

MERLWOOD WATER BOARD

FINAL REPORT

1 JULY 2016 TO 6 JULY 2017



This publication has been compiled by Natural Resources Programs of Operations Support, Department of Natural Resources, Mines and Energy.

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1 Introduction

On 6 July 2017, the Merlwood Water Board (the water authority) was dissolved by the Water and Other Legislation Amendment Regulation (No. 1) 2017.

Merlwood water board was constituted under the *Water Act 2000* (the Act) on the 3rd September 1966 and was a statutory body under the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*. As the former appropriate Minister for the abolished water authority, the Minister for Natural Resources, Mines and Energy is required to table the final report for the water authority in the Queensland Legislative Assembly for the water authority's final period of operation (final period)—from 1 July 2016 to 6 July 2017.

Copies of the final report are available from the Department of Natural Resources, Mines and Energy (the department).

The water authority dissolved for the purposes of converting to an alternative institutional structure called Merlwood Water Pty Ltd. The water authority was one of a number of water authorities transferring the provision of their functions away from a statutory body framework to an alternative institutional structure, or to the local government whose authority area their water authority shares.

As at 6 July 2017 the department continues to liaise regularly with representatives of the water authority as well as liaising with other key stakeholders. Relevant water authorities are actioning their preferred institutional changes, while others work to meet the various obligations applicable to them as statutory bodies. The department will continue working alongside and actively supporting water authorities.

1.1 Nature of the water authority

The water authority serviced 58 ratepayers within its gazetted area supplying untreated water for rural industries and domestic non-drinking water to 70 properties within the board's gazetted area.

The water authority's ratepayers shared the cost of administrating, operating and maintaining the water authority's infrastructure or the water authority recovered the cost of operations and maintenance via rates.

1.2 Roles and objectives

The water authority provided services aligned to the government's objectives for the community and other whole-of-government strategies.

Under section 569 of the Act, a water authority's main function is to carry out the water activities decided by the authority. If the water authority has an authority area, its main function is to carry out the water activities for the authority area.

The water authority's main function was to service its ratepayers by providing to supply water for stock and domestic purposes to landholders in the authorities area.

1.3 Location

The administration plan reference number for the water authority's authority area was AP7342.

2 Operations

2.1 Management

The water authority was managed by a board of directors. There were not any elections conducted during the final period and as such there were no new appointments made during the final period. Election procedures are contained the relevant Voting and Ballot Procedures for Category 2 Water Authorities provided by the department.

During the final period, the water authority's principal place of business was situated at 25 Beers Road Silverleaf QLD, 4605 with all correspondence being directed to Merlwood Water Board P.O. Box 228 Murgon. QLD. 4605.

The contact person for the water authority was the secretary, Leah Sells whose phone number is 0437751675, and email merlwoodwater@gmail.com.

2.2 Organisational structure

The composition of the board of the water authority was 4 directors all elected by ratepayers appointment by the Governor In Council.

Rex Shelton, Russell Bishop (Proxy for Phillip Bishop), Bob Eisenmenger and Dermot Smith were appointed as directors to the board of the water authority by the Governor in Council in 2007, and remained on the board until the water authority was dissolved.

2.3 Staff

The water authority employed 2 part-time staff employed by the water authority. No staff received a voluntary early retirement package during the final period.

2.4 Related entities

The water authority did not have any related entities

2.5 Consultancies

During the final period, the water authority did not pay any fees to consultants.

Information in relation to water authorities' expenditure on consultancies is publicly accessible at the Government's Open Data website: <https://data.qld.gov.au/dataset/consultancy-spending-category-2-water-authorities>.

2.6 Overseas travel

No member of the water authority travelled overseas during the final period.

Information in relation to overseas travel costs incurred by water authority members is to be publicly accessible at the Government's Open Data website. Currently, as no member of a water authority has incurred overseas travel costs, no dataset exists.

2.7 Information systems and record keeping

During the final period, the water authority had a records management system appropriate for its particular operations. The records management system of the water authority used both hard and electronic filing processes.

2.8 Public Sector Ethics Act

Water authority members were reminded of their obligations when appointed to the water authority and given access to the Department of the Premier and Cabinet's publication titled 'Welcome Aboard: A Guide for Members of Queensland Government Boards, Committees and Statutory Authorities'. Compliance with the *Public Sector Ethics Act 1994* also requires the water authority to have had in place a Code of Conduct; the water authority did not have a code of conduct in place during the final period.

2.9 Audit committee

The water authority's secretary and chairperson ensured appropriate accounting standards were used by the water authority during the final period.

2.10 Risk management and accountability

For the purpose of enabling the department to assess the financial viability of the water authority in past years, the water authority was requested to submit:

- its financial statements
- a prudential assessment questionnaire
- an entity indebtedness statement
- a budget for the next financial year.

Based on this information, the department conducted annual risk management and governance assessments of the water authority. From the latest review, the department found the water authority had been prudent in managing its financial affairs and had adopted appropriate risk management strategies.

2.11 Machinery of government changes

The water authority was not subject to any machinery-of-government changes during the final period.

2.12 Overview of operations

During the final period, the water authority continued to supply water for stock and domestic purposes to landholders in the board's area. There were no major flood and consequent restoration of assets undertaken. No capital works were undertaken in the final financial period.

3 Financial operations

3.1 Internal audit

When required, the board of the water authority undertook internal audit functions. There was nothing to report for the final period. Water rates issued each quarter enable the authority to service its debts.

3.2 Outputs and output performance measures

The water authority was self-funded and therefore funding outputs and output performance measures are not applicable.

3.3 Remuneration of chairperson and directors

The water authority reports that the following remuneration was paid to its chairperson and directors of the water authority.

From 28 July 2014, water authorities were able to increase the fees and allowances payable to their directors to the following maximum rates as approved by the former Minister for Natural Resources and Mines.

Category 2 water authorities (other than Lower Burdekin Water)

A meeting fee of \$390 for chairpersons and \$300 for directors, and half the fee if the meeting is of four hours duration or less.

In addition to the above meeting fees, all necessary and reasonable expenses incurred while travelling on approved board business and to attend meetings were payable as follows:

- economy class air travel
- domestic travelling allowances as per the Ministerial Directive No. 9/11, titled Domestic Travelling and Relieving Expenses, issued under the *Public Service Act 2008* (the PS Act)
- allowances for use of a private motor vehicle as per Ministerial Directive No. 14/10, titled Motor Vehicle Allowances, issued under the *Public Service Act*.

Table 1: Meetings and remuneration paid between 1 July 2016- 30 July 2017.

During the above period, 2 meetings were held. *.			
Director & position	Meetings under 4 hrs \$, (no. of meetings)	Meetings over 4 hrs \$, (no. of meetings)	Fees paid
Rex Shelton <i>Chairperson</i>	\$75 (2 meetings)	\$ (0 meetings)	\$150.00
Russell Bishop <i>Director</i>	\$50 (2meetings)	\$ (0 meeting)	\$100.00
Bob Eisenmenger <i>Director</i>	\$50 (2 meetings)	\$ (0 meeting)	\$100.00
Dermot Smith <i>Director</i>	\$50 (1 meetings)	\$ (0 meeting)	\$0.00
Total meeting fees			\$350.00.
Other costs (including travel, accommodation, motor vehicle allowances, etc) Please detail each category.			\$0.00.
Total expenditure			\$350.00

3.4 External scrutiny

Except for audits of the financial statements carried out by the Queensland Audit Office, no external auditor reviews of the water authority's operations occurred during the final period.

3.5 Summary of financial performance

The primary source of the water authority's funding during the final period was from its ratepayers. During the final period, the water authority was financially viable and had sufficient funds to service its expenses.

3.6 Letter of compliance

The water authority's former responsible person has certified that the water authority's final report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2009 (FPMS)
- the detailed requirements set out in the Department of the Premier and Cabinet's publication, *Annual report requirements for Queensland Government agencies: requirements for the 2016–17 reporting period*.

3.7 Audit report information

The water authority's certified financial statements are at Appendix A.

3.8 Summary of independent audit reports

3.8.1 Financial year 1 July 2016 – 30 June 2017

In accordance with section 40 of the *Auditor-General Act 2009*, the Auditor-General did not express an opinion on the final financial statements of the water authority. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report. Sufficient evidence was not presented to confirm the existence of property, plant and equipment, that all assets controlled by the board have been recorded or that the carrying value in accordance with either the cost model or revaluation model options available under AASB 116 *Property, Plant and Equipment*.

Emphasis of Matter – Abolition of Merlwood Water Board

Without modifying his opinion, the Auditor-General draws attention to Note 24 of the financial report which describes the Merlwood Water Board transferred its operations, including its assets and liabilities to Merlwood Water Pty Ltd on the 6 July 2017. This transfer was in accordance with the provisions of the *Water and Other Legislation Amendment Regulation (No1) 2017*. As a result, this is the final financial report for Merlwood Water Board and it has been prepared on a basis consistent with the going concern basis.

Leah Sells, Former Responsible Person, Merlwood Water Board

Signed



Date 12/03/18

Rex Shelton, Former Chairperson, Merlwood Water Board

Signed



Date 12/03/18

4 Annual report requirements for Queensland Government agencies

The compliance checklist provided in Table 3 indicates where the annual report requirements (ARRs) for the 2016-2017 reporting period are addressed in this report. The relevant legislative provisions are also provided.

Table 2: Compliance Checklist.

Summary of requirement		Basis for requirement	Report reference
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 7	Section 3.6
Accessibility	<ul style="list-style-type: none"> Table of contents Glossary 	ARRs – section 9.1	Page i Section 5
	<ul style="list-style-type: none"> Public availability 	ARRs – section 9.2	
	<ul style="list-style-type: none"> Interpreter service statement 	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	Not applicable
	<ul style="list-style-type: none"> Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 9.4	Inside cover
	<ul style="list-style-type: none"> Information Licensing 	<i>QGEA – Information Licensing</i> ARRs – section 9.5	Inside cover
General information	<ul style="list-style-type: none"> Introductory Information 	ARRs – section 10.1	Page 1
	<ul style="list-style-type: none"> Agency role and main functions 	ARRs – section 10.2	Section 1
	<ul style="list-style-type: none"> Operating environment 	ARRs – section 10.3	Section 1.2
	<ul style="list-style-type: none"> Machinery of government changes 	ARRs – section 10.4	Section 2.11
Non-financial performance	<ul style="list-style-type: none"> Government's objectives for the community 	ARRs – section 11.1	Section 1.2
	<ul style="list-style-type: none"> Other whole-of-government plans / specific initiatives 	ARRs – section 11.2	Section 1.2
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.3	Section 1.2
	<ul style="list-style-type: none"> Agency service areas and service standards 	ARRs – section 11.4	Section 1.3
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1	Section 3.5
Governance – management, structure and remuneration	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1	Section 2.2
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2	Section 2.1
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 13.3	Section 3.3
	<ul style="list-style-type: none"> Remuneration Disclosures 		Section 3.3
	<ul style="list-style-type: none"> Public Sector Ethics Act 1994 	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	Section 2.8
Governance – risk management and accountability	<ul style="list-style-type: none"> Risk management 	ARRs – section 14.1	Section 2.10
	<ul style="list-style-type: none"> External scrutiny 	ARRs – section 14.2	Section 3.4
	<ul style="list-style-type: none"> Audit committee 	ARRs – section 14.3	Section 2.9
	<ul style="list-style-type: none"> Internal audit 	ARRs – section 14.4	Section 3.1

	<ul style="list-style-type: none"> Information systems and recordkeeping 	ARRs – section 14.5	Section 2.7
Governance – human resources	<ul style="list-style-type: none"> Workforce planning and performance 	ARRs – section 15.1	Section 2.3
	<ul style="list-style-type: none"> Early retirement, redundancy and retrenchment 	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	Section 2.3
Open Data	<ul style="list-style-type: none"> Consultancies 	ARRs – section 16 ARRs – section 33.1	Section 2.5
	<ul style="list-style-type: none"> Overseas travel 	ARRs – section 16 ARRs – section 33.2	Section 2.6
	<ul style="list-style-type: none"> Queensland Language Services Policy 	ARRs – section 16 ARRs – section 33.3	Not applicable
	<ul style="list-style-type: none"> Government bodies 	ARRs – section 16 ARRs – section 33.4	Section 3.3
Financial statements	<ul style="list-style-type: none"> Certification of financial statements 	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	Appendices A
	<ul style="list-style-type: none"> Independent Auditors Report 	FAA – section 62 FPMS – section 50 ARRs – section 17.2	Appendices A
	<ul style="list-style-type: none"> Remuneration disclosures 	Financial Reporting Requirements for Queensland Government Agencies ARRs – section 17.3	Section 3.3

5 Glossary

ARRs	Annual report requirements for Queensland Government agencies
FAA	Financial Accountability Act 2009
FPMS	Financial and Performance Management Standard 2009
QGEA	Queensland Government Enterprise Architecture

Letter of Compliance

The Honourable Dr Anthony Lynham MP
Member for Stafford
Minister for Natural Resources, Mines and Energy
PO Box 15216
CITY EAST QLD 4002

12 March 2018

Dear Minister

I am pleased to present the Final Report and financial statements for the Merlwood Water Board

I certify that this final report complies with:

- the former Merlwood Water Board has attempted to fully comply with the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009 to the best of our ability*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be accessed at:

<http://www.premiers.qld.gov.au/publications/categories/guides/annual-report-guidelines.aspx>.

Yours sincerely



Mr Rex Shelton

Chairperson

Merlwood Water Board

Appendix A

**Merlwood Water Board
ABN 21 571 207 858**

Contents

- Directors' Report
- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements
- Directors' Declaration

**Merlwood Water Board
ABN 21 571 207 858
Directors' Report**

Your director presents this report on the company for the financial year ended 30 June 2017.

Operating Result

The profit of the company for the financial year after providing for income tax amounted to:

Year ended	Year ended
30 June 2017	30 June 2016
\$	\$
18,064.34	7,902.57

Review of Operations

A review of the operations of the company during the financial year and the results of those operations are as follows: operation of a water scheme.

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Future Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Signed in accordance with a resolution of the director:


Dated: 31/7/17

The accompanying notes form part of these financial statements.

Merewood Water Board
ABN 21 571 207 858
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Income from Continuing Operations			
User Charges and Fees	2	177,009.14	151,081.75
Interest		2.44	16.39
Grants	3	0.00	5,000.00
Total Revenue		177,011.58	156,098.14
Total Income from Continuing Operations		177,011.58	156,098.14
Expenses from Continuing Operations			
Employee expenses	6	(35,237.10)	(33,843.15)
Supplies and services	7	(50,766.85)	(46,294.57)
Finance/borrowing costs		(7.96)	(7.51)
Other expenses	11	<u>(77,863.80)</u>	<u>(68,050.34)</u>
Total Expenses from Continuing Operations		<u>(163,775.71)</u>	<u>(148,195.57)</u>
Operating Result from Continuing Operations		<u>13,235.87</u>	<u>7,902.57</u>
Operating Result for the Year		<u>13,235.87</u>	<u>7,902.57</u>
Total comprehensive income for the year		<u>13,235.87</u>	<u>7,902.57</u>

The accompanying notes form part of these financial statements.

Merwood Water Board
ABN 21 571 207 858
Statement of Financial Position as at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current Assets			
Cash assets	12	16,896.89	16,067.80
Receivables	13	<u>157,486.03</u>	<u>148,309.96</u>
Total Current Assets		<u>174,382.92</u>	<u>164,377.76</u>
Non-Current Assets			
Property, plant and equipment	14	<u>1,135,804.36</u>	<u>1,135,804.36</u>
Total Non-Current Assets		<u>1,135,804.36</u>	<u>1,135,804.36</u>
Total Assets		<u>1,310,187.28</u>	<u>1,300,182.12</u>
Liabilities			
Current Liabilities			
Payables	16	0.00	3,073.27
Accrued employee benefits	17	<u>5,000.16</u>	<u>5,157.60</u>
Total Current Liabilities		<u>5,000.16</u>	<u>8,230.87</u>
Total Liabilities		<u>5,000.16</u>	<u>8,230.87</u>
Net Assets		<u>1,305,187.12</u>	<u>1,291,951.25</u>
Equity			
Accumulated Surplus		<u>1,305,187.12</u>	<u>1,291,951.25</u>
Total Equity		<u>1,305,187.12</u>	<u>1,291,951.25</u>

The accompanying notes form part of these financial statements.

Merlwood Water Board
ABN 21 571 207 858
Statement of Changes in Equity
for the year ended 30 June 2017

	Accumulated TOTAL	
	Surplus	
Balance as at 1 July 2015	1,284,048.68	1,284,048.68
Operating result from continuing operations	<u>7,902.57</u>	<u>7,902.57</u>
Balance as at 30 June 2016	<u>1,291,951.25</u>	<u>1,291,951.25</u>
 Balance as at 1 July 2016	 1,291,951.25	 1,291,951.25
Operating result from continuing operations	<u>13,235.87</u>	<u>13,235.87</u>
Balance as at 30 June 2017	<u>1,305,187.12</u>	<u>1,305,187.12</u>

The accompanying notes form part of these financial statements.

Merlwood Water Board
ABN 21 571 207 858
Statement of Cash Flows
For the year ended 30 June 2017

2017	2016
\$	\$

Cash Flow From Operating Activities

Inflows:

User charges and fees	160,995.08	151,290.25
Other	2.44	5,016.39
GST input tax credits from ATO	9,592.62	7,014.00

Outflows:

Employee expenses	(35,079.66)	(33,378.65)
Supplies and services	(76,232.82)	(72,969.13)
Finance/borrowing costs	(247.96)	(251.11)
GST paid to ATO	(62.11)	(500.00)
Other	(58,138.50)	(46,991.98)

Net cash provided by (used in) operating activities

829.09	9,229.77
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Cash Flow From Investing Activities

Inflows:

Outflows:

Payments for property, plant and equipment	0.00	(0.00)
Net cash provided by (used in) investing activities	0.00	(0.00)
Net increase (decrease) in cash held	829.09	(9,229.77)
Cash at the beginning of the year	16,067.80	6,838.03
Cash at the end of the year (note 1)	16,896.89	16,067.80

The accompanying notes form part of these financial statements.

**Merewood Water Board
ABN 21 571 207 858
Statement of Cash Flows
For the year ended 30 June 2017**

2017

2016

Note 1. Reconciliation Of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Westpac Account 23	16,348.07	15,387.58
QTC Cash Fund	542.12	542.12
Undeposited Funds		131.40
Petty Cash	6.70	6.70
	16,896.89	16,067.80

Cash at the end of the year per Cash Flow Statement

	16,896.89	16,067.80
Closing balances of Cash (bank) accounts	16,896.89	16,067.80

The accompanying notes form part of these financial statements.

Merwood Water Board
ABN 21 571 207 858
Notes to the Financial Statements
For the year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Merwood Water Board as an individual entity. Merwood Water Board is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Taxation

Income tax has been brought to account using the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation of derivation of sufficient future assessable income and compliance with the conditions of deductibility imposed by the law.

Presentation Matters

Currency and Rounding – Amounts included in the financial statements are in Australian dollars and cents.

Comparatives – Comparative information reflects the audited 2015-16 financial statements.

Current/Non-Current Classification – Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Board does not have

The accompanying notes form part of these financial statements.

Merlwood Water Board
ABN 21 571 207 858
Notes to the Financial Statements
For the year ended 30 June 2017

an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

Land Held for Resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, foreign currency movements, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected total costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

a) Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is a policy of Merlwood Water Board to have an independent valuation every three years, with annual appraisals being made by the directors.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

The accompanying notes form part of these financial statements.

Merwood Water Board
ABN 21 571 207 858
Notes to the Financial Statements
For the year ended 30 June 2017

b) Plant and equipment

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within Merwood Water Board includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

c) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Merwood Water Board commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate %
Buildings	0%
Leasehold improvements	0%
Plant and equipment	0%
Plant and equipment	
leased to external parties	0%
Other plant and equipment	0%
Motor vehicles	0%
Other	0%

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to Merwood Water Board are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the asset will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

The accompanying notes form part of these financial statements.

**Merlwood Water Board
ABN 21 571 207 858
Notes to the Financial Statements
For the year ended 30 June 2017**

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Investments

Shares in listed companies held as current assets are valued at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments in Associates

The equity method of accounting has been applied and recognised in the financial statements in relation to all associated companies. An associated company is a company over which Merlwood Water Board is able to exercise significant influence.

Interest in Joint Ventures

The share of assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the statements of financial performance and financial position. Details of the interests are shown in the Notes to Accounts.

Research and Development Expenditure

Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production is commenced.

Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

The accompanying notes form part of these financial statements.

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Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the cost are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Intangibles

a) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Purchased goodwill is amortised on a straight-line basis over the period of 20 years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

b) Patents and Trademarks

Patents and Trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted to the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities, when the exchange rates change.

Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities, over the lives of the hedges.

The accompanying notes form part of these financial statements.

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Costs or gains arising at the time of entering hedge transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale.

Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities, when the exchange rate changes.

Employee entitlements

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Contributions are made by Merwood Water Board to an employee superannuation fund and are charged as expenses when incurred.

Merwood Water Board does not record, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plans assets.

Merwood Water Board operates an ownership-based remuneration scheme, details of which are provided in the Notes to Accounts. Profits or losses incurred by employees, being the difference between the market value and the par value of the shares acquired, are not recorded as remuneration paid to employees.

Provision for Warranties

Provision is made in respect of the economic entity's estimated liability on all products and services under warranty at balance date. The provision is based on the economic entity's history of warranty claims.

Debt Defeasance

Where assets are given up to extinguish the principal and all future interest of a debt and differences in the carrying values of assets foregone and the liability extinguished are brought to account in the profit from ordinary activities. Costs incurred in establishing the defeasance are expensed in the period that the defeasance occurs.

Where only part of a debt is extinguished the interest and principal are defeased proportionately and a liability recognised for the net present value of the remaining future interest and principal repayments. The discount factor applied is that implicit in the original debt.

In all cases where defeasance occurs, it is highly unlikely that the company will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

Cash

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements
For the year ended 30 June 2017

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Converting Preference Shares

Converting preference shares are brought to account on issue at the value of net proceeds received. The converting preference shares are compound financial instruments where the dividends are at fixed amounts with scheduled dates of payments and the number of ordinary shares to be issued on conversion is in part determined by the market price of ordinary shares at date of conversion. The present value of the interest and principal payable on conversion are discounted at the market rate of interest at issue date and are brought to account as borrowings. The difference between the net proceeds received and the borrowings component is brought to account as equity. Dividends paid on the converting preference shares are recognised as interest expense in the profit from ordinary activities.

Change in Accounting Policy

Accounting policy has not changed during the year.

The accompanying notes form part of these financial statements.

Merlwood Water Board
ABN 21 571 207 858
Notes to the Financial Statements
For the year ended 30 June 2017

2017

2016

Note 2: User charged and fees

Rates and Charges	177,009.14	151,081.75
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Note 3: Grants

Grant	0.00	5,000.00
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Note 6: Employee expenses

Salaries	32,180.00	30,920.00
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Superannuation	3,057.10	2,923.15
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Note 7: Supplies and services

Bank fees and charges	240.00	243.60
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Electricity	49,482.19	44,792.59
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Printing and stationery	390.10	549.27
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Telephone	654.56	709.11
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Note 11: Other expenses

Accountancy and audit	4,830.00	4,765.00
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Discounts allowed	14,449.12	18,457.90
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Creditor adjustments	4,828.47	0.00
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Fees and charges	249.00	229.91
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Hire/rent of equipment	3,456.50	2,617.50
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Insurance	1,330.08	1,332.40
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Lease – realty	535.63	234.97
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Legal fees	0.00	6,616.32
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Member's fees	350.00	625.00
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Motor vehicle expenses	1,363.61	1,636.32
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Office expenses	1,246.83	138.36
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Rates	15,771.62	19,756.47
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Repairs and maintenance	26,194.44	7,974.35
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Workcover	293.95	392.91
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Merlwood Water Board
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Notes to the Financial Statements
For the year ended 30 June 2017

2017

2016

Note 12: Cash assets

Westpac account	16,348.07	15,387.58
QTC cash fund	542.12	542.12
Undeposited funds	0.00	131.40
Petty cash	6.70	6.70

Note 13: Receivables

Trade debtors	154,451.06	146,444.03
GST receivable	3,034.97	1,865.93

Note 14: Property, plant and equipment

Land elbow road	4,469.05	4,469.05
Initial scheme	45,557.58	45,557.58
Barambah creek extension	113,953.78	113,953.78
Cloyna extension	55,786.27	55,786.27
Weir	19,674.07	19,674.07
WITF upgrade	622,000.00	622,000.00
Cloyna link	16,223.88	16,223.88
Holznagel's road extension	72,324.74	72,324.74
Cloyna town extension	4,876.78	4,876.78
Hinchcliff road	10,116.48	10,116.48
40 ML water alloc	40,997.20	40,997.20
Improvements budgetted	23,160.37	23,160.37
Telemetry system Eisenmengers	4,980.00	4,980.00
Telemetry system	3,067.50	3,067.50
Road reserve bores	54,141.46	54,141.46
Water filter system	6,769.59	6,769.59
Water tank R Eisenmengers	9,545.45	9,545.45
Pumps	19,437.63	19,437.63

Merlwood Water Board
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Notes to the Financial Statements
For the year ended 30 June 2017

	2017	2016
Laptop	970.91	970.91
Pump 5.6 Hitachi	3,694.14	3,694.14
Water tank Byee	6,037.23	6,037.23
Note 16: Payables		
Trade creditors	0.00	3,073.27
Note 17: Accrued employee benefits		
Superannuation	1,181.16	1,246.60
PAYG withheld	3,819.00	3,911.00

Note 24: Events Occurring after Balance Date

Intended change in institutional arrangements

The Merlwood Water Board elected to transition away from statutory body status. On the 6th July 2017, the Governor in Council abolished the Merlwood Water Board and nominated Merlwood Water Pty Ltd as the new alternative institutional structure. On dissolution, the assets and liabilities of the Merlwood Water Board became the assets and liabilities of Merlwood Water Pty Ltd. The specific values of the assets and liabilities transferred were as follows:

Cash	\$ 25,299.27
Trade debtors	\$ 146,028.68
GST Receivable	\$ 3,034.97
Freehold Land	\$ 4,469.00
Plant & equipment	\$1,131,335.36
Employee entitlements	\$ -5,000.16

Accordingly this final financial report has been prepared on a basis that is consistent with a going concern basis.

**Merlwood Water Board
ABN 21 571 207 858
Directors' Declaration**

The director of the company declares that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date;
2. in the director's opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the director.



Dated:

31/7/17

INDEPENDENT AUDITOR'S REPORT

To the Former Board of Merlwood Water Board

Report on the audit of the financial report

Disclaimer of Opinion

Section 30(1) (b) of the *Auditor-General Act 2009* requires me to audit the accompanying financial report of Merlwood Water Board.

I do not express an opinion on the accompanying financial report. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

The financial report comprises the Statement of Financial Position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements and the directors' declaration.

Basis for Disclaimer of Opinion

Sufficient appropriate evidence has not been presented by Merlwood Water Board to confirm the existence of its property plant and equipment, that all assets controlled by the board have been recorded, or that the carrying values of property, plant and equipment were in accordance with either the cost model or revaluation model options available under AASB 116 *Property, Plant and Equipment*. As a consequence, sufficient appropriate audit evidence has not been presented by the Merlwood Water Board to demonstrate that the carrying value of property, plant and equipment of \$1,135,804 (2016: \$1,135,804) as recorded in Note 14 and the absence of a depreciation expense are reliable.

In addition, sufficient appropriate evidence has not been presented by Merlwood Water Board to confirm that the trade debtors amount of \$154,451 (2016: \$146,444) recorded in Note 13 to the financial statements is fully collectable.

The impact of these matters on the financial report is unable to be quantified due to the absence of reliable data.

Emphasis of Matter – Abolition of Merlwood Water Board

I draw attention to Note 24 of the financial report, which describes that Merlwood Water Board transferred its operations, including its assets and liabilities to Merlwood Water Pty Ltd on 6 July 2017. This transfer was in accordance with the provisions of the *Water and Other Legislation Amendment Regulation (No 1) 2017*. As a result this is the final financial report for Merlwood Water Board and it has been prepared on a basis consistent with the going concern basis. My report is not further modified in respect of this matter.

Responsibilities of the Former Board for the Financial Report

The former Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed requirements of the *Financial Accountability Act 2009* and its subordinate legislation, the Financial and Performance Management Standard 2009 and Australian Accounting Standards – Reduced Disclosure Requirements, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The former Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended to liquidate the entity or to otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My responsibility is to conduct an audit of the financial report in accordance with the Australian Auditing Standards, and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, except for the matters described in the *Basis for Disclaimer of Opinion* section of my report, for the year ended 30 June 2017:

- a) I received all the information and explanations I required, and
- b) I consider that the entity complied with the prescribed requirements in relation to the establishment and keeping of accounts in all material respects.



Vaughan Stemmett
as delegate of the Auditor-General



Queensland Audit Office
Brisbane