

# Mid-Western Regional Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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# Mid-Western Regional Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## General Purpose Financial Statements

for the year ended 30 June 2019

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### Overview

Mid-Western Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

86 Market Street  
Mudgee NSW 2850

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

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

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

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

## Mid-Western Regional Council

### General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

### Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

## Mid-Western Regional Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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

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

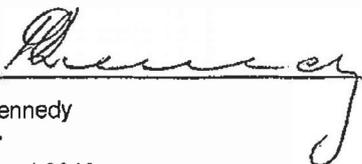
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 29 August 2019.



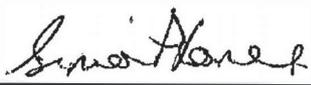
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Des Kennedy  
Mayor  
29 August 2019



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Sam Paine  
Deputy Mayor  
29 August 2019  
SP



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Simon Jones  
Acting General Manager  
29 August 2019



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Leonie Johnson  
Chief Financial Officer  
29 August 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
30,636	Rates and annual charges	3a	31,043	29,196
15,321	User charges and fees	3b	15,018	18,629
1,897	Interest and investment revenue	3c	2,373	1,693
2,539	Other revenues	3d	3,443	2,737
13,937	Grants and contributions provided for operating purposes	3e,3f	14,465	15,495
18,173	Grants and contributions provided for capital purposes	3e,3f	17,836	14,194
<u>Other income:</u>				
451	Net gains from the disposal of assets	5	—	—
82,954	<b>Total income from continuing operations</b>		<b>84,178</b>	<b>81,944</b>
<b>Expenses from continuing operations</b>				
24,467	Employee benefits and on-costs	4a	23,759	22,521
936	Borrowing costs	4b	926	1,064
15,270	Materials and contracts	4c	12,723	14,181
16,170	Depreciation and amortisation	4d	16,425	15,842
6,880	Other expenses	4e	7,297	6,224
—	Net losses from the disposal of assets	5	3,980	5,747
63,723	<b>Total expenses from continuing operations</b>		<b>65,110</b>	<b>65,579</b>
19,231	<b>Operating result from continuing operations</b>		<b>19,068</b>	<b>16,365</b>
19,231	<b>Net operating result for the year</b>		<b>19,068</b>	<b>16,365</b>
19,231	Net operating result attributable to council		19,068	16,365
1,058	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>1,232</b>	<b>2,171</b>

The above Income Statement should be read in conjunction with the accompanying notes.

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
<b>Net operating result for the year (as per Income Statement)</b>		<b>19,068</b>	<b>16,365</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	6,010	34,940
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>6,010</b>	<b>34,940</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of available for sale investments		–	209
Non-cash adjustment of IPPE (excluding non-cash contribution and revaluation movement)		(1,712)	773
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(1,712)</b>	<b>982</b>
<b>Total other comprehensive income for the year</b>		<b>4,298</b>	<b>35,922</b>
<b>Total comprehensive income for the year</b>		<b>23,366</b>	<b>52,287</b>
Total comprehensive income attributable to Council		23,366	52,287

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	5,121	6,481
Investments	6(b)	67,727	55,824
Receivables	7	8,606	6,435
Inventories	8a	1,314	1,197
Other	8b	146	–
<b>Total current assets</b>		<b>82,914</b>	<b>69,937</b>
<b>Non-current assets</b>			
Investments	6(b)	5,000	10,000
Receivables	7	123	181
Infrastructure, property, plant and equipment	9	942,287	931,099
Investment property	10a	6,272	–
Intangible assets	11	239	346
<b>Total non-current assets</b>		<b>953,921</b>	<b>941,626</b>
<b>TOTAL ASSETS</b>		<b>1,036,835</b>	<b>1,011,563</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	5,874	5,267
Income received in advance	12	1,050	950
Borrowings	12	2,009	1,693
Provisions	13	7,301	6,501
<b>Total current liabilities</b>		<b>16,234</b>	<b>14,411</b>
<b>Non-current liabilities</b>			
Borrowings	12	10,971	12,976
Provisions	13	4,987	2,899
<b>Total non-current liabilities</b>		<b>15,958</b>	<b>15,875</b>
<b>TOTAL LIABILITIES</b>		<b>32,192</b>	<b>30,286</b>
<b>Net assets</b>		<b>1,004,643</b>	<b>981,277</b>
<b>EQUITY</b>			
Accumulated surplus	14a	429,261	405,443
Revaluation reserves	14a	575,382	575,625
Other reserves	14a	–	209
<b>Council equity interest</b>		<b>1,004,643</b>	<b>981,277</b>
<b>Total equity</b>		<b>1,004,643</b>	<b>981,277</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Mid-Western Regional Council

Financial Statements 2019

## Statement of Changes in Equity for the year ended 30 June 2019

	Notes	2019				2018 <sup>1</sup>			
		Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Total equity
Opening balance		405,443	575,625	209	981,277	380,748	548,242	-	928,990
Adoption of new accounting standards – not retrospective	14b	209	-	(209)	-	-	-	-	-
<b>Restated opening balance</b>		<b>405,652</b>	<b>575,625</b>	<b>-</b>	<b>981,277</b>	<b>380,748</b>	<b>548,242</b>	<b>-</b>	<b>928,990</b>
Net operating result for the year		19,068	-	-	19,068	16,365	-	-	16,365
<b>Restated net operating result for the period</b>		<b>19,068</b>	<b>-</b>	<b>-</b>	<b>19,068</b>	<b>16,365</b>	<b>-</b>	<b>-</b>	<b>16,365</b>
<b>Other comprehensive income</b>									
- Gain (loss) on revaluation of IPP&E	9	-	6,010	-	6,010	-	34,940	-	34,940
- Gain (loss) on revaluation of available for sale investments		-	-	-	-	-	-	209	209
- Other reserves movements (rounding)		(7)	(107)	-	(114)	9	2	-	11
- Other reserves movements (credit to retained earning)		777	-	-	777	719	-	-	719
- Other movements (Asset remediation provision movement)		-	(2,375)	-	(2,375)	-	43	-	43
<b>Other comprehensive income</b>		<b>770</b>	<b>3,528</b>	<b>-</b>	<b>4,298</b>	<b>728</b>	<b>34,985</b>	<b>209</b>	<b>35,922</b>
<b>Total comprehensive income</b>		<b>19,838</b>	<b>3,528</b>	<b>-</b>	<b>23,366</b>	<b>17,093</b>	<b>34,985</b>	<b>209</b>	<b>52,287</b>
Transfers between equity items		3,771	(3,771)	-	-	7,602	(7,602)	-	-
<b>Equity – balance at end of the reporting period</b>		<b>429,261</b>	<b>575,382</b>	<b>-</b>	<b>1,004,643</b>	<b>405,443</b>	<b>575,625</b>	<b>209</b>	<b>981,277</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
30,636	Rates and annual charges		31,197	29,773
15,021	User charges and fees		14,825	18,301
1,897	Investment and interest revenue received		1,779	1,491
32,111	Grants and contributions		30,883	32,568
–	Bonds, deposits and retention amounts received		467	279
2,516	Other		6,505	7,239
<b>Payments</b>				
(24,467)	Employee benefits and on-costs		(23,102)	(22,540)
(15,351)	Materials and contracts		(16,925)	(18,326)
(936)	Borrowing costs		(919)	(1,033)
–	Bonds, deposits and retention amounts refunded		(400)	(247)
(6,880)	Other		(8,630)	(7,176)
<b>34,547</b>	<b>Net cash provided (or used in) operating activities</b>	15b	<b>35,680</b>	<b>40,329</b>
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
15,102	Sale of investment securities		63,200	74,000
910	Sale of real estate assets		–	–
1,193	Sale of infrastructure, property, plant and equipment		2,054	1,810
13	Deferred debtors receipts		–	–
<b>Payments</b>				
–	Purchase of investment securities		(69,560)	(77,100)
–	Purchase of investment property		(6,272)	–
(51,199)	Purchase of infrastructure, property, plant and equipment		(24,768)	(33,985)
–	Purchase of intangible assets		(5)	–
<b>(33,981)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(35,351)</b>	<b>(35,275)</b>
<b>Cash flows from financing activities</b>				
<b>Payments</b>				
(1,692)	Repayment of borrowings and advances		(1,689)	(1,589)
<b>(1,692)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,689)</b>	<b>(1,589)</b>
<b>(1,126)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,360)</b>	<b>3,465</b>
–	Plus: cash and cash equivalents – beginning of year	15a	6,481	3,016
<b>(1,126)</b>	<b>Cash and cash equivalents – end of the year</b>	15a	<b>5,121</b>	<b>6,481</b>
–	Additional Information: plus: Investments on hand – end of year	6(b)	72,727	65,824
<b>(1,126)</b>	<b>Total cash, cash equivalents and investments</b>		<b>77,848</b>	<b>72,305</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 29 August 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

#### (b) Historical cost convention

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

#### (c) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

## Mid-Western Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation (continued)

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service
- Waste management
- Mudgee Sports Council (s355)
- Gulgong Sports Council (s355)
- Rylstone Sports Council (s355)

##### (b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

##### AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$702,000 - refer Note 17 (b).

Of these commitments, approximately \$464,868 relate to short-term leases and low-value leases .

These lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of \$237,132, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$237,132 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complementary right-of-use assets (on its balance sheet) totalling \$237,132 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will not be materially impacted on Council's net current assets.

#### **AASB 15 Revenue from Contracts with Customers and associated amending standards.**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Council is required to assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

#### **AASB 1058 Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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The specific impacts of AASB1058 for Council are expected to be:

- \$1.88 million in unspent grants would be restated as liabilities under the new standard;
- \$2.00 million in user charges would be restated as liabilities under the new standard.

#### **AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements  
for the year ended 30 June 2019

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

	Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).						Total assets held (current and non-current) 2018		
	Income from continuing operations 2019	Income from continuing operations 2018	Expenses from continuing operations 2019	Expenses from continuing operations 2018	Operating result from continuing operations 2019	Operating result from continuing operations 2018		Grants included in income from continuing operations 2019	Grants included in income from continuing operations 2018
<b>Functions or activities</b>									
Looking after our community	6,320	3,522	13,356	13,019	(7,036)	(9,497)	3,926	2,008	87,053
Protecting our natural environment	19,531	18,119	20,582	18,506	(1,051)	(387)	1,373	981	200,453
Building a strong local economy	1,369	1,169	1,921	1,852	(552)	(683)	293	78	18,323
Connecting the region	23,784	28,101	19,210	22,209	4,574	5,892	10,209	13,170	600,872
Good government	33,174	31,033	10,041	9,993	23,133	21,040	4,136	3,928	130,134
<b>Total functions and activities</b>	<b>84,178</b>	<b>81,944</b>	<b>65,110</b>	<b>65,579</b>	<b>19,068</b>	<b>16,365</b>	<b>19,937</b>	<b>20,165</b>	<b>1,036,835</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 2(b). Council functions/activities - component descriptions

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**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

As a result of moving to the Integrated Planning & Reporting framework from 1 July 2012, Council now reports on its activities under the 5 broad themes set out below (Governance forms part of the Good Government theme). Prior year actuals have been restated to correspond to the new Themes.

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g.GIPA), and legislative compliance.

#### **Looking after our community**

Fire protection, animal control, public order & safety, emergency services, food control, health, community services, family day care, childcare, youth services, aged & disabled services, housing, town planning, public cemeteries, public toilets, libraries, museums, community centres, public halls, swimming pools, sporting grounds, parks & gardens, building control, and urban streetscaping.

#### **Protecting our natural environment**

Noxious plants, domestic waste management, other solid waste management, street cleaning, stormwater drainage, environmental protection, water supply, sewerage services.

#### **Building a strong local economy**

Caravan parks, tourism & area promotions, industrial development, saleyards, real estate development.

#### **Connecting the region**

Urban roads local, urban roads regional, sealed rural roads local, sealed rural roads regional, unsealed rural roads local, unsealed rural roads regional, bridges, footpaths & cycleways, aerodromes, car parking areas, state roads, street lighting.

#### **Good government**

Corporate support, Mid-Western Operations, plant operations, private works, general purpose revenue, developer contributions.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	10,226	9,861
Farmland	4,619	4,529
Mining	2,225	2,164
Business	1,340	1,298
Less: pensioner rebates (mandatory)	(336)	(347)
<b>Rates levied to ratepayers</b>	<b>18,074</b>	<b>17,505</b>
Pensioner rate subsidies received	184	194
<b>Total ordinary rates</b>	<b>18,258</b>	<b>17,699</b>
<b>Special rates</b>		
Hunter Valley catchment special rate	15	15
<b>Rates levied to ratepayers</b>	<b>15</b>	<b>15</b>
<b>Total special rates</b>	<b>15</b>	<b>15</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	2,140	1,354
Water supply services	1,520	1,472
Sewerage services	6,212	6,008
Waste management services (non-domestic)	3,069	2,801
Less: pensioner rebates (mandatory)	(382)	(348)
<b>Annual charges levied</b>	<b>12,559</b>	<b>11,287</b>
Pensioner subsidies received:		
– Water	65	63
– Sewerage	60	58
– Domestic waste management	86	74
<b>Total annual charges</b>	<b>12,770</b>	<b>11,482</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>	<b><u>31,043</u></b>	<b><u>29,196</u></b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	5,469	5,721
Sewerage services	723	718
<b>Total specific user charges</b>	<b>6,192</b>	<b>6,439</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	747	812
Private works – section 67	221	117
<b>Total fees and charges – statutory/regulatory</b>	<b>968</b>	<b>929</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	113	119
Aged care	147	168
Cemeteries	258	248
Leaseback fees – Council vehicles	93	73
Library and art gallery	4	–
RMS (formerly RTA) charges (state roads not controlled by Council)	5,106	8,465
Saleyards	304	389
Swimming centres	223	210
Water connection fees	81	75
Children services	114	111
Parks and sports grounds	183	196
Waste depot	1,167	1,150
Waste water services	65	55
Other	–	2
<b>Total fees and charges – other</b>	<b>7,858</b>	<b>11,261</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>15,018</b>	<b>18,629</b>

**Accounting policy for user charges and fees**

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

**(c) Interest and investment revenue (including losses)****Interest on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	91	78
– Cash and investments	1,734	1,615
– Other	5	–

**Fair value adjustments**

– Movements in investments at fair value through profit and loss	543	–
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**TOTAL INTEREST AND INVESTMENT REVENUE**

<b>2,373</b>	<b>1,693</b>
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**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(d) Other revenues</b>		
Rental income – other council properties	1,035	1,051
Fines	83	68
Legal fees recovery – rates and charges (extra charges)	132	159
Commissions and agency fees	29	49
Diesel rebate	240	178
Insurance claims recoveries	240	126
Recycling income (non-domestic)	478	388
Sales – general	40	97
Sales – events	333	292
Sales – ironed out	49	46
Sales – mudgee town hall cinema	49	51
Sales - library	28	–
Litigation Settlement and Claimed Bank Guarantee	483	–
Other	224	232
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>3,443</u></b>	<b><u>2,737</u></b>

**Accounting policy for other revenue**

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Legal fee recovery is recognised when the payment is due, notified or received, whichever comes first.

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Litigation settlement and claimed bank guarantees have been realised through managing external construction contracts. Revenue has been recognised when litigation was settled.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,020	1,903	–	–
Financial assistance – local roads component	1,245	1,178	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,126	1,954	–	–
Financial assistance – local roads component	1,259	1,205	–	–
<b>Total general purpose</b>	<b>6,650</b>	<b>6,240</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Water supplies	–	–	640	–
Sewerage services	–	–	1	–
Aged care	832	720	–	–
Bushfire and emergency services	438	436	9	170
Heritage and cultural	61	16	–	–
Library	85	82	–	–
Library – special projects	–	–	25	88
LIRS subsidy	86	105	–	–
Noxious weeds	185	157	–	–
Recreation and culture	13	2	1,916	244
Street lighting	36	36	–	–
Transport (roads to recovery)	1,717	2,137	–	–
Aerodromes	–	–	–	260
Transport (other roads and bridges funding)	–	–	5,860	8,460
Children's services	649	586	–	–
Environmental programs	–	260	–	–
Waste management	57	–	–	–
Youth services	3	1	–	–
Other	56	52	618	113
<b>Total specific purpose</b>	<b>4,218</b>	<b>4,590</b>	<b>9,069</b>	<b>9,335</b>
<b>Total grants</b>	<b>10,868</b>	<b>10,830</b>	<b>9,069</b>	<b>9,335</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	9,634	9,151	1,702	297
– State funding	1,228	1,449	7,292	8,958
– Other funding	6	230	75	80
	<b>10,868</b>	<b>10,830</b>	<b>9,069</b>	<b>9,335</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	1,112	1,035
S 7.11 – contributions towards amenities/services		–	–	336	212
S 7.12 – fixed development consent levies		–	–	95	118
S 64 – water supply contributions		–	–	349	335
S 64 – sewerage service contributions		–	–	164	192
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>2,056</b>	<b>1,892</b>
<b>Total developer contributions</b>	24	<b>–</b>	<b>–</b>	<b>2,056</b>	<b>1,892</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community services		–	–	4	–
Recreation and culture		–	–	–	5
Roads and bridges		655	650	5,158	2,358
RMS contributions (regional roads, block grant)		2,493	3,797	500	501
Other		283	25	–	37
Occupational health and safety		166	73	–	–
Youth Services		–	120	–	–
<b>Total other contributions – cash</b>		<b>3,597</b>	<b>4,665</b>	<b>5,662</b>	<b>2,901</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	1,049	66
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>1,049</b>	<b>66</b>
<b>Total other contributions</b>		<b>3,597</b>	<b>4,665</b>	<b>6,711</b>	<b>2,967</b>
<b>Total contributions</b>		<b>3,597</b>	<b>4,665</b>	<b>8,767</b>	<b>4,859</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>14,465</b>	<b>15,495</b>	<b>17,836</b>	<b>14,194</b>

**Accounting policy for grants and contributions**

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below. Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules. A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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## (g) Unspent grants and contributions

**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

**Operating grants**

Unexpended at the close of the previous reporting period	3,773	4,182
<b>Add:</b> operating grants recognised in the current period but not yet spent	474	3,647
<b>Add:</b> operating grants received for the provision of goods and services in a future period	3,385	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(3,597)	(4,056)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>4,035</b>	<b>3,773</b>

Financial Assistance Grants of \$3,385,000 have been received for the provision of goods and services in a future period, with \$3,158,375 of Financial Assistance Grants recognised in a previous period now spent.

Other operating grants unspent at 30 June 2019 include environmental grants, Rural Fire Service grants, funding for a youth services officer and Workplace Health and Safety grants. These grants relate to ongoing projects that will be completed in future years.

**Capital grants**

Unexpended at the close of the previous reporting period	462	139
<b>Add:</b> capital grants recognised in the current period but not yet spent	1,689	385
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(289)	(62)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>1,862</b>	<b>462</b>

Unspent capital grants at 30 June 2019, include amounts for:

- Art gallery facility;
- Pedestrian Bridge Rylstone;
- Victoria Park Gulgong;
- Cudgegong Water Park; and
- other minor works.

These grants relate to ongoing projects that will be completed in future years.

**Contributions**

Unexpended at the close of the previous reporting period	16,368	14,604
<b>Add:</b> contributions recognised in the current period but not yet spent	2,986	2,706
<b>Less:</b> contributions recognised in a previous reporting period now spent	(2,797)	(942)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>16,557</b>	<b>16,368</b>

Unexpended contributions include developer contributions, and other minor contribution to capital and operating projects.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	19,529	18,210
Employee termination costs	14	46
Travel expenses	–	15
Employee leave entitlements (ELE)	4,527	3,920
Superannuation – defined contribution plans	1,925	1,833
Superannuation – defined benefit plans	359	410
Workers' compensation insurance	404	427
Fringe benefit tax (FBT)	169	137
Payroll tax	122	128
Training costs (other than salaries and wages)	–	354
Protective clothing	126	90
Recruitment costs	–	39
Other	14	34
<b>Total employee costs</b>	<b>27,189</b>	<b>25,643</b>
Less: capitalised costs	(3,430)	(3,122)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>23,759</b>	<b>22,521</b>
Number of 'full-time equivalent' employees (FTE) at year end	330	307
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	337	333

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		900	1,002
Other debts		–	13
<b>Total interest bearing liability costs expensed</b>		<b>900</b>	<b>1,015</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums			
– Remediation liabilities	13	26	49
<b>Total other borrowing costs</b>		<b>26</b>	<b>49</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>926</u></b>	<b><u>1,064</u></b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	4,428	4,769
Contractor and consultancy costs	5,245	4,623
– Labour contracts	368	608
– Plant hire wet	938	1,564
– Road sealing contract	336	827
– Tourism contract	454	485
– Consultancy	145	182
– Organics Bin Rollout	–	411
Auditors remuneration <sup>2</sup>	98	53
<b>Legal expenses:</b>		
– Legal expenses: planning and development	125	49
– Legal expenses: debt recovery	140	156
– Legal expenses: other	105	135
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	341	319
<b>Total materials and contracts</b>	<u>12,723</u>	<u>14,181</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>12,723</u>	<u>14,181</u>

**Accounting policy for operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1. Operating lease payments are attributable to:**

Buildings	57	40
Computers	284	279
	<u>341</u>	<u>319</u>

**2. Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	63	53
<b>Remuneration for audit and other assurance services</b>	<u>63</u>	<u>53</u>
<b>Total Auditor-General remuneration</b>	<u>63</u>	<u>53</u>

**Non NSW Auditor-General audit firms****(i) Non-assurance services**

Other services	35	–
<b>Remuneration for non-assurance services</b>	<u>35</u>	<u>–</u>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<u>35</u>	<u>–</u>
<b>Total Auditor remuneration</b>	<u>98</u>	<u>53</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,670	2,308
Office equipment		114	114
Furniture and fittings		40	47
Land improvements (depreciable)		14	8
<b>Infrastructure:</b>			
– Buildings – non-specialised		511	892
– Buildings – specialised		316	989
– Other structures		308	259
– Roads		5,602	5,519
– Bridges		1,100	1,093
– Footpaths		138	137
– Stormwater drainage		234	233
– Water supply network		1,803	1,761
– Sewerage network		1,556	1,467
– Swimming pools		222	235
– Other open space/recreational assets		413	397
<b>Other assets:</b>			
– Library books		79	77
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9,13	1,150	119
– Quarry assets	9,13	43	39
Intangible assets	11	112	148
<b>Total depreciation and amortisation costs</b>		<b>16,425</b>	<b>15,842</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>16,425</u></b>	<b><u>15,842</u></b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	120	95
Bad and doubtful debts	5	38
Bank charges	120	114
Cost of sales	–	22
Computer software charges	785	653
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	33	38
– NSW fire brigade levy	56	56
– NSW rural fire service levy	551	567
– Other contributions/levies	145	165
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	178	174
Councillors' expenses (incl. mayor) – other (excluding fees above)	24	20
Donations, contributions and assistance	283	254
– Pelican Airline air service	58	102
– Housing plus crisis accommodation	85	85
Electricity and heating	1,411	1,231
Family day care centre	524	496
Recruitment costs	37	–
Insurance	1,226	915
Travel expenses (employee)	23	–
Postage	122	116
Printing and stationery	171	152
Street lighting	483	408
Subscriptions and publications	139	126
Telephone and communications	345	355
Training expenses (employee)	330	–
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>7,297</u></b>	<b><u>6,224</u></b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 5. Gains or losses from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		884	–
Less: carrying amount of property assets sold/written off		(1,114)	(3)
<b>Net gain/(loss) on disposal</b>		<b>(230)</b>	<b>(3)</b>
<b>Plant and equipment</b>			
	9		
Proceeds from disposal – plant and equipment		1,170	1,810
Less: carrying amount of plant and equipment assets sold/written off		(1,026)	(1,965)
<b>Net gain/(loss) on disposal</b>		<b>144</b>	<b>(155)</b>
<b>Infrastructure</b>			
	9		
Less: carrying amount of infrastructure assets sold/written off		(3,894)	(5,589)
<b>Net gain/(loss) on disposal</b>		<b>(3,894)</b>	<b>(5,589)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		63,200	74,000
Less: carrying amount of investments sold/redeemed/matured		(63,200)	(74,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(3,980)</u></b>	<b><u>(5,747)</u></b>

**Accounting policy for disposal of assets**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	12	53
Cash-equivalent assets		
– Deposits at call	3,379	4,737
– Managed funds (TCorp Cash Management Funds)	1,730	1,691
<b>Total cash and cash equivalents</b>	<b>5,121</b>	<b>6,481</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit or loss'	8,127	–	–	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	59,600	5,000	49,700	10,000
c. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	–	6,124	–
<b>Total Investments</b>	<b>67,727</b>	<b>5,000</b>	<b>55,824</b>	<b>10,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>72,848</b>	<b>5,000</b>	<b>62,305</b>	<b>10,000</b>
<b>Financial assets at fair value through the profit or loss</b>				
Managed funds	8,127	–	–	–
<b>Total</b>	<b>8,127</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	59,600	5,000	49,700	10,000
<b>Total</b>	<b>59,600</b>	<b>5,000</b>	<b>49,700</b>	<b>10,000</b>
<b>Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)</b>				
Managed funds	–	–	6,124	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>6,124</b>	<b>–</b>

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

#### Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income.

#### Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in Managed Funds in the Statement of Financial Position.

### Accounting policy under AASB 139 – applicable for 2018 comparatives only

#### Classification

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

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### **(b) Held to maturity investments**

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

#### **(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other assets (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

#### **(d) Available for sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

#### **Impairment of financial assets**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### **Impairment of available for sale investments**

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	72,848	5,000	62,305	10,000
<b>attributable to:</b>				
External restrictions	48,337	3,318	40,428	6,447
Internal restrictions	15,560	1,068	12,753	2,063
Unrestricted	8,951	614	9,124	1,490
	<b>72,848</b>	<b>5,000</b>	<b>62,305</b>	<b>10,000</b>

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – included in liabilities**

Trust deposits	1,034	967
<b>External restrictions – included in liabilities</b>	<b>1,034</b>	<b>967</b>

**External restrictions – other**

Developer contributions – general	7,614	7,501
Developer contributions – water fund	5,119	5,742
Developer contributions – sewer fund	3,022	2,803
Specific purpose unexpended grants	5,783	4,234
Specific purpose unexpended grants-water fund	114	1
Water supplies	9,334	8,277
Sewerage services	9,598	8,519
Domestic waste management	4,577	4,806
Bequest – Simpkins park	100	100
Community services	297	274
Community tenancy scheme	154	147
Family day care	124	145
Ulan road strategy	3,158	3,035
Other contributions	767	324
Public Road Closure Compensation	860	–
<b>External restrictions – other</b>	<b>50,621</b>	<b>45,908</b>

**Total external restrictions****Internal restrictions**

Plant and vehicle replacement	4,343	3,772
Employees leave entitlement	2,795	2,545
Asset replacement	2,369	1,887
Capital program	693	371
Council elections	203	186
Future fund	500	500
Land development	4,162	5,075
Mudgee bicentenary	20	20
Saleyards	45	60
State roads warranty	305	400
Seal Extension Program	1,193	–
<b>Total internal restrictions</b>	<b>16,628</b>	<b>14,816</b>

**TOTAL RESTRICTIONS**

<b>TOTAL RESTRICTIONS</b>	<b>68,283</b>	<b>61,691</b>
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	1,019	–	879	–
Interest and extra charges	218	–	197	–
User charges and fees	4,209	–	3,679	–
Accrued revenues				
– Interest on investments	710	–	635	44
Government grants and subsidies	1,886	–	827	–
Loans to non-profit organisations	14	123	13	137
Net GST receivable	610	–	259	–
Other debtors	9	–	47	–
<b>Total</b>	<b>8,675</b>	<b>123</b>	<b>6,536</b>	<b>181</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(21)	–	(19)	–
Interest and extra charges	(1)	–	–	–
User charges and fees	(47)	–	(82)	–
<b>Total provision for impairment – receivables</b>	<b>(69)</b>	<b>–</b>	<b>(101)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>8,606</u></b>	<b><u>123</u></b>	<b><u>6,435</u></b>	<b><u>181</u></b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	101	146
+ new provisions recognised during the year	7	36
– amounts already provided for and written off this year	(39)	(75)
– amounts provided for but recovered during the year	–	(6)
<b>Balance at the end of the period</b>	<b><u>69</u></b>	<b><u>101</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	745	–	640	–
Gravel stockpile	569	–	557	–
<b>Total inventories at cost</b>	<u>1,314</u>	<u>–</u>	<u>1,197</u>	<u>–</u>
<b><u>TOTAL INVENTORIES</u></b>	<u>1,314</u>	<u>–</u>	<u>1,197</u>	<u>–</u>
<b>(b) Other assets</b>				
Prepayments	146	–	–	–
<b><u>TOTAL OTHER ASSETS</u></b>	<u>146</u>	<u>–</u>	<u>–</u>	<u>–</u>

#### Accounting policy for inventories and other assets

##### Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### Inventory held for distribution

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

**Mid-Western Regional Council**  
**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 9. Infrastructure, property, plant and equipment**

	as at 30/6/2018 <sup>2</sup>		Asset movements during the reporting period							as at 30/6/2019			
	Gross carrying amount	Net carrying amount	Accumulated depreciation	Additions renewals <sup>1</sup>	Deletions near assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to carry (P&R)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12,728	12,728	-	4,752	-	-	-	(10,543)	(22)	-	6,915	-	6,915
Plant and equipment	31,715	18,778	(12,937)	3,844	931	(1,026)	(2,670)	-	-	-	33,558	(13,701)	19,857
Office equipment	3,582	455	(3,127)	13	4	-	(114)	-	-	-	3,599	(3,241)	358
Furniture and fittings	908	265	(643)	-	5	-	(40)	-	1	-	913	(682)	231
<b>Land:</b>													
- Operational land	43,242	43,242	-	-	1,006	-	-	-	(2,476)	-	41,772	-	41,772
- Community land	17,798	17,798	-	-	9	-	-	-	(10,665)	-	7,142	-	7,142
- Crown land	-	-	-	-	148	(91)	-	-	11,105	-	11,162	-	11,162
- Land under roads (post 30/6/08)	1,605	1,605	-	-	-	-	-	-	-	1,029	2,634	-	2,634
Land improvements - non-depreciable	1,602	1,602	-	13	-	-	-	4	-	-	1,619	-	1,619
Land improvements - depreciable	602	345	(257)	15	-	-	(14)	-	(1)	-	617	(272)	345
<b>Infrastructure:</b>													
- Buildings - non-specialised	48,798	33,555	(15,243)	121	711	(189)	(511)	43	(3,798)	-	45,614	(15,662)	29,952
- Buildings - specialised	44,306	34,557	(9,749)	342	23	(58)	(316)	-	3	-	44,427	(9,876)	34,551
- Other structures	11,427	8,692	(2,735)	119	59	-	(308)	5	(204)	-	11,406	(3,043)	8,363
- Roads	367,085	220,779	(146,306)	11,758	1,206	(2,669)	(5,602)	6,918	(1)	-	378,963	(146,574)	232,389
- Bridges	103,971	56,813	(47,158)	888	955	(157)	(1,100)	650	(48)	-	105,878	(47,877)	58,001
- Footpaths	9,151	5,335	(3,816)	125	169	-	(138)	-	1	-	9,445	(3,953)	5,492
- Bulk earthworks (non-depreciable)	282,824	282,824	-	837	-	(1,347)	-	2,710	-	-	285,024	-	285,024
- Stormwater drainage	28,767	18,308	(10,459)	8	-	-	(234)	33	-	-	28,808	(10,693)	18,115
- Water supply network	111,478	70,763	(40,715)	478	976	(29)	(1,803)	131	35	1,103	114,716	(43,062)	71,654
- Sewerage network	112,311	85,473	(26,838)	753	-	(371)	(1,556)	-	446	1,333	114,530	(28,452)	86,078
- Swimming pools	9,564	4,390	(5,174)	76	11	-	(222)	-	1	-	9,652	(5,396)	4,256
- Other open space/recreational assets	13,579	9,749	(3,830)	583	2,118	(97)	(413)	49	1	-	16,111	(4,121)	11,990
<b>Other assets:</b>													
- Library books	1,323	653	(670)	92	-	-	(79)	-	-	-	1,415	(749)	666
<b>Reinstatement, rehabilitation and restoration assets (refer Note 13):</b>													
- Tip assets	2,641	2,147	(494)	-	-	-	(1,150)	-	(1)	2,452	5,092	(1,644)	3,448
- Quarry assets	422	243	(179)	-	-	-	(43)	-	-	93	515	(222)	293
<b>Total infrastructure, property, plant and equipment</b>	<b>1,261,429</b>	<b>931,099</b>	<b>(330,330)</b>	<b>24,817</b>	<b>8,331</b>	<b>(6,034)</b>	<b>(16,313)</b>	<b>-</b>	<b>(5,623)</b>	<b>6,010</b>	<b>1,281,527</b>	<b>(339,240)</b>	<b>942,287</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

(2) \$6.272 million of the transfers column relates to transfers to Investment Property (Note 10)

Notes to the Financial Statements  
for the year ended 30 June 2019

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

	as at 30/06/2017										as at 30/06/2018									
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Reimbursement costs for impaired assets	Carrying value of disposals	Depreciation expense	WPI transfers	Adjustments and transfers	Other movements (rounding)	Other movements (net of commissions)	Revaluation impacts to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount				
Capital work in progress	13,128	-	13,128	6,968	-	-	-	-	(7,358)	-	-	-	-	12,728	-	12,728				
Plant and equipment	29,981	(13,419)	16,562	4,692	1,722	-	(1,965)	(2,308)	-	-	2	73	-	31,715	(12,937)	18,778				
Office equipment	3,575	(3,013)	562	4	3	-	-	(114)	-	-	-	-	-	3,582	(3,127)	455				
Furniture and fittings	858	(596)	262	45	4	-	-	(47)	-	-	1	-	-	908	(643)	265				
Land:																				
- Operational land	32,145	-	32,145	-	20	-	-	-	(878)	416	-	11,539	-	43,242	-	43,242				
- Community land	16,669	-	16,669	-	24	-	(3)	-	878	230	-	-	-	17,798	-	17,798				
- Land under roads (post 30/06/08)	1,302	-	1,302	-	179	-	-	-	124	-	-	-	-	1,605	-	1,605				
Land improvements - non-depreciable	1,444	-	1,444	158	-	-	-	-	-	-	-	-	-	1,602	-	1,602				
Land improvements - depreciable	525	(249)	276	61	14	-	-	(8)	2	-	-	-	-	602	(257)	345				
Infrastructure:																				
- Buildings - non-specialised	42,278	(18,589)	23,689	114	18	-	(7)	(892)	-	-	(2)	-	10,635	48,798	(15,243)	33,555				
- Buildings - specialised	43,576	(17,821)	25,755	111	152	-	(10)	(989)	39	-	-	9,489	-	44,306	(9,749)	34,557				
- Other structures	9,765	(2,481)	7,284	231	1,196	-	(1)	(259)	241	-	-	-	-	11,427	(2,735)	8,692				
- Roads	362,505	(149,576)	212,929	10,688	325	1,655	(5,140)	(5,519)	5,861	-	-	-	-	367,085	(146,306)	220,779				
- Bridges	102,990	(46,065)	56,925	427	435	-	-	(1,093)	119	-	-	-	-	103,971	(47,158)	56,813				
- Footpaths	9,120	(3,713)	5,407	66	-	-	(1)	(137)	1	-	(1)	-	-	9,151	(3,816)	5,335				
- Bulk earthworks (non-depreciable)	281,921	-	281,921	411	8	-	-	-	484	-	-	-	-	282,824	-	282,824				
- Stormwater drainage	28,516	(10,227)	18,289	204	27	-	-	(233)	20	-	1	-	-	28,767	(10,459)	18,308				
- Water supply network	108,556	(38,646)	69,910	814	327	-	(157)	(1,761)	198	-	2	1,430	-	111,478	(40,715)	70,763				
- Sewerage network	109,638	(25,532)	84,106	1,106	105	-	(269)	(1,467)	196	-	-	1,696	-	112,311	(26,838)	85,473				
- Swimming pools	9,519	(4,940)	4,579	49	-	-	(3)	(235)	-	-	-	-	-	9,564	(5,174)	4,390				
- Other open space/recreational assets	13,136	(3,446)	9,690	134	250	-	(1)	(397)	73	-	-	-	-	13,579	(3,630)	9,749				
Other assets:																				
- Library books	1,243	(593)	650	-	79	-	-	(77)	-	-	1	-	-	1,323	(670)	653				
Reinstatement, rehabilitation and restoration assets (refer Note 13):																				
- Tip assets	2,520	(375)	2,145	-	-	-	-	(119)	-	-	1	120	-	2,641	(494)	2,147				
- Quarry assets	401	(140)	261	-	-	-	-	(39)	-	-	-	21	-	422	(179)	243				
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,225,311</b>	<b>(339,421)</b>	<b>885,890</b>	<b>26,253</b>	<b>4,888</b>	<b>1,655</b>	<b>(7,557)</b>	<b>(15,694)</b>	<b>-</b>	<b>5</b>	<b>719</b>	<b>34,940</b>	<b>-</b>	<b>1,261,429</b>	<b>(330,330)</b>	<b>931,099</b>				

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for infrastructure, property, plant and equipment**

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at the acquisition date.

**Capitalisation thresholds**

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following provided that estimated useful life is longer than one year.

<b>Plant and equipment</b>		<b>Land</b>	
Office equipment	\$2,000	Council land and land under road	100%
Office furniture	\$2,000		
Computer equipment	\$2,000	<b>Buildings</b>	
Other plant and equipment	\$2,000	Construction	100%
		Renovations	\$5,000
<b>Water and wastewater network assets</b>	\$10,000		
		<b>Other infrastructure assets</b>	\$10,000
<b>Transportation assets</b>	\$10,000	Swimming pools	\$2,000
		Other open space/recreational assets	\$2,000
<b>Stormwater assets</b>	\$10,000	Other	\$2,000

**Depreciation**

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	Years	<b>Building</b>	Years
Office equipment	5 to 20	Buildings	5 to 195
Office furniture	5 to 20		
Computer equipment	3 to 10	<b>Stormwater assets</b>	
Vehicles	3 to 10	Drains	120
Heavy plant/road making equipment	8 to 13	Culverts	120
Other plant and equipment	5 to 15		
<b>Water network assets</b>		<b>Wastewater network assets</b>	
Dams and reservoirs	20 to 200	Pump stations	10 to 70

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Bores	10 to 50	Reticulation mains	40 to 300
Reticulation pipes and mains delivery	80	Rising mains	40 to 300
Treatment plants	5 to 100	Treatment plants	5 to 100
Pumps and telemetry	20 to 80		

**Transportation assets**

Sealed roads: surface	10 to 20
Sealed roads: structure	60 to 130
Unsealed roads	9 to 25
Bridge: concrete	80 to 130
Bridge: other	80 to 130
Kerb, gutter and footpaths	30 to 75

**Other infrastructure assets**

Bulk earthworks	infinite
Swimming pools	8 to 100
Other open space/recreational assets	10 to 100
Other	4 to 150

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**Land under roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

During this financial year, Council revalued land under roads based on Valuer General's valuation of land in our council area as of 01 July 2018 and discounted 90 percent as undeveloped/Englobo land.

**Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

**Rural Fire Service assets**

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire services assets including land, buildings, plant and vehicles.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property

\$ '000	2019 <sup>1</sup>	2018
<b>(a) Investment property at fair value</b>		
Investment property - Building	3,797	–
Investment Property - Land	2,475	–
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	–	–
– Acquisitions	–	–
– Capitalised expenditure – this year	–	–
– Classified as 'held for sale'	–	–
– Disposals during year	–	–
– Net gain/(loss) from fair value adjustments	–	–
– Transfers from/(to) inventories (Note 8)	–	–
– Transfers from/(to) owner occupied (Note 9)	–	–
– Other movements	6,272	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>6,272</b>	<b>–</b>

(1) \$6.272 million as the transfer from IPPE (Note 09)

**(b) Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The last full revaluation of Council's investment properties was as at 30 June 2018 and was determined by APV Valuers & Asset Management Pty Ltd.

Council conducted a Mudgee area property market trend analysis to determine the fair value movement of Council's investment properties. As per the accounting standards requirement, full revaluation of Council's investment properties will be conducted next financial year.

**(c) Contractual obligations at reporting date**

Refer to Note 17 for disclosures relating to any capital and service obligations that have been contracted.

**(d) Leasing arrangements – Council as lessor**

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	386	–
Later than 1 year but less than 5 years	1,175	–
<b>Total minimum lease payments receivable</b>	<b>1,561</b>	<b>–</b>

**(e) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	508	–
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(16)	–
<b>Net revenue contribution from investment property</b>	<b>492</b>	<b>–</b>
<b>Total income attributable to investment property</b>	<b>492</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,519	1,394
Accumulated amortisation	(1,173)	(1,025)
<b>Net book value – opening balance</b>	<u>346</u>	<u>369</u>
<b>Movements for the year</b>		
– Purchases	5	125
– Amortisation charges	(112)	(148)
<b>Closing values at 30 June</b>		
Gross book value	1,524	1,519
Accumulated amortisation	(1,285)	(1,173)
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<u>239</u>	<u>346</u>
<b>The net book value of intangible assets represents:</b>		
– Software	239	346
	<u>239</u>	<u>346</u>

**Accounting policy for intangible assets****IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,386	–	2,865	–
Goods and services – capital expenditure	2,273	–	1,228	–
Accrued expenses:				
– Borrowings	144	–	162	–
Security bonds, deposits and retentions	1,034	–	967	–
Other	37	–	45	–
<b>Total payables</b>	<b>5,874</b>	<b>–</b>	<b>5,267</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	1,050	–	950	–
<b>Total income received in advance</b>	<b>1,050</b>	<b>–</b>	<b>950</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	2,009	10,971	1,693	12,976
<b>Total borrowings</b>	<b>2,009</b>	<b>10,971</b>	<b>1,693</b>	<b>12,976</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b>8,933</b>	<b>10,971</b>	<b>7,910</b>	<b>12,976</b>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

## (a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	14,669	(1,689)	–	–	–	12,980
<b>TOTAL</b>	<b>14,669</b>	<b>(1,689)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,980</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	16,258	(1,589)	–	–	–	14,669
<b>TOTAL</b>	<b>16,258</b>	<b>(1,589)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,669</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
<b>(b) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>1</sup>	700	700
Credit cards/purchase cards	200	200
Operating lease facility	660	600
<b>Total financing arrangements</b>	<b>1,560</b>	<b>1,500</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	43	3
– Operating lease facility	606	318
<b>Total drawn financing arrangements</b>	<b>649</b>	<b>321</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	157	197
– Other	54	282
<b>Total undrawn financing arrangements</b>	<b>911</b>	<b>1,179</b>

**Additional financing arrangements information****Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

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

**Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loan.

**Payables**

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

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,640	–	1,524	–
Sick leave	1,304	–	1,187	–
Long service leave	4,168	483	3,784	372
<b>Sub-total – aggregate employee benefits</b>	<b>7,112</b>	<b>483</b>	<b>6,495</b>	<b>372</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	189	4,504	6	2,527
<b>Sub-total – asset remediation/restoration</b>	<b>189</b>	<b>4,504</b>	<b>6</b>	<b>2,527</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>7,301</u></b>	<b><u>4,987</u></b>	<b><u>6,501</u></b>	<b><u>2,899</u></b>

\$ '000	2019	2018
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**Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	5,310	4,683
	<b><u>5,310</u></b>	<b><u>4,683</u></b>

**Nature and purpose of non-employee benefit provisions****Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

**Accounting policy for provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**Employee benefits****Short-term obligations**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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#### Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

#### Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

##### Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

##### Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate. Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

##### **Available for sale investments revaluation reserve (2018 only)**

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

#### (b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

##### **Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

##### **Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

##### **Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
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**Adjustments to the current year figures for the year ended 30 June 2019**

Available for sale investment revaluation reserve	209	(209)	–
Retained earnings	405,443	209	405,652

**Transition adjustments**

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non-contr- olling interests	Total
Reclassify investments from 'available for sale' to fair value through profit and loss	(209)	–	209	–	–
<b>Adjustments to equity as a result of adoption of AASB 9</b>	(209)	–	209	–	–
<b>Opening equity balances at 1 July 2018 – AASB 9</b>	–	–	405,652	–	405,652

On transitioning to AASB 9 Council has reclassified investments from 'available for sale' to fair value through profit and loss. In accordance with AASB 9 paragraph 7.2.15 and NSW Office of Local Government guidance, Council has not restated the prior year classification and measurement. Therefore the balance of \$208,843 held in the available for sale investment revaluation reserve as at 30 June 2018 is taken to retained earnings at 1 July 2018 on adoption of AASB 9.

**Transition adjustments**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Term Deposits	Held to maturity	Amortised Cost	59,700	–	–	59,700
Managed Funds	Available for sale	Fair value through profit and loss	6,124	–	–	6,124
<b>Total financial assets under AASB 9 at 1 July 2018</b>			65,824	–	–	65,824

**Notes to the table above****Reclassify investments from 'available for sale' to FVTPL**

Council previously classified investments as 'available for sale' with changes in value being taken through a financial asset reserve. On adoption of AASB 9, managed funds with a fair value of \$6,124,000 were reclassified from the 'available for sale' investment to the 'financial asset at fair value through profit and loss' classification.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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Changes in fair value are now recognised through the profit and loss.

#### **Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	5,121	6,481
<b>Balance as per the Statement of Cash Flows</b>		<b>5,121</b>	<b>6,481</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		19,068	16,365
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		16,425	15,842
Net losses/(gains) on disposal of assets		3,980	5,747
Non-cash capital grants and contributions		(1,049)	(66)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(543)	–
Unwinding of discount rates on reinstatement provisions		25	49
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,081)	2,656
Increase/(decrease) in provision for impairment of receivables		(32)	(45)
Decrease/(increase) in inventories		(117)	(160)
Decrease/(increase) in other current assets		(146)	–
Increase/(decrease) in payables		(479)	(99)
Increase/(decrease) in accrued interest payable		(18)	(18)
Increase/(decrease) in other liabilities		159	81
Increase/(decrease) in provision for employee benefits		728	51
Increase/(decrease) in other provisions		(240)	(74)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>35,680</b>	<b>40,329</b>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		1,049	66
<b>Total non-cash investing and financing activities</b>		<b>1,049</b>	<b>66</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities

## (a) Joint arrangements

## (i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Measurement basis	Name of joint venture	
	Orana water equity method	Utilities Alliance equity method
	2019 \$'000	2018 \$'000
Dividends received from the joint venture	-	-
Summarised Statement of Financial Position		
Cash and cash equivalents	29	-
Current assets	29	-
Non-current assets	-	-
Current liabilities	-	-
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current liabilities	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Net assets	29	-
Summarised Statement of Income and Other Comprehensive Income		
Revenue	152	-
Interest income	-	-
Depreciation and amortisation	-	-
Interest expense	-	-
Income tax expense (income)	-	-
Profit (/loss) from continuing operations	29	-
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Summarised Statement of Cash Flows		
Cash flows from operating activities	29	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase (/decrease) in cash and cash equivalents	29	-
Council's share of % of net assets	9%	-
Council's share of \$ of net assets	3	-

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities (continued)

\$ '000	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2019	2018	2019	2018
<b>(ii) Joint operations</b>						
<b>(a) Council is involved in the following joint operations (JO's)</b>						
<b>Name of joint operation:</b>						
Orana Joint Organisation	Regional local government services	124 Dandaloo Street, Narromine, NSW 2821	17%	0%	17%	0%

**Accounting policy for joint arrangements**

The council has determined that it has both joint ventures and joint operations.

**Joint operations:**

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

**Joint ventures:**

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 16. Interests in other entities (continued)

##### (b) Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2019	2018
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##### **Mudgee Region Tourism Inc**

Mudgee Region Tourism Inc (MRT) is a not-for-profit independent incorporated tourism body funded by the Mid-Western Region Council and its members. Our region encompasses the towns of Mudgee, Gulgong, Rylstone and Kandos (and small villages in between).

##### **Nature of risks relating to the Unconsolidated Structured Entity**

Council and MRT hold a four year contract, from 1 July 2017 to 30 June 2021 whereby Council will contribute a set monthly amount. Members of MRT also provide financial support through membership payments. Losses of the entity would be borne by the entity or its members, with no set agreement in place for Council to fund losses.

Losses (or expenses) incurred by Council relating to the Structured Entity	454	485
Income received by Council relating to the Structured Entity		
– Rental income – other Council properties	–	1
– IT support Income	2	2

##### **Non-contractual financial support provided**

MRT were provided \$50,000 in contributions, additional to the contractual arrangement. This funding was provided to contribute to additional promotional activities.

##### **Current intention to provide financial support**

The current intention is to continue to support MRT with monthly contributions to promote tourism within the LGA. MRT currently have a four year contract with Council, to provide tourism services.

##### **Fly Pelican**

Fly Pelican is a regional airline and aircraft charter company based in Newcastle on the east coast of Australia operating a fleet of 19 seat British Aerospace Jetstream 32 aircraft. Currently operating regular scheduled passengers services between Newcastle and Canberra, Sydney and Mudgee and Newcastle and Sydney.

##### **Nature of risks relating to the Unconsolidated Structured Entity**

Council has a contract in place to provide support to Fly Pelican in order to establish an airline service from Mudgee to Sydney. This contract included 6 months of support for ground handling staff and waiver of landing fees for the year.

Losses of the company would be borne by Fly Pelican and there is no agreement in place to provide additional support or cover any amount of loss from providing the airline service from Mudgee. There is a risk that the company will fail or the service will cease to be profitable, but if this occurs contributions to the service from Council would cease.

Losses (or expenses) incurred by Council relating to the Structured Entity	58	102
--	----	-----

##### **Non-contractual financial support provided**

No non-contractual financial support was provided to Fly Pelican.

##### **Current intention to provide financial support**

Council intends to continue to support Fly Pelican through the terms of the contract only, which ceases when Fly Pelican reach an agreed flight sales level.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments

\$ '000	2019	2018
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## (a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

**Property, plant and equipment**

Buildings	60	22
Plant and equipment	1,064	522
Drainage	81	4
Other assets	768	10
Recreational facilities	57	–
Roads and transport	459	4,030
Water supply network	1,544	56
Land development	116	–
Waste assets	80	147
<b>Total commitments</b>	<b>4,229</b>	<b>4,791</b>

**These expenditures are payable as follows:**

Within the next year	4,229	4,791
<b>Total payable</b>	<b>4,229</b>	<b>4,791</b>

**Details of capital commitments**

Capital commitments include:

- Plant & Equipment purchases;
- Construction (drainage, roads, buildings and other structures); and
- Water supply distribution works.

## (b) Operating lease commitments (non-cancellable)

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	279	232
Later than one year and not later than 5 years	423	161
<b>Total non-cancellable operating lease commitments</b>	<b>702</b>	<b>393</b>

**b. Non-cancellable operating leases include the following assets:**

Office Equipment is leased over 2 - 3 years.

Office space is leased over 3 years with an option to extend to a maximum lease term of 9 years.

**Conditions relating to finance and operating leases:**

– All finance agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Contingencies and other assets/liabilities not recognised

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

## LIABILITIES NOT RECOGNISED

## 1. Guarantees

## (i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

*Description of the funding arrangements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

Division B	1.9 times employee contributions contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

\*For 180 Point Members, Council was required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

*Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 18. Contingencies and other assets/liabilities not recognised (continued)**

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 314,299. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$295,384.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

\* excluding member accounts and reserves in both assets and liabilities.

There is currently no deficiency in the coverage of the assets, and no liability has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct a deficiency.

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

**(ii) StateCover Limited**

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

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

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

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

**(iii) Other guarantees**

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

**2. Other liabilities****(i) Third party claims**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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#### ASSETS NOT RECOGNISED

##### (i) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

##### Bank Guarantees

Council holds a number of bank guarantees to the value of \$808,664. Some of these guarantees are provided by various developers across the Mid-Western Region to secure performance of conditions of consent in relation to approved Developer Applications.

The guarantees will be returned once the associated conditions of consent have been satisfied.

Other guarantees relate to work performed for Council by contractors, such as construction works. The guarantees will be returned once the conditions of the contract have been satisfied.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management

## Risk management

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

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	5,121	6,481	5,121	6,481
Receivables	8,729	6,616	8,729	6,616
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	64,600	59,700	64,600	59,700
<b>Fair value through other comprehensive income</b>				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	6,124	–	6,124
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	8,127	–	8,127	–
<b>Total financial assets</b>	<b>86,577</b>	<b>78,921</b>	<b>86,577</b>	<b>78,921</b>
<b>Financial liabilities</b>				
Payables	5,874	5,267	5,874	5,267
Loans/advances	12,980	14,669	12,980	14,669
<b>Total financial liabilities</b>	<b>18,854</b>	<b>19,936</b>	<b>18,854</b>	<b>19,936</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

The risks associated with the instruments held are:

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

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	–	813	–	(813)
Possible impact of a 1% movement in interest rates	646	646	(646)	(646)
<b>2018</b>				
Possible impact of a 10% movement in market values	–	612	–	(612)
Possible impact of a 1% movement in interest rates	597	597	(597)	(597)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

## (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required.

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	816	48	79	79	(3)	1,019
<b>2018</b>						
Gross carrying amount	752	9	54	66	(2)	879

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	5,851	1,559	32	7	330	7,779
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2018</b>						
Gross carrying amount	4,035	1,374	79	47	303	5,838
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables	0.00%	1,034	4,840	–	–	5,874	5,874
Loans and advances	6.47%	–	2,826	6,790	8,830	18,446	12,980
<b>Total financial liabilities</b>		<b>1,034</b>	<b>7,666</b>	<b>6,790</b>	<b>8,830</b>	<b>24,320</b>	<b>18,854</b>
<b>2018</b>							
Trade/other payables	0.00%	967	4,300	–	–	5,267	5,267
Loans and advances	6.47%	–	2,608	8,372	10,073	21,053	14,669
<b>Total financial liabilities</b>		<b>967</b>	<b>6,908</b>	<b>8,372</b>	<b>10,073</b>	<b>26,320</b>	<b>19,936</b>

## Loan agreement breaches

There were no Loan breaches during the reporting financial year

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 20 June 2018 and is unaudited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	30,636	31,043	407	1% <b>F</b>
User charges and fees	15,321	15,018	(303)	(2)% <b>U</b>
Interest and investment revenue	1,897	2,373	476	25% <b>F</b>
Council's increase in value of managed funds exceeded budget by \$331,000. In addition earnings on cash and term deposits exceeded the budget by \$146,000, mainly due to higher than anticipated cash balances.				
Other revenues	2,539	3,443	904	36% <b>F</b>
Unexpected revenue was received from insurance and legal settlements totalling \$722,000.				
Operating grants and contributions	13,937	14,465	528	4% <b>F</b>
Capital grants and contributions	18,173	17,836	(337)	(2)% <b>U</b>
Net gains from disposal of assets	451	-	(451)	100% <b>U</b>
Subdivision of land was delayed and subsequently planned sales did not occur.				

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	24,467	23,759	708	3%	F
Borrowing costs	936	926	10	1%	F
Materials and contracts	15,270	12,723	2,547	17%	F
The overall RMS State Roads project expenditure was less than budgeted this year and resulted in less expenditure with contractors, materials and plant hire of \$1.49 million.					
Savings on contractors required in waste management of \$155,000, mainly due to reduced greenwaste shredding required.					
Depreciation and amortisation	16,170	16,425	(255)	(2)%	U
Other expenses	6,880	7,297	(417)	(6)%	U
Net losses from disposal of assets	-	3,980	(3,980)	∞	U
This variance is due to the write off of infrastructure replaced during the 2018/19. The majority relates to transport assets.					

## STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	34,547	35,680	1,133	3%	F
Net cash provided from (used in) investing activities	(33,981)	(35,351)	(1,370)	4%	U
Net cash provided from (used in) financing activities	(1,692)	(1,689)	3	0%	F

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment      – Investment property      – Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

## (1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
		30/06/19	–	8,127	–	8,127
			–	8,127	–	8,127
<b>Investment property</b>						
	10					
		30/06/18	–	3,797	–	3,797
		30/06/18	–	2,475	–	2,475
			–	6,272	–	6,272
<b>Infrastructure, property, plant and equipment</b>						
	9					
		30/06/18	–	–	19,857	19,857
		30/06/16	–	–	358	358
		30/06/16	–	–	231	231
		30/06/18	–	41,772	–	41,772
		30/06/16	–	–	18,304	18,304
		30/06/19	–	–	2,634	2,634
		30/06/16	–	–	1,619	1,619
		30/06/16	–	–	345	345
		30/06/18	–	288	–	288
		30/06/18	–	–	63,746	63,746
		30/06/16	–	–	8,353	8,353
		30/06/15	–	–	232,381	232,381
		30/06/15	–	–	58,001	58,001
		30/06/15	–	–	5,492	5,492
		30/06/15	–	–	285,024	285,024
		30/06/15	–	–	18,115	18,115
		30/06/17	–	–	71,654	71,654
		30/06/17	–	–	86,078	86,078
		30/06/16	–	–	4,256	4,256
		30/06/16	–	–	11,990	11,990
		30/06/16	–	–	666	666
		30/06/19	–	–	3,448	3,448
		30/06/19	–	–	293	293
			–	42,060	892,845	934,905

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
		30/06/18	–	6,124	–	6,124
			–	6,124	–	6,124
<b>Investment property</b>						
	10		–	–	–	–
<b>Infrastructure, property, plant and equipment</b>						
	9		–	–	–	–
		30/06/18	–	–	18,778	18,778
		30/06/16	–	–	455	455
		30/06/16	–	–	265	265
		30/06/18	–	43,242	–	43,242
		30/06/16	–	–	17,798	17,798
		30/06/14	–	–	1,605	1,605
			–	–	1,602	1,602
			–	–	345	345
		30/06/18	–	4,061	–	4,061
		30/06/18	–	–	64,051	64,051
		30/06/16	–	–	8,692	8,692
		30/06/15	–	–	220,779	220,779
		30/06/15	–	–	56,813	56,813
		30/06/15	–	–	5,335	5,335
		30/06/15	–	–	282,824	282,824
		30/06/15	–	–	18,308	18,308
		30/06/17	–	–	70,763	70,763
		30/06/17	–	–	85,473	85,473
		30/06/16	–	–	4,390	4,390
		30/06/16	–	–	9,749	9,749
		30/06/16	–	–	653	653
		30/06/14	–	–	2,147	2,147
		30/06/14	–	–	243	243
<b>Total infrastructure, property, plant and equipment</b>			–	47,303	883,796	931,099

Note that capital WIP is not included above since it is carried at cost.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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

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

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

#### Financial assets

##### Managed Funds – Fair value through profit and loss (FVTPL)

Valuation technique: The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Inputs Used (Level 2): Prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

#### Investment property

##### Operational land – Level 2

Valuation Techniques –Market Value. This method involves the analysis of sales evidence of other properties within the region and adjustment for differences between key attributes of the properties. APV Valuers and Asset Management revalued operational land.

Observable inputs - Sales evidence of price per square metre of land.

##### Buildings market value/income approach – Level 2

Valuation Techniques – Market Value. This method involves the analysis of sales evidence and comparison with the subject taking into account matters such as method of construction, size, condition, age, land area and location. APV Valuer and Asset Management revalued investment properties.

Observable inputs - Inspection and analysis of sales evidence involving comparable assets.

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

##### Plant and equipment, office equipment and furniture and fittings – Level 3

Valuation Techniques – Depreciated historic cost. The nature and value of plant and equipment recognises that depreciated historic cost is a representation of fair value.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life and residual value.

##### Community land and land under roads – Level 3

Valuation Techniques – Market value direct comparison and Valuer General's Valuation. This method involves the analysis of sales evidence of other properties within the region and adjustment for differences between key attributes of the properties.

Observable inputs - Sales evidence of price per square metre of land.

##### Operational land – Level 2

Valuation Techniques –Market Value. This method involves the analysis of sales evidence of other properties within the region and adjustment for differences between key attributes of the properties. APV Valuers and Asset Management revalued operational land.

Observable inputs - Sales evidence of price per square metre of land.

##### Land improvements - Level 3

Valuation Techniques – Depreciated historic cost.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life and residual value.

##### Buildings market value/income approach – Level 2

Valuation Techniques – Market Value. This method involves the analysis of sales evidence and comparison with the subject taking into account matters such as method of construction, size, condition, age, land area and location. APV Valuer and Asset Management revalued three buildings at market value approach, including two investment properties.

Observable inputs - Inspection and analysis of sales evidence involving comparable assets.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

**Buildings replacement costs – Level 3**

Valuation Techniques – Cost approach.

Due to the specialised nature of Local Government Assets, observable market inputs are often unavailable. The cost approach has been adopted for those buildings and deemed level 3.

This method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

To determine the Fair Value we applied the following process –

- Determine the Replacement Cost (Gross)
- Determining the components and where relevant split between short-life and long-life parts based on planned asset management strategies.
- Assessing the level of remaining service potential of the Depreciable Amount of each component (short-life and long-life parts).
  - o For the short-life part, this is based on a Consumption Rating that primarily considers the component specific factors (such as physical condition and maintenance history) as well as considering obsolescence. This is primarily aimed at estimating the cost to bring the part back to 'as new' (as a market participant would consider when pricing the asset).
  - o For the long-life part the valuer uses professional judgment to estimate the level of remaining service potential (RSP%). This effectively is an overall assessment of obsolescence (function, technical and economic) and the impact it may have on a market participants view of price. For example – despite an asset being aged and part way through its lifecycle, providing the asset is expected to be operational for many years to come the market the impact of obsolescence may be insignificant or minor. Likewise, if there is an expectation that the asset has a limited remaining life the impact of obsolescence will be greater as the asset nears the end of life.
- Summing the calculated value of the short-life part and long-life part together to determine the value of each component
- Summing the value of each component together to determine the Fair Value (Current Replacement Cost)

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life, and condition

**Other structures, swimming pools, other open space/recreational assets – Level 3**

Valuation Techniques – Cost Approach Method.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for other structures and deemed level 3. This involves the following process:

- The fair value is a reflection of gross value less accumulated depreciation. Published project and cost data applied to the asset's attributes is used to determine the gross value (replacement cost)
- Age and asset condition is applied to determine the level of depreciation
- Major assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives).

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life, and condition

**Roads, bridges, footpaths, bulk earthworks, stormwater – Level 3**

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Roads and deemed level 3 and were last valued at 30 June 2015. This involves the following process:

- The fair value is a reflection of gross value (replacement cost) less accumulated depreciation.
- Actual construction cost data was used to establish unit rates and applied to the asset's attributes to determine the gross value
- A sample of roads were inspected to arrive at a condition score. This is applied along with the road age to determine the remaining useful life.
- Roads were categorised into appropriate groupings such as:
  - \* Sealed/Unsealed
  - \* Urban/Local/Regional
  - \* Urban major/Urban minor/collector
- The network was broken into segments linked to defining geographical features

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. seal, pavement, subbase, earthworks.

Observable inputs- Construction costs used to assess the replacement cost of the asset. For example Seal cost per m2, Pavement construction per m2, gravel cost

Unobservable inputs - Estimates of useful life, condition and residual value.

#### **Water supply network and sewerage network – Level 3**

Valuation Techniques – Cost Approach Method.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Water and Sewer deemed level 3 and was applied as part of 30 June 2017 fair value process. This involves the following process:

- Council used data published in the NSW Reference Rates Manual for Valuation of Water & Sewerage Assets and CENTROC Regional Water & Sewer Asset Valuation Methodology to establish unit rates and applied to the asset's attributes to determine the gross value.
- A physical inspection of underground assets was impractical, therefore reference manual useful life was applied.
- A sample of aboveground assets were inspected to arrive at a condition score, with desktop assessments of other assets. This assessment was applied along with the reference manual average to determine the remaining useful life.
- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. civil/structural, electrical, mechanical

Observable inputs are reference rate costs used to assess the replacement cost of the asset. For example \$/m for reticulation mains

Unobservable inputs include estimates of useful life, condition and residual value.

#### **Library books – Level 3**

Valuation Techniques – Cost approach method. The cost approach has been adopted for other structures and deemed level 3.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life and residual value.

#### **Tip and quarry assets – reinstatement, rehabilitation and restoration**

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

In the event that Council close a quarry or tip site, there are immense on-going costs associated with the rehabilitation of the land.

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Notes to the Financial Statements  
for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Work in progress	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land	Land under Roads	Land improvements non-depreciable	Land improvements depreciable
<b>2018</b>									
<b>Opening balance</b>	13,128	16,562	562	262	32,145	16,669	1,302	1,444	276
Transfers from/(to) level 2 FV hierarchy	-	-	-	-	(43,242)	-	-	-	-
Transfers from/(to) another asset class	(7,358)	-	-	-	(878)	878	124	-	2
Purchases (GBV)	6,958	6,414	7	49	20	24	179	158	75
Disposals (WVDV)	-	(1,965)	-	-	-	(3)	-	-	-
Depreciation and impairment	-	(2,308)	(114)	(47)	-	-	-	-	(8)
FV gains – other comprehensive income	-	-	-	-	11,539	-	-	-	-
Other movement (rounding)	-	2	-	1	-	-	-	-	-
Other movement (had not commissioned)	-	73	-	-	416	230	-	-	-
<b>Closing balance</b>	<b>12,728</b>	<b>18,778</b>	<b>455</b>	<b>265</b>	<b>-</b>	<b>17,798</b>	<b>1,605</b>	<b>1,602</b>	<b>345</b>
<b>2019</b>									
<b>Opening balance</b>	12,728	18,778	455	265	-	17,798	1,605	1,602	345
Transfers from/(to) another asset class	(10,543)	-	-	-	-	-	-	4	-
Purchases (GBV)	4,761	4,775	17	5	-	157	-	13	15
Disposals (WVDV)	-	(1,026)	-	-	-	(91)	-	-	-
Depreciation and impairment	-	(2,670)	(114)	(40)	-	-	-	-	(14)
FV gains – other comprehensive income	-	-	-	-	-	-	1,029	-	-
Other movement (rounding)	(1)	-	-	1	-	-	-	-	(1)
Other movement (had not commissioned)	(21)	-	-	-	-	440	-	-	-
<b>Closing balance</b>	<b>6,924</b>	<b>19,857</b>	<b>358</b>	<b>231</b>	<b>-</b>	<b>18,304</b>	<b>2,634</b>	<b>1,619</b>	<b>345</b>

continued on next page ...

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

	Buildings replacement cost	Other structures	Roads	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Bridges	Library books
<b>2018</b>									
<b>Opening balance</b>	45,356	7,284	212,929	281,921	18,289	69,910	84,106	56,925	650
Transfers from/(to) another asset class	39	241	5,861	484	20	198	196	119	-
Purchases (GBV)	395	1,427	12,648	419	231	1,141	1,211	862	79
Disposals (WDV)	(17)	(1)	(5,140)	-	-	(157)	(269)	-	-
Depreciation and impairment	(1,881)	(259)	(5,519)	-	(233)	(1,761)	(1,467)	(1,093)	(77)
FV gains – other comprehensive income	20,161	-	-	-	-	1,430	1,696	-	-
Other movement (rounding)	(2)	-	-	-	1	2	-	-	1
<b>Closing balance</b>	<b>64,051</b>	<b>8,692</b>	<b>220,779</b>	<b>282,824</b>	<b>18,308</b>	<b>70,763</b>	<b>85,473</b>	<b>56,813</b>	<b>653</b>
<b>2019</b>									
<b>Opening balance</b>	64,051	8,692	220,779	282,824	18,308	70,763	85,473	56,813	653
Transfers from/(to) another asset class	43	(199)	6,918	2,710	33	166	446	650	-
Purchases (GBV)	748	168	12,956	837	8	1,454	753	1,843	92
Disposals (WDV)	(247)	-	(2,669)	(1,347)	-	(29)	(371)	(157)	-
Depreciation and impairment	(827)	(308)	(5,602)	-	(234)	(1,803)	(1,556)	(1,100)	(79)
FV gains – other comprehensive income	-	-	-	-	-	1,103	1,333	-	-
Other movement (rounding)	(7)	-	(1)	-	-	-	-	(1)	-
Other movement (had not commissioned)	-	-	-	-	-	-	-	(47)	-
<b>Closing balance</b>	<b>63,761</b>	<b>8,353</b>	<b>232,381</b>	<b>285,024</b>	<b>18,115</b>	<b>71,654</b>	<b>86,078</b>	<b>58,001</b>	<b>666</b>

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

		Tip reinstatement asset	Quarry reinstatement asset	Footpaths	Swimming pools	Other open space/ recreational	Total
<b>2018</b>							
<b>Opening balance</b>		2,145	261	5,407	4,579	9,690	881,802
Transfers from/(to) level 2 FV hierarchy	23 4(b)	-	-	-	-	-	(43,242)
Transfers from/(to) another asset class		-	-	1	-	73	-
Purchases (GBV)		-	-	66	49	384	32,796
Disposals (WDV)		-	(39)	(1)	(3)	(1)	(7,596)
Depreciation and impairment		(119)	-	(137)	(235)	(397)	(15,655)
FV gains – other comprehensive income		120	21	-	-	-	34,967
Other movement (rounding)		1	-	(1)	-	-	5
Other movement (had not commissioned)		-	-	-	-	-	719
<b>Closing balance</b>		2,147	243	5,335	4,390	9,749	883,796
<b>2019</b>							
<b>Opening balance</b>		2,147	243	5,335	4,390	9,749	883,796
Transfers from/(to) another asset class		-	-	-	-	49	277
Purchases (GBV)		-	-	294	87	2,701	31,684
Disposals (WDV)		-	-	-	-	(97)	(6,034)
Depreciation and impairment		(1,150)	(43)	(138)	(222)	(413)	(16,313)
FV gains – other comprehensive income		2,452	93	-	-	-	6,010
Other movement (rounding)		(1)	-	1	1	1	(8)
Other movement (had not commissioned)		-	-	-	-	-	372
<b>Closing balance</b>		3,448	293	5,492	4,256	11,990	899,784

# Mid-Western Regional Council

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

	Valuation techniques	Unobservable inputs
<b>b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>		
<b>Infrastructure, property, plant and equipment</b>		
Plant and equipment	Depreciated historic cost	Estimated useful life and residual value
Office equipment	Depreciated historic cost	Estimated useful life and residual value
Furniture and fittings	Depreciated historic cost	Estimated useful life and residual value
Community land	Market Approach	Factors relevant to a market participants and/or embodied with the assets
Land under roads	Market Approach	Factors relevant to a market participants and/or embodied with the assets
Land improvements – non depreciable	Cost Approach	Estimated useful life, cost, and condition
Land improvements – depreciable	Depreciated historic cost	Estimated useful life, cost, and condition
Buildings – replacement cost	Cost Approach	Estimated useful life, cost, and condition
Other structures	Cost Approach	Estimated useful life, cost, and condition
Roads, bridges, footpaths	Cost Approach	Estimated useful life, cost, and condition
Bulk earthworks	Cost Approach	Estimated useful life, cost, and condition
Stormwater drainage	Cost Approach	Estimated useful life, cost, and condition
Water supply network	Cost Approach	Estimated useful life, cost, and condition
Sewerage network	Cost Approach	Estimated useful life, cost, and condition
Swimming pools	Cost Approach	Estimated useful life, cost, and condition
Other open space/recreational assets	Cost Approach	Estimated useful life, cost, and condition
Library books	Cost Approach	Estimated useful life, cost, and condition
Tip and quarry reinstatement assets	Cost estimate of future liability	Estimated useful life, cost, and condition

## Mid-Western Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 21. Fair Value Measurement (continued)

##### c. The valuation process for level 3 fair value measurements

Class	Valuation processes	Description of the process	how (and by who) the valuation processes are decided	how (and who) analyses the level 3 fair value movements post valuation	who undertakes the valuations
Plant and equipment	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Office equipment	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Furniture and fittings	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Community land	Market Approach	Based on Valuer General's valuation	Council	Council	Council
Land under roads	Market Approach	Based on Valuer General's valuation and then applied discount for Englobo/Undeveloped land	Council	Council	Council
Land improvements – non depreciable	Cost Approach	Review of asset register and useful life of assets	Council	Council	Council
Land improvements – depreciable	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Buildings	Cost Approach or Market Approach	Analysis of data and physical inspection of assets to review condition.	Council and External Valuer	Council	External Valuer
Roads, bridges, footpaths	Cost Approach	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council	Council	Council

## Mid-Western Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 21. Fair Value Measurement (continued)

Bulk earthworks	Cost Approach	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council	Council	Council
Stormwater drainage	Cost Approach	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council	Council	Council
Water supply network	Cost Approach	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council and External Valuer	Council	Council – Passive assets and External Valuer – Complex assets
Sewerage network	Cost Approach	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council and External Valuer	Council	Council – Passive assets and External Valuer – Complex assets
Swimming pools	Cost Approach	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Other open space/recreational assets	Cost Approach	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Library books	Cost Approach	Review of asset register and useful life of assets.	Council	Council	Council

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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#### (4) Highest and best use

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

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 22. Related Party Transactions

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

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

	2019	2018
<b>\$ '000</b>		
<b>Compensation:</b>		
Short-term benefits	1,425	1,358
Other long-term benefits	23	43
<b>Total</b>	<b>1,448</b>	<b>1,401</b>

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 22. Related Party Transactions (continued)

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
<b>2019</b>						
Employee expenses relating to close family members of KMP	1	114	-		-	-
Affordable Housing Project – Donation to Housing Plus	2	94	-		-	-
Printing services provided to Council	3	41	-		-	-
<b>2018</b>						
Employee expenses relating to close family members of KMP	1	159	-		-	-
Affordable Housing Project – Donation to Housing Plus	2	94	-		-	-
Printing services provided to Council	3	-	-		-	-

1 Close family members of Council's KMP are employed by council under the relevant pay award on an arm's length basis.

2 KMP is a director of Housing Plus.

3 KMP is a director of Convergean Pty Ltd, trading as Print Storm.

Notes to the Financial Statements  
for the year ended 30 June 2019

**Note 23. Events occurring after the reporting date**

Council is aware of the following 'non-adjusting events' that merit disclosure:

- Council is in the process of negotiating terms on the purchase of a commercial property. Contracts were not exchanged as at 30 June 2019, and as such this is considered a non-adjusting event. The value of the property is relatively material, at around \$2.8 million which will be carried as assets on future statements.
- Council received an account for about \$87,000 in back charges going back 36 months. Council does not agree that this account is outstanding in full and are currently in negotiations to settle the account for a lesser amount. At this stage, the amount of charges Council will be required to pay is unknown, so this has not been recognised as a liability as at 30 June 2019, and is being treated as a non-adjusting event.
- Council is currently pursuing damages to guardrail, and it is likely that Council will be successful. Damages are estimated at about \$11,000.
- Council has been awarded court costs in a recent case, however timing and amount is unconfirmed. It is estimated that costs will be awarded at about \$11,000.
- Council is currently involved in a small claim civil matter. Council disputes the amount of contractor expenses owed to a supplier, which is not expected to settle before September. Estimated costs are between \$1,000 and \$20,000.

Notes to the Financial Statements  
for the year ended 30 June 2019

**Note 24. Statement of developer contributions**

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

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

**Summary of contributions and levies**

	as at 30/6/2018		Contributions received during the year			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash		Held as restricted asset				Cumulative internal borrowings due/(payable)	
Drainage	93	33	-	-	3	-	-	129	-	-
Open space	1,881	174	-	-	34	(601)	-	1,488	-	-
Community facilities	615	36	-	-	13	(31)	-	633	-	-
Transport management	645	51	-	-	12	(6)	-	702	-	-
Car parking	253	-	-	-	5	-	-	258	-	-
Administration	405	23	-	-	8	(64)	-	372	-	-
Civic improvements	(5)	19	-	-	-	-	-	14	-	-
<b>S7.11 contributions – under a plan</b>	<b>3,887</b>	<b>336</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>(702)</b>	<b>-</b>	<b>3,596</b>	<b>-</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>660</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>765</b>	<b>-</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>4,547</b>	<b>431</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>(702)</b>	<b>-</b>	<b>4,361</b>	<b>-</b>	<b>-</b>
S7.4 planning agreements	2,956	1,112	-	-	45	(860)	-	3,253	-	-
S64 contributions	8,543	513	-	-	156	(1,071)	-	8,141	-	-
<b>Total contributions</b>	<b>16,046</b>	<b>2,056</b>	<b>-</b>	<b>-</b>	<b>286</b>	<b>(2,633)</b>	<b>-</b>	<b>15,755</b>	<b>-</b>	<b>-</b>

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>									
<b>S7.11 Contributions – under a plan</b>									
<b>CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021</b>									
Drainage	93		33	-	3	-	-	129	-
Open space	1,881		174	-	34	(601)	-	1,488	-
Community facilities	615		36	-	13	(31)	-	633	-
Transport management	645		51	-	12	(6)	-	702	-
Car parking	253		-	-	5	-	-	258	-
Administration	405		23	-	8	(64)	-	372	-
Civic improvements	(5)		19	-	-	-	-	14	-
<b>Total</b>	<b>3,887</b>		<b>336</b>	<b>-</b>	<b>75</b>	<b>(702)</b>	<b>-</b>	<b>3,596</b>	<b>-</b>
<b>S7.12 Levies – under a plan</b>									
<b>CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021</b>									
94A	660		95	-	10	-	-	765	-
<b>Total</b>	<b>660</b>		<b>95</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>765</b>	<b>-</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	23,448	1,462	6,133
User charges and fees	8,316	5,893	809
Interest and investment revenue	1,520	462	391
Other revenues	3,394	11	38
Grants and contributions provided for operating purposes	14,313	152	–
Grants and contributions provided for capital purposes	16,683	988	165
<b>Total income from continuing operations</b>	<b>67,674</b>	<b>8,968</b>	<b>7,536</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	20,680	1,709	1,370
Borrowing costs	245	131	550
Materials and contracts	10,520	1,413	790
Depreciation and amortisation	13,063	1,803	1,559
Other expenses	2,914	2,278	2,105
Net losses from the disposal of assets	3,580	29	371
<b>Total expenses from continuing operations</b>	<b>51,002</b>	<b>7,363</b>	<b>6,745</b>
<b>Operating result from continuing operations</b>	<b>16,672</b>	<b>1,605</b>	<b>791</b>
<b>Net operating result for the year</b>	<b>16,672</b>	<b>1,605</b>	<b>791</b>
<b>Net operating result attributable to each council fund</b>	16,672	1,605	791
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	(11)	617	626

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial result and financial position by fund (continued)

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,333	958	830
Investments	44,075	12,673	10,979
Receivables	6,856	1,371	379
Inventories	1,092	202	20
Other	146	–	–
<b>Total current assets</b>	<b>55,502</b>	<b>15,204</b>	<b>12,208</b>
<b>Non-current assets</b>			
Investments	3,253	936	811
Receivables	123	–	–
Infrastructure, property, plant and equipment	773,651	78,870	89,766
Investment property	6,272	–	–
Intangible assets	236	3	–
<b>Total non-current assets</b>	<b>783,535</b>	<b>79,809</b>	<b>90,577</b>
<b>TOTAL ASSETS</b>	<b>839,037</b>	<b>95,013</b>	<b>102,785</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	4,444	1,271	159
Income received in advance	1,050	–	–
Borrowings	1,402	294	313
Provisions	7,301	–	–
<b>Total current liabilities</b>	<b>14,197</b>	<b>1,565</b>	<b>472</b>
<b>Non-current liabilities</b>			
Borrowings	1,682	1,458	7,831
Provisions	4,987	–	–
<b>Total non-current liabilities</b>	<b>6,669</b>	<b>1,458</b>	<b>7,831</b>
<b>TOTAL LIABILITIES</b>	<b>20,866</b>	<b>3,023</b>	<b>8,303</b>
<b>Net assets</b>	<b>818,171</b>	<b>91,990</b>	<b>94,482</b>
<b>EQUITY</b>			
Accumulated surplus	320,131	58,755	50,375
Revaluation reserves	498,040	33,235	44,107
<b>Council equity interest</b>	<b>818,171</b>	<b>91,990</b>	<b>94,482</b>
<b>Total equity</b>	<b>818,171</b>	<b>91,990</b>	<b>94,482</b>

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>4,669</b>	<b>7.10%</b>	11.69%	9.59%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>65,799</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>50,939</b>	<b>60.91%</b>	63.29%	55.20%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>83,635</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>32,070</b>	<b>4.31x</b>	4.02x	3.65x	>1.50x
Current liabilities less specific purpose liabilities	<b>7,438</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>22,020</b>	<b>8.42x</b>	9.36x	8.69x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>2,615</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,215</b>	<b>3.81%</b>	3.52%	3.39%	<10.00%
Rates, annual and extra charges collectible	<b>31,928</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>69,721</b>	<b>16.19 mths</b>	15.60 mths	15.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>4,305</b>				

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(b). Statement of performance measures – by fund

	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>6.79%</b>	11.41%	<b>7.73%</b>	14.27%	<b>8.49%</b>	10.80%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>53.24%</b>	55.61%	<b>87.29%</b>	95.23%	<b>97.81%</b>	96.57%	>60.00%
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>4.31x</b>	4.02x	<b>9.72x</b>	8.10x	<b>25.86x</b>	11.38x	>1.50x
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions							
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>8.65x</b>	17.28x	<b>19.47x</b>	4.92x	<b>4.97x</b>	2.96x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>4.99%</b>	3.68%	<b>0.00%</b>	3.47%	<b>0.00%</b>	2.94%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>15.78</b>	12.87	<b>∞</b>	27.52	<b>∞</b>	23.79	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths		mths		mths	mths

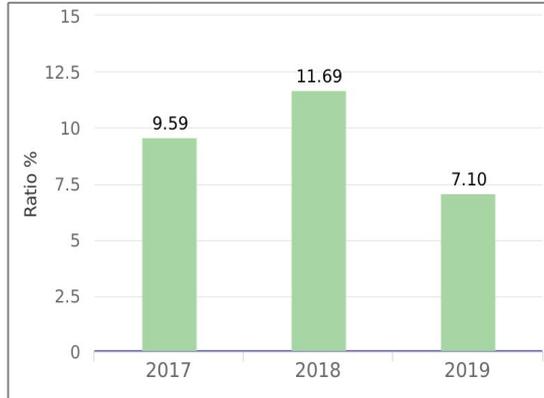
(1) - (2) Refer to Notes at Note 26a above.

(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 7.10%

The reduction in Operating performance ratio is mainly due to decreased revenue from RMS Contract Works on State Roads.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 60.91%

The reduction in Own source operating revenue ratio is mainly due to decreased revenue from RMS Contract Works on State Roads.

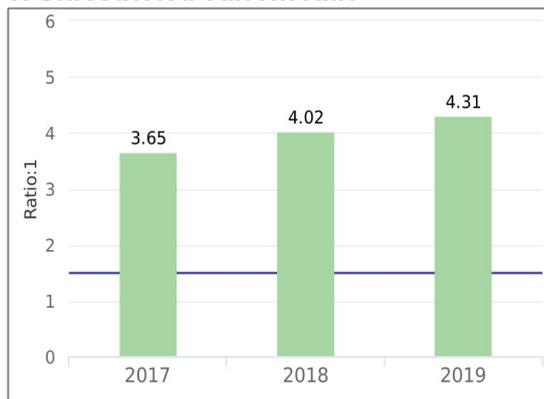
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.31x

This year Council's total cash, cash equivalents and investments balance increased by \$5.5 million. In addition to this the non-current cash, cash equivalents and investments balance has decreased by \$5 million. This has a positive impact on the Unrestricted current ratio with more capital available for Council in the short term.

Whilst externally restricted cash did also increase by nearly \$8 million, the total current cash and receivables increased by greater amounts.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

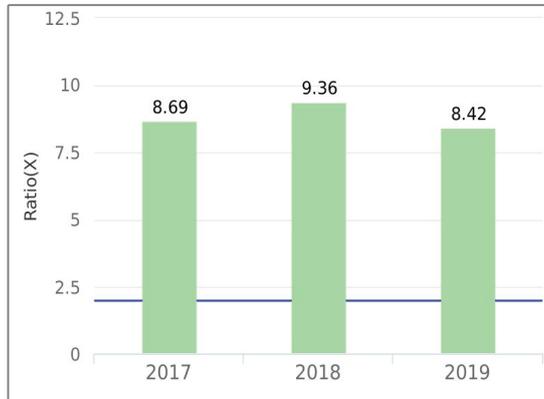
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 8.42x

Debt servicing costs remain stable across the recent years. The decrease in this ratio is due to decline in operating result.

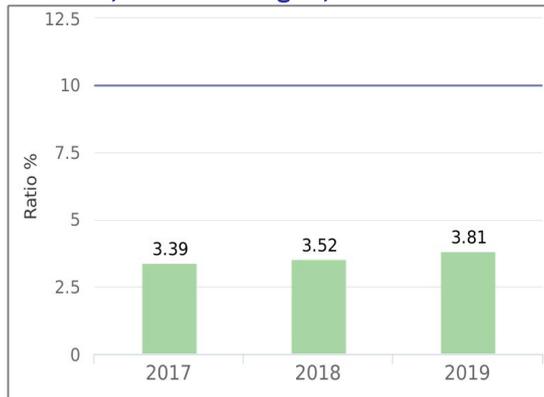
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 3.81%

Council continues to implement effective controls over the collection of outstanding Rates, Annual Charges, Interest and Extra Charges.

This year saw the greatest increases to the outstanding rates and waste annual charges resulting in an increase of this ratio.

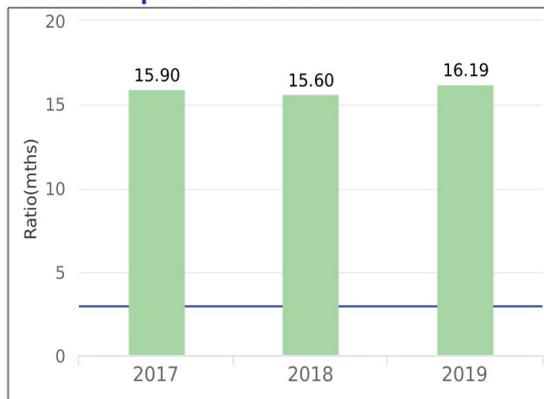
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 16.19 mths

This year Council's cash, cash equivalents and term deposits increased by around \$3.5 million, whilst cash flows from operating and financing activities increased by around \$700,000. This difference results in an improvement to the cash expense cover ratio.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## Mid-Western Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 27. Financial review

##### (a) Review and commentary on Council's financial result

##### Review and commentary on Council's financial result

The net operating result (including capital contributions) for the year to 30 June 2019 was a surplus of \$19 million. For the year ended 30 June 2018, the Council reported a net operating result (including capital contributions) of \$16 million.

Councils rates and annual charges have increased steadily over the last 5 years, with an average of 4.3% growth per annum. Grants and contributions for operating purposes decreased during the period due to RMS contributions (regional roads, block grant) decreasing, these fluctuate year on year. The decrease in user charges and fees was due to a reduction of RMS (formerly RTA) work for the period. Employee costs have increased due to the increase in fulltime equivalent employees, and an award increase of 2.25%. Depreciation has increased as a result of new assets and assets renewal. The above significant items are based on the operational results from Council as disclosed in the income statement and accompanying notes.

##### Review and commentary on Council's financial position

The Statement of Financial Position disclosed that for the year ended 30 June 2019 Council's net assets stood at \$1.005 billion (2018 - \$ 981 million), which is an increase of \$23.366 million. This is the combined effect of the operating surplus from continuing operations of \$19.068 million and a net downward movement of \$452,000 in relation to the revaluation of Council's infrastructure, property, plant and equipment and other reserves.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	2019 \$'000	2018 \$'000
Net Current Assets	66,680	55,526
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(54,160)	(51,142)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(16,628)	(14,816)
Add: Applicable current liabilities refer Note 10		
- Water	1,565	985
- Sewerage	472	645
- Water	257	853
- Sewerage	1,034	967
Add: Employee Leave Entitlements to be paid > 12 months	5,310	4,683
Unrestricted net current asset surplus/(deficit)	4,530	(2,299)

Council's surplus of net current assets over the restrictions is evidence of its strong financial position.

##### Review and commentary on Council's cash flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the period and reveals that Cash Assets decreased by \$1.360million to \$5.121million at 30 June 2019. Total cash inflows from operating activities for the 2018-'19 financial year were \$84.549 million compared to \$849.651million in 2017-'18 (decreased of \$5.102 million). Cash inflows from user charges and fees were \$3.534 million less than the previous year due to decreased revenue from this source. In addition, cash receipts from grants and contributions were \$2.684 million less than the prior year.

Total cash outflows from operating activities increased by \$596,000 to \$49.918 million (2018 - \$49.322 million) The main line item contributing to this was cash outflows in relation to other payments and employee benefits & on-costs which increased over the prior year due to the annual award payment increment related to this line item.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 27. Financial review (continued)

In addition to operating activities which contributed net cash of \$35.680 million were the proceeds from the sale of assets (\$2.054 million) and redemption of investment securities (\$63.200 million). Cash outflows other than operating activities were used to repay loans (\$1.689 million), purchase investment securities (\$69.560 million), purchase of investment property (\$6.272 million) and to purchase and construct assets (\$24.768 million).

\$ '000	2019	2018	2017	2016	2015
<b>(b) Key financial figures of Council over the past 5 years</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	31,043	29,196	27,749	26,724	25,591
User charges revenue	15,018	18,629	13,256	15,634	18,190
Interest and investment revenue (losses)	2,373	1,693	1,698	1,735	1,621
Grants income – operating and capital	19,937	20,165	22,037	20,313	18,002
Total income from continuing operations	84,178	81,944	82,344	76,742	76,861
Sale proceeds from I,PP&E	2,054	1,810	757	611	291
<b>Outflows:</b>					
Employee benefits and on-cost expenses	23,759	22,521	21,227	20,454	20,028
Borrowing costs	926	1,064	1,108	1,204	1,290
Materials and contracts expenses	12,723	14,181	12,860	11,772	13,497
Total expenses from continuing operations	65,110	65,579	62,694	66,306	60,251
Total cash purchases of I,PP&E	24,768	33,985	25,102	30,693	25,777
Total loan repayments (incl. finance leases)	1,689	1,589	1,502	1,409	1,332
Operating surplus/(deficit) (excl. capital income)	1,232	2,171	843	(4,427)	1,382
<b>Financial position figures</b>					
Current assets	82,914	69,937	75,795	63,013	57,580
Current liabilities	16,234	14,411	15,418	14,793	14,516
Net current assets	66,680	55,526	60,377	48,220	43,064
Available working capital (Unrestricted net current assets)	12,883	9,716	8,388	12,559	8,323
Cash and investments – unrestricted	9,565	10,614	7,583	12,453	9,413
Cash and investments – internal restrictions	16,628	14,816	14,921	8,980	8,202
Cash and investments – total	77,848	72,305	65,531	54,843	47,881
Total borrowings outstanding (Loans, advances and finance leases)	12,980	14,669	16,258	17,760	19,169
Total value of I,PP&E (excl. land and earthworks)	943,336	914,358	891,830	857,718	851,625
Total accumulated depreciation	339,240	330,330	339,421	353,941	344,348
Indicative remaining useful life (as a % of GBV)	64%	64%	62%	59%	60%

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 28. Council information and contact details

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**Principal place of business:**

86 Market Street  
Mudgee NSW 2850

**Contact details****Mailing Address:**

PO Box 156  
Mudgee NSW 2850

**Telephone:** 02 6378 2850

**Facsimile:** 02 6378 2815

**Opening hours:**

8:00am - 4:30pm  
Monday to Friday

**Internet:** [www.midwestern.nsw.gov.au](http://www.midwestern.nsw.gov.au)

**Email:** [council@midwestern.nsw.gov.au](mailto:council@midwestern.nsw.gov.au)

**Officers****Acting General Manager**

Simon Jones

**Chief Financial Officer**

Leonie Johnson

**Public Officer**

Mr Tim Johnston

**Auditors**

NSW Auditor General  
Level 15, 1 Margaret Street  
Sydney NSW 2000

**Elected members****Mayor**

Des Kennedy

**Councillors**

Clr Paul Cavalier  
Clr Esme Martens  
Clr Peter Shelley  
Clr Percy Thompson  
Clr Sam Paine  
Clr Russell Holden  
Clr John O'Neill  
Clr Alex Karavas

**Other information**

ABN:96 149 391 332



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Mid-Western Regional Council

To the Councillors of the Mid-Western Regional Council

### Opinion

I have audited the accompanying financial statements of Mid-Western Regional Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



Cr Des Kennedy  
 Mayor  
 Mid-West Regional Council  
 PO Box 156  
 MUDGEE NSW 2850

Contact: Cathy Wu  
 Phone no: 02 9275 7212  
 Our ref: D1925673/1760

29 October 2019

Dear Mayor

**Report on the Conduct of the Audit**  
**for the year ended 30 June 2019**  
**Mid-Western Regional Council**

I have audited the general purpose financial statements (GPFS) of Mid-Western Regional Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	31.0	29.2	↑ 6.2
Grants and contributions revenue	32.3	29.7	↑ 8.8
Operating result for the year	19.1	16.4	↑ 16.5
Net operating result before capital grants and contributions	1.2	2.2	↓ 45.5

Council's operating result of \$19.1 million (including the effect of depreciation and amortisation expense of \$16.4 million) was \$2.7 million higher than the 2017–18 result. This increase was attributable to a growth in total revenue of \$2.2 million, mainly from capital grants and contributions increasing by \$3.6 million, while total expenses decreased by \$0.5 million.

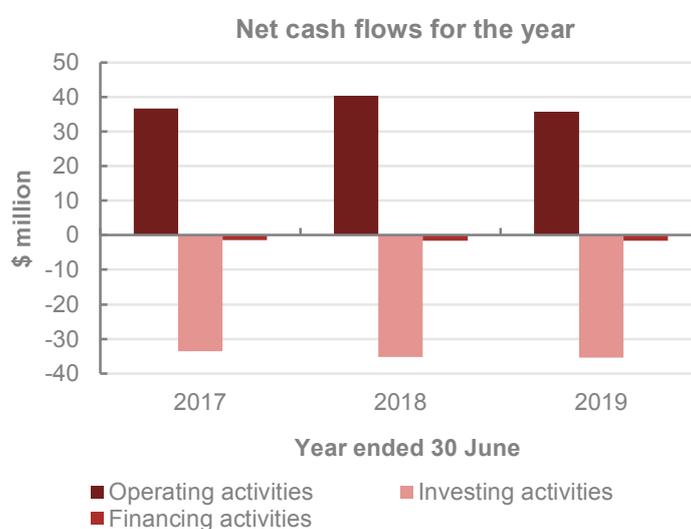
The net operating result before capital grants and contributions (\$1.2 million) was \$1.0 million lower than the 2017–18 result. This movement was primarily due to the decrease in user charges and fees of \$3.6 million.

Rates and annual charges revenue (\$31.0 million) increased by \$1.8 million (6.2 per cent) in 2018–2019. This movement was largely consistent with the approved rate peg of 2.3 per cent, with an increase in the amount of domestic waste management services of \$0.8 million.

Grants and contributions revenue (\$32.3 million) increased by \$2.6 million (8.8 per cent) in 2018–2019 mainly due to increased capital contributions for roads and bridges of \$2.8 million.

## STATEMENT OF CASH FLOWS

- The Council reported a decrease in cash and cash equivalents from \$6.5 million at 30 June 2018 to \$5.1 million at 30 June 2019.
- Cash inflows from operating activities decreased from 2017–18 as a result of lower cash receipts from user charges and fees and grants and contributions.
- Cash flows from investment and financing activities have remained fairly consistent over the last three years.



## FINANCIAL POSITION

### Cash and investments

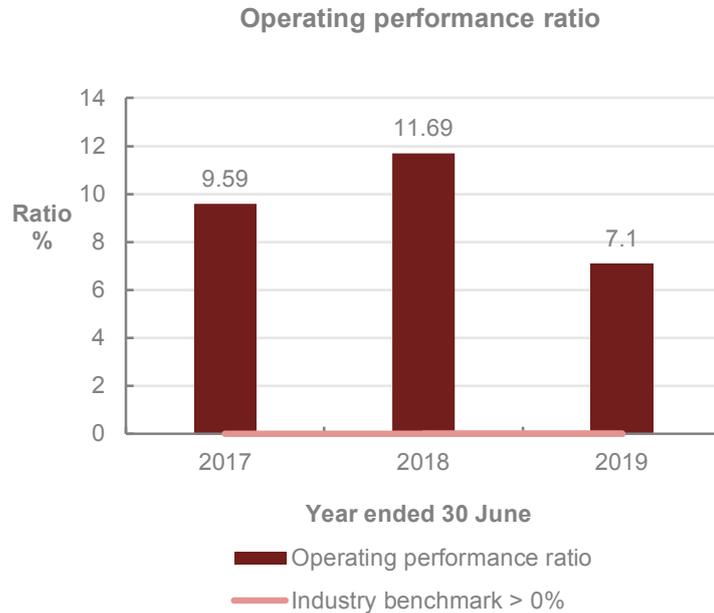
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	51.7	46.9	• External restrictions primarily include developer contributions, water supply and sewerage services, domestic waste management charges and specific purpose unexpended grants.
Internal restrictions	16.6	14.8	
Unrestricted	9.5	10.6	
<b>Cash and investments</b>	<b>77.8</b>	<b>72.3</b>	<ul style="list-style-type: none"> <li>• Internal restrictions are due to Council policy or decisions for forward plans including the capital works program. These include funds for plant and vehicle replacement, land development, and Seal Extension Program (new in 2019).</li> <li>• Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

# PERFORMANCE

## Operating performance ratio

- Council's operating performance ratio exceeded the industry benchmark for the past three years.
- The ratio decreased in 2018–19 in line with the decrease in Council's net operating result before capital grants and contributions, as noted above.

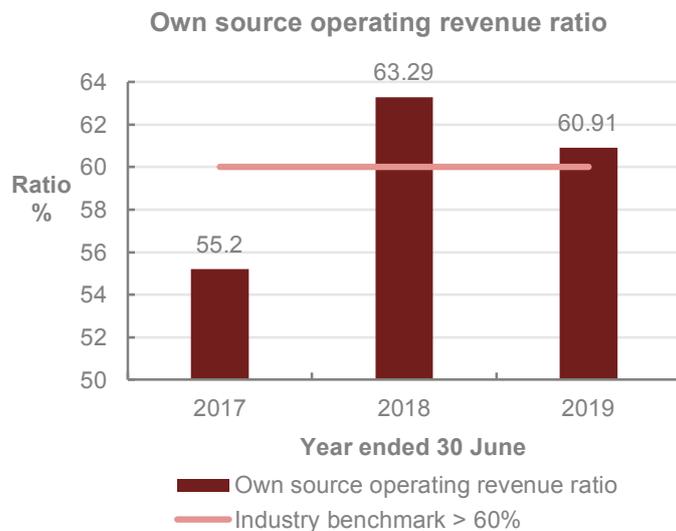
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.



## Own source operating revenue ratio

- Council's own source operating revenue ratio exceeded the industry benchmark for the past two years.
- This result reflects the increased proportion of rates and user charges as funding sources for Council compared to 2016–17.

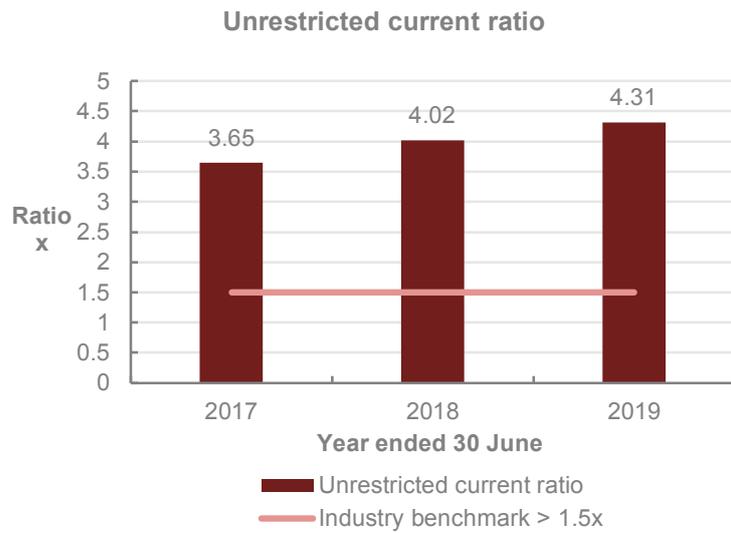
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council's unrestricted current ratio exceeded the industry benchmark for the past three years.
- This ratio indicates that Council currently has \$4.31 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

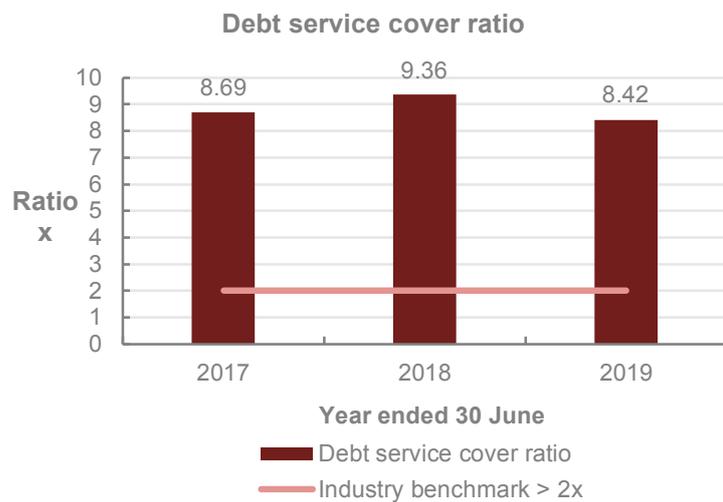
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark for the past three years.
- Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

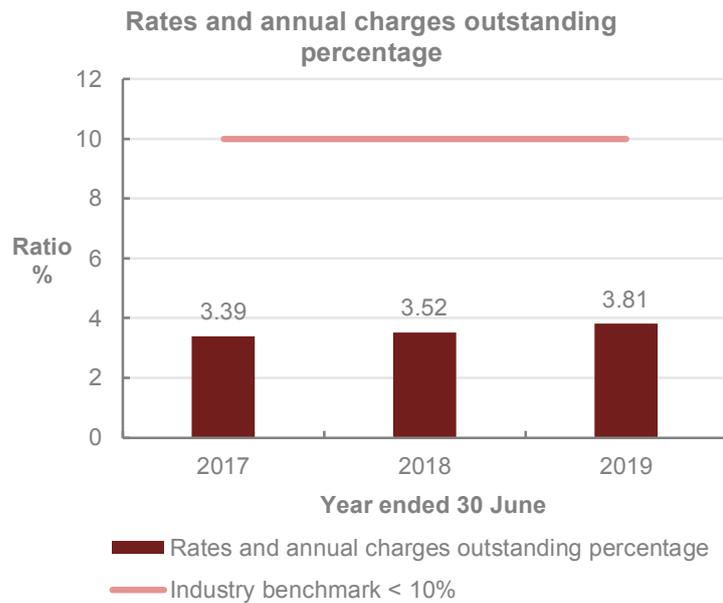
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

- Council's rates and annual charges outstanding percentage met the industry benchmark for the past three years.
- The collection procedures of the Council have operated effectively to collect rates and annual charges revenue.

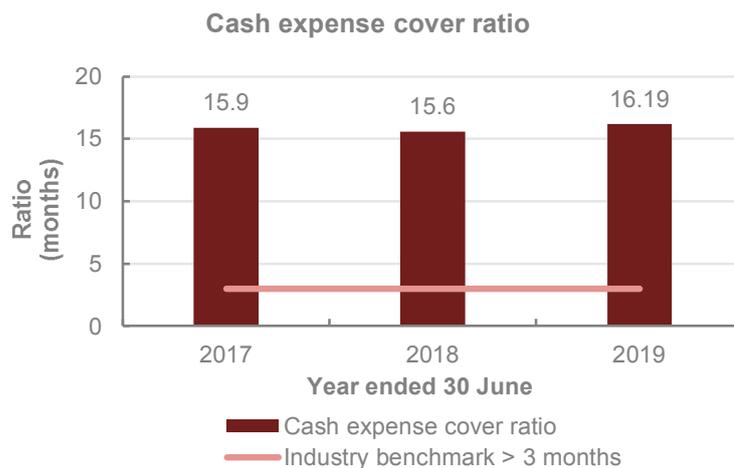
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover over 16 months of cash expenditure without additional cash inflows at 30 June 2019.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals

Council spent \$24.8 million on asset renewals in 2018–19 compared to \$26.3 million in 2017–18. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2018–19, asset renewals of \$24.8 million represented 152 per cent of Council's \$16.3 million depreciation expense. This result was lower than the 2017–18 result of 167 per cent.

Asset renewals in 2018–19 were carried out in accordance with Council's capital works program and primarily related to road and footpath assets.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14(b).</p>

### Legislative compliance

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

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

cc: Mr Brad Cam, General Manager  
Mr John Stuart, Chair of the Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Mid-Western Regional Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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**Background**

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

# Mid-Western Regional Council

## Special Purpose Financial Statements for the year ended 30 June 2019

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

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

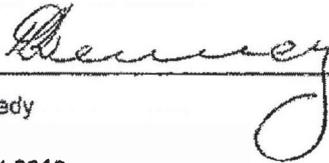
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

To the best of our knowledge and belief, these 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,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 29 August 2019.



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Des Kennedy  
Mayor  
29 August 2019



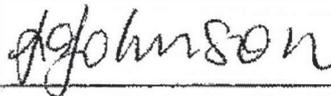
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Sam Paine  
Deputy Mayor  
29 August 2019  
30 SP



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Simon Jones  
Acting General Manager  
29 August 2019



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Leonie Johnson  
Chief Financial Officer  
29 August 2019

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Access charges	1,462	1,355
User charges	5,893	6,217
Interest	462	379
Grants and contributions provided for non-capital purposes	152	63
Other income	11	2
<b>Total income from continuing operations</b>	<b>7,980</b>	<b>8,016</b>
Employee benefits and on-costs	1,709	1,533
Borrowing costs	131	160
Materials and contracts	1,413	1,410
Depreciation, amortisation and impairment	1,803	1,762
Loss on sale of assets	29	157
Other expenses	2,278	2,007
<b>Total expenses from continuing operations</b>	<b>7,363</b>	<b>7,111</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>617</b>	<b>905</b>
Grants and contributions provided for capital purposes	988	335
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,605</b>	<b>1,240</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,605</b>	<b>1,240</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(170)	(249)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,435</b>	<b>991</b>
<b>Plus accumulated surplus</b>	<b>57,137</b>	<b>55,746</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>4</b>
<b>Plus/less: Transfer to retained earnings for asset disposals</b>	<b>13</b>	<b>65</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	82
– Corporate taxation equivalent	170	249
<b>Return on capital %</b>	<b>0.9%</b>	<b>1.4%</b>
<b>Subsidy from Council</b>	<b>293</b>	<b>942</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,435	991
Less: capital grants and contributions (excluding developer contributions)	(639)	(335)
<b>Surplus for dividend calculation purposes</b>	<b>796</b>	<b>656</b>
<b>Potential dividend calculated from surplus</b>	<b>398</b>	<b>328</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Access charges	6,133	5,857
User charges	787	772
Liquid trade waste charges	22	41
Interest	391	316
Grants and contributions provided for non-capital purposes	–	58
Other income	38	58
<b>Total income from continuing operations</b>	<b>7,371</b>	<b>7,102</b>
Employee benefits and on-costs	1,370	1,213
Borrowing costs	550	572
Materials and contracts	790	1,038
Depreciation, amortisation and impairment	1,559	1,480
Loss on sale of assets	371	270
Other expenses	2,105	2,031
<b>Total expenses from continuing operations</b>	<b>6,745</b>	<b>6,630</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>626</b>	<b>472</b>
Grants and contributions provided for capital purposes	165	192
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>791</b>	<b>664</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>791</b>	<b>664</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(172)	(130)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>619</b>	<b>534</b>
<b>Plus accumulated surplus</b>	<b>49,029</b>	<b>48,067</b>
<b>Plus/less: prior period adjustments</b>	<b>338</b>	<b>119</b>
<b>Plus/less: Transfer to retained earnings for asset disposals</b>	<b>217</b>	<b>153</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	26
– Corporate taxation equivalent	172	130
<b>Return on capital %</b>	<b>1.3%</b>	<b>1.2%</b>
<b>Subsidy from Council</b>	<b>9</b>	<b>1,301</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	619	534
Less: capital grants and contributions (excluding developer contributions)	(1)	(192)
<b>Surplus for dividend calculation purposes</b>	<b>618</b>	<b>342</b>
<b>Potential dividend calculated from surplus</b>	<b>309</b>	<b>171</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	958	1,257
Investments	12,673	10,824
Receivables	1,371	1,436
Inventories	202	203
<b>Total current assets</b>	<b>15,204</b>	<b>13,720</b>
<b>Non-current assets</b>		
Investments	936	1,939
Infrastructure, property, plant and equipment	78,870	76,328
Intangible assets	3	3
<b>Total non-current assets</b>	<b>79,809</b>	<b>78,270</b>
<b>TOTAL ASSETS</b>	<b>95,013</b>	<b>91,990</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,271	323
Income received in advance	–	185
Borrowings	294	477
<b>Total current liabilities</b>	<b>1,565</b>	<b>985</b>
<b>Non-current liabilities</b>		
Borrowings	1,458	1,753
<b>Total non-current liabilities</b>	<b>1,458</b>	<b>1,753</b>
<b>TOTAL LIABILITIES</b>	<b>3,023</b>	<b>2,738</b>
<b>NET ASSETS</b>	<b>91,990</b>	<b>89,252</b>
<b>EQUITY</b>		
Accumulated surplus	58,755	57,137
Revaluation reserves	33,235	32,115
<b>TOTAL EQUITY</b>	<b>91,990</b>	<b>89,252</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	830	1,015
Investments	10,979	8,741
Receivables	379	366
Inventories	20	20
<b>Total current assets</b>	<b>12,208</b>	<b>10,142</b>
<b>Non-current assets</b>		
Investments	811	1,566
Infrastructure, property, plant and equipment	89,766	89,161
<b>Total non-current assets</b>	<b>90,577</b>	<b>90,727</b>
<b>TOTAL ASSETS</b>	<b>102,785</b>	<b>100,869</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	159	247
Borrowings	313	398
<b>Total current liabilities</b>	<b>472</b>	<b>645</b>
<b>Non-current liabilities</b>		
Borrowings	7,831	8,141
<b>Total non-current liabilities</b>	<b>7,831</b>	<b>8,141</b>
<b>TOTAL LIABILITIES</b>	<b>8,303</b>	<b>8,786</b>
<b><u>NET ASSETS</u></b>	<b><u>94,482</u></b>	<b><u>92,083</u></b>
<b>EQUITY</b>		
Accumulated surplus	50,375	49,029
Revaluation reserves	44,107	43,054
<b><u>TOTAL EQUITY</u></b>	<b><u>94,482</u></b>	<b><u>92,083</u></b>

## Mid-Western Regional Council

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

##### a. Mid-Western Regional Council Water Supply

Comprising the activities and net assets of the water supply operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

##### b. Mid-Western Regional Council Waste Water Services

Comprising the activities and net assets of the sewerage reticulation and treatment operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$629,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

#### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting 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.

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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

#### (ii) Subsidies

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

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

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

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

The rate of return is calculated as follows:

#### **Operating result before capital income + interest expense**

#### **Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

#### (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.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Mid-Western Regional Council**

To the Councillors of the Mid-Western Regional Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Mid-Western Regional Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of each Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2019, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

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

### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

# Mid-Western Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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**Special Schedules**

for the year ended 30 June 2019

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## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	18,495	17,907
Plus or minus adjustments <sup>2</sup>	b	8,508	170
<b>Notional general income</b>	c = a + b	<b>27,003</b>	<b>18,077</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	729	416
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>27,732</b>	<b>18,493</b>
Less valuation objections claimed in the previous year	m	(2)	—
<b>Sub-total</b>	n = (l + m)	<b>(2)</b>	<b>—</b>
<b>Total permissible income</b>	o = k + n	<b>27,730</b>	<b>18,493</b>
Less notional general income yield	p	27,731	18,495
<b>Catch-up or (excess) result</b>	q = o - p	<b>(1)</b>	<b>(2)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	1	2
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>—</b>	<b>—</b>

**Notes**

- (1) 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.
- (2) 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.
- (4) 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.
- (6) 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 Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Mid-Western Regional Council**

To the Councillors of Mid-Western Regional Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Mid-Western Regional Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
<b>Buildings</b>	Art Gallery	-	-	-	-	449	449	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
	Councils Offices / Admin Centres	146	146	269	316	8,104	12,081	4.4%	1.1%	90.5%	4.0%	0.0%	0.0%
	Councils Works Depot	31	31	70	63	11,889	15,645	1.4%	0.0%	97.9%	0.7%	0.0%	0.0%
	Council Halls	436	436	69	62	7,535	13,771	0.0%	0.0%	89.5%	10.6%	0.0%	0.0%
	Council Houses	8	8	35	17	3,031	4,484	5.9%	1.6%	91.8%	0.6%	0.0%	0.0%
	Museum	-	-	-	-	793	846	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
	Library	-	-	64	74	4,885	7,500	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
	Childcare Centre(s)	-	-	7	3	2,223	2,821	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
	Amenities/Toilets	174	174	254	307	22,662	28,782	0.0%	0.0%	98.3%	1.2%	0.5%	0.0%
	Rural Fire Service	12	12	-	-	2,912	3,662	0.0%	0.0%	98.9%	1.1%	0.0%	0.0%
	<b>Sub-total</b>	<b>807</b>	<b>807</b>	<b>768</b>	<b>842</b>	<b>64,483</b>	<b>90,041</b>	<b>1.1%</b>	<b>0.7%</b>	<b>95.3%</b>	<b>2.7%</b>	<b>0.2%</b>	<b>0.0%</b>
<b>Other structures</b>	Other	148	147	653	707	8,363	11,406	38.9%	27.2%	30.2%	2.6%	1.0%	1.0%
	<b>Sub-total</b>	<b>148</b>	<b>147</b>	<b>653</b>	<b>707</b>	<b>8,363</b>	<b>11,406</b>	<b>38.9%</b>	<b>27.2%</b>	<b>30.2%</b>	<b>2.6%</b>	<b>1.1%</b>	<b>1.1%</b>
<b>Roads</b>	Sealed roads	10,191	10,191	1,071	1,205	106,856	164,344	18.9%	32.2%	31.5%	14.9%	2.4%	2.4%
	Unsealed roads	5,523	5,523	1,531	1,695	22,476	67,256	24.0%	21.0%	16.0%	20.0%	19.0%	19.0%
	Bridges	406	406	47	55	33,433	59,170	7.4%	28.1%	61.8%	2.7%	0.0%	0.0%
	Footpaths and Cycleways	165	165	58	60	5,492	9,445	38.2%	27.2%	24.9%	9.7%	0.1%	0.1%
	Kerb and Gutter	3,685	3,685	12	12	9,358	19,914	23.6%	22.9%	7.9%	43.4%	2.3%	2.3%
	Bulk earthworks	-	-	-	-	285,024	285,024	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
	Parking Areas	33	33	1	1	1,078	1,721	52.7%	22.1%	20.8%	2.1%	2.4%	2.4%
	Culverts and Causeways	387	387	158	96	5,820	11,185	18.3%	17.0%	35.3%	20.7%	8.7%	8.7%
	RMS Regional Roads	12,134	12,134	535	524	86,801	114,535	20.9%	27.7%	20.7%	24.7%	6.0%	6.0%
	Regional Bridges	452	452	38	41	24,568	46,708	5.8%	20.8%	73.2%	0.4%	(0.3%)	(0.3%)
	<b>Sub-total</b>	<b>32,976</b>	<b>32,976</b>	<b>3,451</b>	<b>3,689</b>	<b>580,906</b>	<b>779,302</b>	<b>11.5%</b>	<b>53.8%</b>	<b>21.2%</b>	<b>10.3%</b>	<b>3.2%</b>	<b>3.2%</b>

(a) Report on Infrastructure Assets - Values

Report on Infrastructure Assets (continued)  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring assets agreed level of service set by Council					1	2	3	4	5	
<b>Water supply network</b>	Dams and Weirs	392	392	—	—	8,524	12,620	2.5%	84.8%	2.4%	10.4%	0.0%	0.0%
	Reservoirs	329	329	65	61	10,157	15,777	37.2%	34.5%	21.4%	6.9%	0.0%	0.0%
	Pumping Stations	145	145	53	51	3,611	5,576	12.1%	57.9%	21.1%	8.9%	0.0%	0.0%
	Treatment	1,005	1,005	589	623	13,865	23,486	14.7%	43.7%	27.6%	13.9%	0.2%	0.0%
	Bores	60	60	89	83	739	1,136	0.0%	46.4%	36.0%	17.6%	0.0%	0.0%
	Reticulation Mains	4,145	4,145	655	630	21,408	37,486	27.7%	17.9%	29.6%	6.8%	18.1%	0.0%
	Mains Delivery	730	730	—	—	13,350	18,636	30.1%	45.3%	11.5%	13.1%	0.0%	0.0%
<b>Sub-total</b>		<b>6,806</b>	<b>6,806</b>	<b>1,451</b>	<b>1,448</b>	<b>71,654</b>	<b>114,717</b>	<b>22.9%</b>	<b>39.5%</b>	<b>21.8%</b>	<b>9.9%</b>	<b>5.9%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Pump Stations	57	57	125	134	5,760	8,832	47.7%	15.6%	34.6%	2.1%	0.0%	0.0%
	Treatment	86	86	517	534	20,652	29,409	43.1%	38.3%	17.6%	1.0%	0.0%	0.0%
	Reticulation Mains	997	997	323	381	57,048	73,042	39.0%	14.8%	32.8%	13.3%	0.1%	0.0%
	Rising Mains	42	77	—	—	2,618	3,247	71.6%	7.5%	12.9%	7.9%	0.0%	0.0%
	<b>Sub-total</b>	<b>1,182</b>	<b>1,217</b>	<b>965</b>	<b>1,049</b>	<b>86,078</b>	<b>114,530</b>	<b>41.6%</b>	<b>20.7%</b>	<b>28.5%</b>	<b>9.1%</b>	<b>0.1%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	118	118	347	404	18,115	28,808	26.8%	1.5%	69.9%	1.0%	0.8%	0.0%
	<b>Sub-total</b>	<b>118</b>	<b>118</b>	<b>347</b>	<b>404</b>	<b>18,115</b>	<b>28,808</b>	<b>26.8%</b>	<b>1.5%</b>	<b>69.9%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	92	92	535	418	4,255	9,652	27.8%	26.8%	42.3%	3.2%	0.0%	0.0%
	Open Space and Recreational Assets	377	377	1,821	2,003	11,991	16,111	44.6%	24.9%	22.5%	7.8%	0.4%	0.0%
	<b>Sub-total</b>	<b>469</b>	<b>469</b>	<b>2,356</b>	<b>2,421</b>	<b>16,246</b>	<b>25,763</b>	<b>38.3%</b>	<b>25.6%</b>	<b>29.9%</b>	<b>6.0%</b>	<b>0.2%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>42,506</b>	<b>42,540</b>	<b>9,991</b>	<b>10,560</b>	<b>845,845</b>	<b>1,164,567</b>	<b>16.0%</b>	<b>42.9%</b>	<b>29.2%</b>	<b>9.1%</b>	<b>2.8%</b>	<b>0.0%</b>

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

Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>21,404</b>	<b>175.40%</b>	156.22%	–	>=100.00%
Depreciation, amortisation and impairment	<b>12,203</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>42,506</b>	<b>7.58%</b>	6.70%	–	<2.00%
Net carrying amount of infrastructure assets	<b>560,821</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>10,560</b>	<b>105.70%</b>	100.70%	–	>100.00%
Required asset maintenance	<b>9,991</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>42,540</b>	<b>3.65%</b>	3.21%	–	
Gross replacement cost	<b>1,164,567</b>				

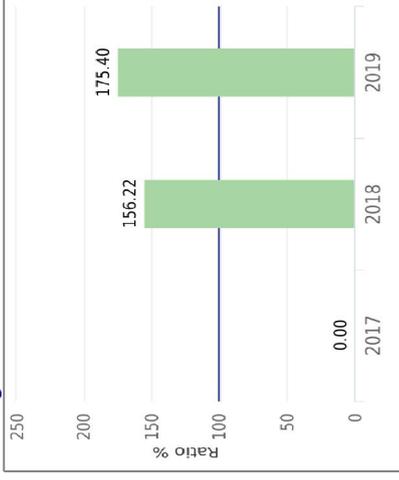
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)  
as at 30 June 2019

**Buildings and infrastructure renewals ratio**



Benchmark: — >= 100.00%

Ratio achieves benchmark

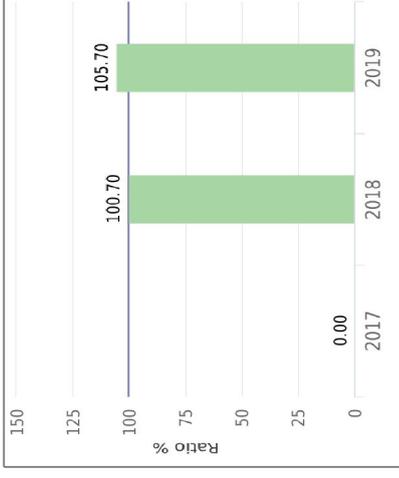
**Buildings and infrastructure renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on result**  
18/19 ratio 175.40%

The renewals ratio has improved significantly in 2019, and is now exceeding the required benchmark. This result indicates that the Council is adequately renewing its existing assets. This year we capitalised Wollar Road Reconstruction Project, which resulted in a significant impact on the ratio.

**Asset maintenance ratio**



Benchmark: — > 100.00%

Ratio achieves benchmark

**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

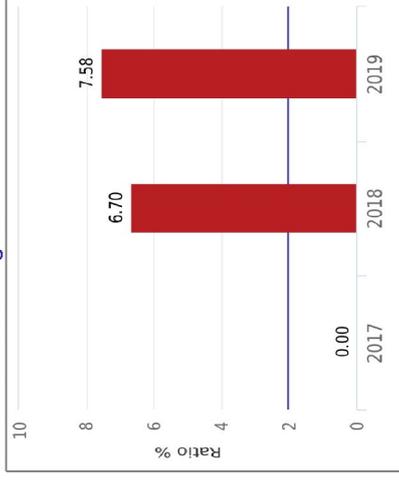
**Commentary on result**  
18/19 ratio 105.70%

Council's current asset maintenance ratio is 105.70% which is above the industry benchmark of greater than 100%. Council's maintenance ratio has increased slightly from the prior year and indicates that council has invested further in maintenance.

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

**Infrastructure backlog ratio**



Benchmark: — < 2.00%

Ratio achieves benchmark

**Infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on result**  
18/19 ratio 7.58%

Condition assessment is the main factor that results in changes in this ratio. The backlog amount increased for Building, Water Assets, and Roads while decreased for the remaining infrastructure groups. Council is currently renewing the existing assets at higher than 150%, which will eventually reduce the backlog ratio.

**Cost to bring assets to agreed service level**



Ratio achieves benchmark

Ratio is outside benchmark

**Cost to bring assets to agreed service level**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on result**  
18/19 ratio 3.65%

This ratio has increased slightly in 2019. The Council is adequately renewing its existing assets, which will eventually reduce this ratio.

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Report on Infrastructure Assets (continued)  
as at 30 June 2019

	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>\$ '000</b>							
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>	<b>227.41%</b>	185.69%	<b>29.89%</b>	49.18%	<b>48.39%</b>	88.75%	>=100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>5.02%</b>	4.63%	<b>9.50%</b>	3.89%	<b>1.37%</b>	3.20%	<2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	<b>106.44%</b>	97.80%	<b>99.79%</b>	104.51%	<b>108.70%</b>	117.01%	>100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>3.69%</b>	3.40%	<b>5.93%</b>	2.47%	<b>1.06%</b>	2.44%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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