
<b>48. Written down current cost of system assets</b>			<b>53,481</b>

## Muswellbrook Shire Council

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

for the financial year ended 30 June 2015

#### 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 2015

**\$'000**

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
								refer (4) & (5)		
<b>Buildings</b>	Administration	-	97	86	4,781	21%	78%	1%	0%	0%
	Public Order & Safety	-	52	16	3,273	43%	49%	8%	0%	0%
	Community Services/Education	-	200	31	12,750	75%	25%	0%	0%	0%
	Housing & Community	-	8	18	2,381	0%	93%	7%	0%	0%
	Recreation & Culture	-	356	126	18,142	67%	32%	1%	0%	0%
	Economic Affairs	-	12	9	571	19%	81%	0%	0%	0%
	Transport & Communication	-	2	-	115	68%	32%	0%	0%	0%
	<b>sub total</b>	-	<b>727</b>	<b>286</b>	<b>42,013</b>	<b>57.9%</b>	<b>40.6%</b>	<b>1.6%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Rural	2,006	883	812	149,069	94%	3%	2%	1%	0%
	Urban	2,201	217	385	97,403	74%	7%	11%	8%	0%
	Regional	-	136	136	19,219	71%	24%	5%	0%	0%
	Unsealed	720	335	176	9,238	25%	30%	35%	10%	0%
	Bridges	175	78	50	43,811	29%	56%	15%	0%	0%
	Footpaths	61	82	81	10,268	27%	28%	37%	6%	2%
	Carparks	59	87	87	4,884	86%	13%	1%		0%
	Other				-					
	<b>sub total</b>	<b>5,222</b>	<b>1,818</b>	<b>1,727</b>	<b>333,892</b>	<b>74.2%</b>	<b>14.0%</b>	<b>8.5%</b>	<b>3.2%</b>	<b>0.1%</b>

## Muswellbrook Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
								refer (4) & (5)		
Water Supply Network	Mains	2,225	446	158	27,497	0%	70%	20%	10%	0%
	Reservoirs	368	192	29	10,486	34%	29%	1%	34%	2%
	Pumping Station/s	-	99	143	2,350	50%	50%	0%	0%	0%
	Treatment	-	423	682	8,609	0%	93%	7%	0%	0%
	sub total	2,593	1,160	1,012	48,942	9.7%	64.3%	12.7%	12.9%	0.4%
Sewerage Network	Mains	2,131	553	194	39,728	0%	70%	20%	0%	10%
	Pumping Station/s	-	223	116	5,480	72%	24%	2%	2%	0%
	Treatment	-	390	364	4,170	0%	100%	0%	0%	0%
	Effluent Re-use	-	42	45	2,611	0%	71%	19%	0%	10%
	sub total	2,131	1,208	719	51,989	7.6%	67.6%	16.4%	0.2%	8.1%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
								refer (4) & (5)		
Stormwater Drainage	Urban Drainage.	496	138	138	25,560	30%	20%	50%	0%	0%
					-					
	sub total	496	138	138	25,560	30.0%	20.0%	50.0%	0.0%	0.0%
Open Space/ Recreational Assets	Aquatic Centres	2,190	334	153	11,389	62%	11%	0%	7%	20%
	Playgrounds/Sportsfields	346	597	597	6,104	37%	35%	23%	1%	4%
	Other									
	sub total	2,536	931	750	17,493	53.3%	19.4%	8.0%	4.9%	14.4%

## Muswellbrook Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
	<b>TOTAL - ALL ASSETS</b>	<b>12,978</b>	<b>5,982</b>	<b>4,632</b>	<b>519,889</b>	<b>57.3%</b>	<b>26.7%</b>	<b>11.1%</b>	<b>3.5%</b>	<b>1.4%</b>

## 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.
- (2). This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (3). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.  
Actual Maintenance is what has been spent in the current year to maintain the assets.
- (4). Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.  
Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## Muswellbrook Shire Council

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

for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures				
Renewals Ratio				
Asset Renewals				
(Building, Infrastructure & Other Structures) <sup>(1)</sup>	14,757	162.76%	123.06%	81.82%
Depreciation, Amortisation & Impairment	9,067			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	12,978	2.58%	3.95%	6.95%
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	503,901			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	4,632	0.77	0.85	0.82
Required Asset Maintenance	5,982			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	27,661	2.55	2.86	1.87
Annual Depreciation	10,831			

## 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, infrastructure & Other Structure 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 2015

	Water 2015	Sewer 2015	General <sup>(1)</sup> 2015
<b>\$ '000</b>			
<b>Infrastructure Asset Performance Indicators By Fund</b>			
<b>1. Building, Infrastructure and Other Structures Renewals Ratio</b>			
Asset Renewals			
(Building, Infrastructure & Other Structures) <sup>(2)</sup>	<b>80.40%</b>	<b>41.40%</b>	<b>202.18%</b>
Depreciation, Amortisation & Impairment			
prior period:	24.06%	164.22%	132.88%
<b>2. Infrastructure Backlog Ratio</b>			
Estimated Cost to bring Assets to a Satisfactory Condition			
Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	<b>5.39%</b>	<b>4.26%</b>	<b>2.03%</b>
prior period:	12.35%	14.29%	1.78%
<b>3. Asset Maintenance Ratio</b>			
Actual Asset Maintenance			
Required Asset Maintenance	<b>0.87</b>	<b>0.60</b>	<b>0.80</b>
prior period:	1.45	0.76	0.73
<b>4. Capital Expenditure Ratio</b>			
Annual Capital Expenditure			
Annual Depreciation	<b>1.62</b>	<b>1.30</b>	<b>2.90</b>
prior period:	1.25	12.86	1.83

## 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/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, infrastructure and Other Structure assets only.

<sup>(3)</sup> Written Down Value

## Muswellbrook Shire Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	10,726	11,369
Plus or minus Adjustments <sup>(2)</sup>	b	393	169
<b>Notional General Income</b>	c = (a + b)	<b>11,119</b>	<b>11,538</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
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 = d x (c-g)	-	-
or <b>plus</b> Rate peg amount	i = c x e	256	277
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>11,375</b>	<b>11,815</b>
<b>plus</b> (or minus) last year's Carry Forward Total	l	-	6
<b>less</b> Valuation Objections claimed in the previous year	m	-	-
<b>sub-total</b>	n = (l + m)	-	<b>6</b>
<b>Total Permissible income</b>	o = k + n	<b>11,375</b>	<b>11,821</b>
<b>less</b> Notional General Income Yield	p	11,369	11,814
<b>Catch-up or (excess) result</b>	q = o - p	<b>6</b>	<b>7</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	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>6</b>	<b>7</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.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



**MUSWELLBROOK SHIRE COUNCIL**

**SPECIAL SCHEDULE NO. 9**

**INDEPENDENT AUDITORS' REPORT**

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**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 2016.

***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. 23. 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.

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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**

B. Hanger

**BRETT HANGER**

Partner

Dated at Sydney this 29th day of October 2015