



# 2019

MID-WESTERN REGIONAL COUNCIL  
**COUNCIL BUSINESS PAPERS**

EXTRAORDINARY MEETING  
**THURSDAY 29 AUGUST 2019**



*A prosperous and progressive community  
we proudly call home*





PO BOX 156  
MUDGEE NSW 2850

86 Market Street MUDGEE  
109 Herbert Street GULGONG  
77 Louee Street RYLSTONE

Ph: 1300 765 002 or (02) 6378 2850  
Fax: (02) 6378 2815  
Email: [council@midwestern.nsw.gov.au](mailto:council@midwestern.nsw.gov.au)

22 August 2019

Dear Councillor,

MEETING NOTICE  
**Extraordinary Meeting**  
29 AUGUST 2019  
Public Forum at 12:00PM  
*Council Meeting commencing at conclusion of Public Forum*

---

Notice is hereby given that the above meeting of Mid-Western Regional Council will be held in the Council Chambers, 86 Market Street, Mudgee at the time and date indicated above to deal with the business as listed on the Meeting Agenda.

Members of the public may speak at the Public Forum, which is held at 12:00PM immediately preceding the Council Meeting. Speakers are given five minutes to address items that are included in the agenda.

If you wish to register to speak at the Public Forum please contact the Acting General Manager's Office on 1300 765 002 or 02 6378 2850 by 4.00 pm on the day before the meeting for approval.

Yours faithfully

A handwritten signature in black ink that reads "Simon Jones".

SIMON JONES  
ACTING GENERAL MANAGER





## AGENDA

|         |   |     |
|---------|---|-----|
| Item 1: | Apologies .....   | 7   |
| Item 2: | Disclosure of Interest .....  | 7   |
| Item 3: | Confirmation of Minutes .....   | 7   |
|         | 3.1 Minutes of Ordinary Meeting held on 21 August 2019 .....  | 7   |
| Item 4: | Notices of Motion or Rescission .....   | 8   |
|         | 4.1 Council's representative on the Crudine Ridge Wind Farm Community<br>Consultative Committee ..... | 8   |
| Item 5: | Finance .....   | 9   |
|         | 5.1 Draft Financial Statements 2018/19 .....  | 9   |
|         | 5.2 Quarterly Budget Review June 2019 .....   | 112 |
| Item 6: | Urgent Business Without Notice .....  | 171 |



Item 1: Apologies

Item 2: Disclosure of Interest

In accordance with Section 451 of the Local Government Act 1993, Councillors should declare an interest in any item on this Agenda. If an interest is declared, Councillors should leave the Chambers prior to the commencement of discussion of the item.

Item 3: Confirmation of Minutes

**3.1 Minutes of Ordinary Meeting held on 21 August 2019**

Council Decision:

That the Minutes of the Ordinary Meeting held on 21 August 2019 be taken as read and confirmed.

---

The Minutes of the Ordinary Meeting are separately attached.

## Item 4: Notices of Motion or Rescission

---

### 4.1 Council's representative on the Crudine Ridge Wind Farm Community Consultative Committee

NOTICE OF MOTION LISTED BY CR ALEX KARAVAS  
TO 29 AUGUST 2019 EXTRAORDINARY MEETING  
GOV400067, A0420255

#### MOTION

##### That Council:

1. **accept Councillor Karavas' resignation as Mid-Western Regional Council's representative of the Crudine Ridge Wind Farm community consultative committee; and**
2. **appoint Councillor \_\_\_\_\_ as Mid-Western Regional Council's representative to the Crudine Ridge Wind Farm community consultative committee until the end of the current Council term.**

---

#### Background

Due to employment commitments, I can no longer make the time to attend the Crudine Ridge Wind Farm community consultative committee meetings.

I was appointed as Council's representative on 28 September 2016 and would like to thank the Council for the opportunity to have been a part of the committee.

#### Officer's comments

Having a representative on external committees has current relevance and is effective for the region. It is recommended that the Councillor representative on this external committee be appointed for the rest of this term of Council, which is until the end of August 2020. There is currently one Councillor position on this committee and there is no elected alternate delegate.

The attendance by a Councillor at an external committee may incur a travel cost to Council, provision for which is included in the budget and is subject to the relevant policy.



## Item 5: Finance

---

### 5.1 Draft Financial Statements 2018/19

REPORT BY THE CHIEF FINANCIAL OFFICER  
TO 29 AUGUST 2019 EXTRAORDINARY MEETING  
GOV400066, FIN300135

#### RECOMMENDATION

##### That Council:

1. receive the report by the Chief Financial Officer on the Draft Financial Statements 2018/19;
2. resolves that in its opinion the General Purpose Financial Statements and Special Purpose Financial Statements for the year ended 30 June 2019:
  - 2.1 have been drawn up in accordance with the provisions of the Local Government Act 1993, the Local Government (General) Regulation 2005, the Australian Accounting Standards, and the Local Government Code of Accounting Practice and Financial Reporting;
  - 2.2 present fairly the Council's financial position and operating result for the year;
  - 2.3 accord with the Council's accounting and other records; and
  - 2.4 do not contain any known matter that would make the financial statements false or misleading in any way
3. authorise the Mayor, Deputy Mayor, General Manager and Responsible Accounting Officer to sign the Statement by Councillors and Management on its opinion of the General Purpose Financial Report 2018/19 and Special Purpose Financial Report 2018/19;
4. authorise the General Manager to issue the 2018/19 Financial Reports immediately upon receipt of the Auditors Report, subject to there being no material audit adjustments or audit issues; and
5. authorise the General Manager to finalise the date at which the Auditors Report and Financial Statements for 2018/19 are to be presented to the public.

---

#### Executive summary

Council is required to prepare financial reports for each year and refer them to audit as soon as practicable. The preparation and audit of financial reports must be completed within four months after the end of the financial year.

## Disclosure of Interest

Nil.

## Detailed report

The attached draft financial reports have been prepared in accordance with the legislated requirements included in this report.

The attached draft financial statements are not available to the public until after Council's auditor has provided an independent audit report. It is recommended that Council authorise the General Manager to issue the financial reports immediately upon receipt of the auditors' report, subject to there being no material audit changes or audit issues.

It is recommended that Council authorise the General Manager to finalise the date at which the auditors' report and financial statements are to be presented to the public. It is anticipated that this presentation will occur at the Council meeting of 20 November 2019.

## Community Plan implications

| Theme    | Good Governance  |
|----------|--|
| Goal     | An effective and efficient organisation                        |
| Strategy | Prudently manage risks association with all Council activities |

## Strategic implications

### Council Strategies

Not applicable.

### Council Policies

Not applicable.

### Legislation

Section 413 of the Local Government Act 1993 requires that:

1. A council must prepare financial reports for each year, and must refer them for audit as soon as practicable (having regard to the requirements of section 416 (1)) after the end of that year.
2. Council's financial reports must include the following:
  - a) a general purpose financial report, and
  - b) any other matters prescribed by the regulations, and
  - c) a statement in the approved form by the council as to its opinion on the general purpose financial report.
3. The general purpose financial report must be prepared in accordance with this Act and the regulations and the requirements of:
  - a) the publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and
  - b) such other standards as may be prescribed by the regulations

Section 416 of the Local Government Act 1993 requires that:

1. A council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year.

Council's financial reports must be prepared in accordance with the requirements of:

- a) the Australian Accounting Standards and professional pronouncements; and
- b) the Local Government Code of Accounting Practice and Financial Reporting; and
- c) the Local Government Act 1993 and the Regulations.

Section 215(1) of the Local Government (General) Regulation 2005 requires that the statement by Council as to its opinion on the financial reports must be made by resolution of the Council and be signed by the Mayor, at least one other member of Council, the General Manager and the Responsible Accounting Officer. The statement must indicate:

- a) whether or not Council's annual financial reports have been drawn up in accordance with the required Standards and Regulations;
- b) whether or not those reports present fairly Council's financial position and operating result for the year;
- c) whether or not those reports accord with the Council's accounting and other records;
- d) whether or not the signatories know of anything that would make those reports false or misleading in any way; and
- e) include such information and explanations as will prevent those reports from being misleading because of any qualification that is included in the statement.

## Financial implications

The cost of auditing the Financial Statements is already included in the Operational Plan; no budgetary changes are anticipated at this stage.

## Associated Risks

There is a risk of material misstatement in the Financial Reports, which is mitigated by the following:

- Completion by qualified professionals;
- Fraud controls;
- Financial compliance procedures; and
- External audit.

Should a material change be required before the audit report is issued, the Financial Statements will be required to come back to Council for confirmation.

LEONIE JOHNSON  
CHIEF FINANCIAL OFFICER

26 June 2019

*Attachments:* 1. General Purpose Financial Statements - 2019 - Draft.  
2. Special Purpose Financial Statements - 2019 - Draft.

APPROVED FOR SUBMISSION:

SIMON JONES  
ACTING GENERAL MANAGER

DRAFT

## Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

---





## Mid-Western Regional Council

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

---

| Contents   | Page      |
|--|-----------|
| <b>1. Understanding Council's Financial Statements</b> | <b>3</b>  |
| <b>2. Statement by Councillors &amp; Management</b>    | <b>4</b>  |
| <b>3. Primary Financial Statements:</b>                |           |
| Income Statement                                       | 5         |
| Statement of Comprehensive Income                      | 6         |
| Statement of Financial Position                        | 7         |
| Statement of Changes in Equity                         | 8         |
| Statement of Cash Flows                                | 9         |
| <b>4. Notes to the Financial Statements</b>            | <b>10</b> |
| <b>5. Independent Auditor's Reports:</b>               |           |
| On the Financial Statements (Sect 417 [2])             | 90        |
| On the Financial Statements (Sect 417 [3])             | 91        |

---

#### 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

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

---

#### 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

Financial Statements 2019

### General Purpose Financial Statements

for the year ended 30 June 2019

---

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.

---

Des Kennedy  
Mayor  
29 August 2019

---

Sam Paine  
Deputy Mayor  
29 August 2019

---

Simon Jones  
Acting General Manager  
29 August 2019

---

Leonie Johnson  
Chief Financial Officer  
29 August 2019





Mid-Western Regional Council

Financial Statements 2019

Statement of Comprehensive Income  
 for the year ended 30 June 2019

| \$ '000   | Notes | 2019           | 2018 <sup>1</sup> |
|---|-------|----------------|-------------------|
| <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(a)  | 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               |
| Other movements   |       | (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            |

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## Mid-Western Regional Council

Financial Statements 2019

## Statement of Financial Position

as at 30 June 2019

| \$ '000                                       | Notes | 2019             | 2018 <sup>1</sup> |
|---|-------|------------------|-------------------|
| <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(a)  | 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>    |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

| \$ '000  | 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        |
| <b>Restated opening balance</b>                                |       | <b>405,443</b>      | <b>575,625</b>            | <b>209</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(a)  | –                   | 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                                 |       | 3,980               | (3,771)                   | (209)                      | –                | 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> |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## Mid-Western Regional Council

Financial Statements 2019

## Statement of Cash Flows

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019     | \$ '000 | Notes | Actual<br>2019 | Actual<br>2018 |
|---|---------|-------|----------------|----------------|
| <b>Cash flows from operating activities</b> |         |       |                |                |
| <b>Receipts</b>                             |         |       |                |                |
| 30,636                                      |         |       | 31,197         | 29,773         |
| 15,021                                      |         |       | 14,767         | 18,301         |
| 1,897                                       |         |       | 1,779          | 1,491          |
| 32,111                                      |         |       | 30,883         | 32,568         |
| –   |         |       | 467            | 279            |
| 2,516                                       |         |       | 6,505          | 7,239          |
| <b>Payments</b>                             |         |       |                |                |
| (24,467)                                    |         |       | (23,492)       | (22,540)       |
| (15,351)                                    |         |       | (16,926)       | (18,326)       |
| (936)                                       |         |       | (919)          | (1,033)        |
| –   |         |       | (400)          | (247)          |
| (6,880)                                     |         |       | (8,181)        | (7,176)        |
| 34,547                                      |         | 15b   | 35,680         | 40,329         |
| <b>Cash flows from investing activities</b> |         |       |                |                |
| <b>Receipts</b>                             |         |       |                |                |
| 15,102                                      |         |       | 63,200         | 74,000         |
| 910   |         |       | –              | –              |
| 1,193                                       |         |       | 2,054          | 1,810          |
| 13  |         |       | –              | –              |
| <b>Payments</b>                             |         |       |                |                |
| –   |         |       | (69,560)       | (77,100)       |
| –   |         |       | (6,272)        | –              |
| (51,199)                                    |         |       | (24,768)       | (33,985)       |
| –   |         |       | (5)            | –              |
| (33,981)                                    |         |       | (35,351)       | (35,275)       |
| <b>Cash flows from financing activities</b> |         |       |                |                |
| <b>Payments</b>                             |         |       |                |                |
| (1,692)                                     |         |       | (1,689)        | (1,589)        |
| (1,692)                                     |         |       | (1,689)        | (1,589)        |
| (1,126)                                     |         |       | (1,360)        | 3,465          |
| –   |         | 15a   | 6,481          | 3,016          |
| (1,126)                                     |         | 15a   | 5,121          | 6,481          |
| Additional Information:                     |         |       |                |                |
| –   |         | 6(b)  | 72,727         | 65,824         |
| (1,126)                                     |         |       | 77,848         | 72,305         |

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



Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

| Note  | Details   | Page |
|---|---|------|
| 1   | Basis of preparation  | 11   |
| 2(a)  | Council functions/activities – financial information  | 15   |
| 2(b)  | Council functions/activities – component descriptions   | 16   |
| 3   | Income from continuing operations   | 17   |
| 4   | Expenses from continuing operations   | 23   |
| 5   | Gains or losses from the disposal, replacement and de-recognition of assets   | 27   |
| 6(a)  | Cash and cash equivalent assets   | 28   |
| 6(b)  | Investments   | 28   |
| 6(c)  | Restricted cash, cash equivalents and investments – details   | 31   |
| 7   | Receivables   | 32   |
| 8   | Inventories and other assets  | 34   |
| 9(a)  | Infrastructure, property, plant and equipment   | 36   |
| 9(b)  | Externally restricted infrastructure, property, plant and equipment   | 41   |
| 10  | Investment property   | 42   |
| 11  | Intangible assets   | 43   |
| 12  | Payables and borrowings   | 43   |
| 13  | Provisions  | 46   |
| 14  | Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 50   |
| 15  | Statement of cash flows – additional information  | 53   |
| 16  | Interests in other entities   | 53   |
| 17  | Commitments   | 56   |
| 18  | Contingencies and other assets/liabilities not recognised   | 57   |
| 19  | Financial risk management   | 60   |
| 20  | Material budget variations  | 64   |
| 21  | Fair Value Measurement  | 64   |
| 22  | Related Party Transactions  | 77   |
| 23  | Events occurring after the reporting date   | 79   |
| 24  | Statement of developer contributions  | 79   |
| 25  | Financial result and financial position by fund   | 82   |
| 26(a)   | Statement of performance measures – consolidated results  | 83   |
| 26(b)   | Statement of performance measures – by fund   | 85   |
| <b>Additional Council Disclosures (unaudited)</b> |   |      |
| 26(c)   | Statement of performance measures – consolidated results (graphs)   | 86   |
| 27  | Financial review  | 88   |
| 28  | Council information and contact details   | 89   |

## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 1. Basis of preparation

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 21 – 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 15.

##### (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 10
- (ii) estimated tip remediation provisions – refer Note 14
- (iii) employee benefit provisions – refer Note 14.

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

- (i) Impairment of receivables

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 11 of 91

## Mid-Western Regional Council

Financial Statements 2019

### 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

##### New accounting standards and interpretations issued but 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.

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

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.

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 18 (c).

Of these commitments, approximately \$702,000 relate to short-term 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 \$702,000, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$702,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$702,000 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 be approximately \$1,004,643 and there won't be any material impact 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.

Councils should 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.

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 13 of 91

## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

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

- \$1.88million 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.

## Mid-Western Regional Council

Financial Statements 2019

## 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).

| \$ '000                               | Income from continuing operations |               | Expenses from continuing operations |               | Operating result from continuing operations |               | Grants included in income from continuing operations |               | Total assets held (current and non-current) |                  |
|---------------------------------------|-----------------------------------|---------------|-------------------------------------|---------------|---|---------------|--|---------------|---|------------------|
|                                       | 2019                              | 2018          | 2019                                | 2018          | 2019  | 2018          | 2019   | 2018          | 2019  | 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                                      | 84,200           |
| Protecting our natural environment    | 19,531                            | 18,119        | 20,582                              | 18,506        | (1,051)                                     | (387)         | 1,373  | 981           | 200,453                                     | 195,976          |
| Building a strong local economy       | 1,369                             | 1,169         | 1,921                               | 1,852         | (552)                                       | (683)         | 293  | 78            | 18,323                                      | 17,290           |
| Connecting the region                 | 23,726                            | 28,101        | 19,152                              | 22,209        | 4,574                                       | 5,892         | 10,209   | 13,170        | 600,872                                     | 592,924          |
| Good government                       | 33,174                            | 31,033        | 10,041                              | 9,993         | 23,133                                      | 21,040        | 4,136  | 3,928         | 130,134                                     | 121,173          |
| <b>Total functions and activities</b> | <b>84,120</b>                     | <b>81,944</b> | <b>65,052</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>                            | <b>1,011,563</b> |



## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

---

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

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.



## Mid-Western Regional Council

Financial Statements 2019

## 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>TOTAL RATES AND ANNUAL CHARGES</b>                                 | <b>31,043</b> | <b>29,196</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.

Mid-Western Regional Council

Financial Statements 2019

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   | 55            | 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            |
| Childrens 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>7,800</b>  | <b>11,261</b> |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>14,960</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)**

|  |              |              |
|--|--------------|--------------|
| <b>Interest on financial assets measured at amortised cost</b>   |              |              |
| – Overdue rates and annual charges (incl. special purpose rates) | 91           | 78           |
| – Cash and investments   | 1,734        | 1,615        |
| – Other  | 5            | –            |
| <b>Fair value adjustments</b>                                    |              |              |
| – Movements in investments at fair value through profit and loss | 543          | –            |
| <b>TOTAL INTEREST AND INVESTMENT REVENUE</b>                     | <b>2,373</b> | <b>1,693</b> |

**Interest revenue is attributable to:**

**Unrestricted investments/financial assets:**

|   |       |     |
|---|-------|-----|
| Overdue rates and annual charges (general fund) | 41    | 37  |
| General Council cash and investments            | 1,194 | 699 |

**Restricted investments/funds – external:**

Development contributions

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 18 of 91

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000                                      | 2019         | 2018         |
|--|--------------|--------------|
| – Section 7.11                               | 130          | 115          |
| – Section 64                                 | 156          | 141          |
| Water fund operations                        | 361          | 284          |
| Sewerage fund operations                     | 335          | 270          |
| Domestic waste management operations         | 156          | 147          |
| <b>Total interest and investment revenue</b> | <b>2,373</b> | <b>1,693</b> |

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## (d) Other revenues

|   |              |              |
|---|--------------|--------------|
| 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>TOTAL OTHER REVENUE</b>                              | <b>3,443</b> | <b>2,737</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.

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

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

| \$ '000  | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>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             | –               | –               |
| Transport (other roads and bridges funding)        | –                 | –                 | 5,860           | 8,460           |
| Aerodromes   | –                 | –                 | –               | 260             |
| Childrens 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>    |

| \$ '000 | Notes | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---------|-------|-------------------|-------------------|-----------------|-----------------|
|---------|-------|-------------------|-------------------|-----------------|-----------------|

(f) Contributions

continued on next page ...

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | Notes | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <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 above.

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.

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(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>Add:</b> capital grants received for the provision of goods and services in a future period | –            | –          |
| <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>Add:</b> contributions received for the provision of goods and services in a future period  | –             | –             |
| <b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate | –             | –             |
| <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.



## Mid-Western Regional Council

Financial Statements 2019

## 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  | 23            | 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)                                 | 330           | 354           |
| Protective clothing  | 126           | 90            |
| Recruitment costs  | 37            | 39            |
| Other  | 14            | 34            |
| <b>Total employee costs</b>  | <b>27,579</b> | <b>25,643</b> |
| Less: capitalised costs  | (3,430)       | (3,122)       |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>   | <b>24,149</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 19 for more information.

| \$ '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>                                      |       |            |              |
| Fair value adjustments on recognition of advances and deferred debtors |       |            |              |
| – Remediation liabilities  | 13    | 26         | 49           |
| <b>Total other borrowing costs</b>                                     |       | <b>26</b>  | <b>49</b>    |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 23 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| \$ '000                               | Notes | 2019 | 2018  |
|---------------------------------------|-------|------|-------|
| <b>TOTAL BORROWING COSTS EXPENSED</b> |       |      |       |
|                                       |       | 926  | 1,064 |

**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.

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(c) Materials and contracts

|  |               |               |
|--|---------------|---------------|
| 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>                             | 99            | 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>12,724</u> | <u>14,181</u> |
| <b>TOTAL MATERIALS AND CONTRACTS</b>                           | <u>12,724</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                   | 98        | 53        |
| <b>Remuneration for audit and other assurance services</b> | <u>98</u> | <u>53</u> |
| <b>Total Auditor-General remuneration</b>                  | <u>98</u> | <u>53</u> |

**Non NSW Auditor-General audit firms**

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 24 of 91



## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | 2019      | 2018      |
|--|-----------|-----------|
| <b>(ii) Non-assurance services</b>                               |           |           |
| Other services   | 1         | –         |
| <b>Remuneration for non-assurance services</b>                   | <b>1</b>  | <b>–</b>  |
| <b>Total remuneration of non NSW Auditor-General audit firms</b> | <b>1</b>  | <b>–</b>  |
| <b>Total Auditor remuneration</b>                                | <b>99</b> | <b>53</b> |

| \$ '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(a), 13 | 1,150         | 119           |
| – Quarry assets  | 9(a), 13 | 43            | 39            |
| Intangible assets  | 11       | 112           | 148           |
| <b>Total gross depreciation and amortisation costs</b>   |          | <b>16,425</b> | <b>15,842</b> |
| Total depreciation and amortisation costs  |          | 16,425        | 15,842        |
| <b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b> |          | <b>16,425</b> | <b>15,842</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 10 for IPPE assets and Note 12 for intangible assets.

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

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

**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.

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                                      | –            | 102          |
| – Housing plus crisis accomodation                                 | 85           | 85           |
| Electricity and heating  | 1,411        | 1,231        |
| Family day care centre   | 524          | 496          |
| Insurance  | 1,226        | 915          |
| Postage  | 122          | 116          |
| Printing and stationery  | 171          | 152          |
| Street lighting  | 483          | 408          |
| Subscriptions and publications                                     | 139          | 126          |
| Telephone and communications                                       | 344          | 355          |
| <b>Total other expenses</b>  | <b>6,848</b> | <b>6,224</b> |
| <b>TOTAL OTHER EXPENSES</b>  | <b>6,848</b> | <b>6,224</b> |

**Accounting policy for other expenses**

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

## Mid-Western Regional Council

Financial Statements 2019

## 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(a)  |                |                |
| 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(a)  |                |                |
| 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>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                         |       | <b>(3,980)</b> | <b>(5,747)</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.

Mid-Western Regional Council

Financial Statements 2019

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                        | 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          |              | 2018          |               |
|---|---------------|--------------|---------------|---------------|
|   | Current       | Non-current  | Current       | Non-current   |
| <b>Investments</b>  |               |              |               |               |
| a. 'Financial assets at fair value through profit and loss'   |               |              |               |               |
| a. 'Financial assets at fair value through profit and loss'   |               |              |               |               |
| – 'Held for trading'  | 8,127         | –            | –             | –             |
| b. 'Financial assets at amortised cost' / 'held to maturity' (2018)   | 59,600        | 5,000        | 49,700        | 10,000        |
| c. 'Loans and receivables'  | –             | –            | –             | –             |
| d. '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 and 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.

## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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).

##### 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 and 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 Statement.

##### 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 FRNs and NCDs 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.

## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

---

##### (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.

##### (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 receivables (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.



## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000                                      | 2019    |             | 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       |
|  | 72,848  | 5,000       | 62,305  | 10,000      |

| \$ '000  | 2019          | 2018          |
|--|---------------|---------------|
| <b>Details of restrictions</b>                         |               |               |
| <b>External restrictions – included in liabilities</b> |               |               |
| Trust deposits   | 1,034         | 967           |
| <b>External restrictions – included in liabilities</b> | <b>1,034</b>  | <b>967</b>    |
| <b>External restrictions – other</b>                   |               |               |
| 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> |
| <b>Total external restrictions</b>                     | <b>51,655</b> | <b>46,875</b> |
| <b>Internal restrictions</b>                           |               |               |
| 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> |
| <b>TOTAL RESTRICTIONS</b>                              | <b>68,283</b> | <b>61,691</b> |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 31 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

| \$ '000   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>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>TOTAL NET RECEIVABLES</b>                        | <b>8,606</b>    | <b>123</b>          | <b>6,435</b>    | <b>181</b>          |
| <b>Externally restricted receivables</b>            |                 |                     |                 |                     |
| <b>Water supply</b>                                 |                 |                     |                 |                     |
| – Rates and availability charges                    | 42              | –                   | 39              | –                   |
| – Other   | 1,329           | –                   | 1,397           | –                   |
| <b>Sewerage services</b>                            |                 |                     |                 |                     |
| – Rates and availability charges                    | 202             | –                   | 177             | –                   |
| – Other   | 177             | –                   | 189             | –                   |
| <b>Domestic waste management</b>                    |                 |                     |                 |                     |
| Other   | 255             | –                   | 226             | –                   |
| General fund specific purpose grants                | 58              | –                   | 2,017           | –                   |
| <b>Total external restrictions</b>                  | <b>2,063</b>    | <b>–</b>            | <b>4,045</b>    | <b>–</b>            |
| <b>Unrestricted receivables</b>                     | <b>6,543</b>    | <b>123</b>          | <b>2,390</b>    | <b>181</b>          |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>8,606</b>    | <b>123</b>          | <b>6,435</b>    | <b>181</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>69</b> | <b>101</b> |



## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

**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.

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

| \$ '000                          | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>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> | <b>1,314</b>    | <b>–</b>            | <b>1,197</b>    | <b>–</b>            |
| <b>TOTAL INVENTORIES</b>         | <b>1,314</b>    | <b>–</b>            | <b>1,197</b>    | <b>–</b>            |

**(b) Other assets**

|                           |            |          |          |          |
|---------------------------|------------|----------|----------|----------|
| Prepayments               | 146        | –        | –        | –        |
| <b>TOTAL OTHER ASSETS</b> | <b>146</b> | <b>–</b> | <b>–</b> | <b>–</b> |

**Externally restricted assets**

| \$ '000               | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|-----------------------|-----------------|---------------------|-----------------|---------------------|
| <b>Water</b>          |                 |                     |                 |                     |
| Stores and materials  | 404             | –                   | 202             | –                   |
| <b>Total water</b>    | <b>404</b>      | <b>–</b>            | <b>202</b>      | <b>–</b>            |
| <b>Sewerage</b>       |                 |                     |                 |                     |
| Stores and materials  | 40              | –                   | 20              | –                   |
| <b>Total sewerage</b> | <b>40</b>       | <b>–</b>            | <b>20</b>       | <b>–</b>            |

| \$ '000                                   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Total externally restricted assets</b> | <b>444</b>      | <b>–</b>            | <b>222</b>      | <b>–</b>            |
| <b>Total internally restricted assets</b> | <b>–</b>        | <b>–</b>            | <b>–</b>        | <b>–</b>            |
| <b>Total unrestricted assets</b>          | <b>1,016</b>    | <b>–</b>            | <b>975</b>      | <b>–</b>            |
| <b>TOTAL INVENTORIES AND OTHER ASSETS</b> | <b>1,460</b>    | <b>–</b>            | <b>1,197</b>    | <b>–</b>            |

**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.

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

DRAFT

Mid-Western Regional Council

Financial Statements 2019

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

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

| \$ '000  | as at 30/6/2018       |                          |                     | Asset movements during the reporting period |                      |                             |                      |               |                           |  | as at 30/6/2019       |                          |                     |
|--|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals                          | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | 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                | (12,937)                 | 18,778              | 3,844                                       | 931                  | (1,026)                     | (2,670)              | –             | –                         | –                                      | 33,558                | (13,701)                 | 19,857              |
| Office equipment   | 3,582                 | (3,127)                  | 455                 | 13  | 4                    | –                           | (114)                | –             | –                         | –                                      | 3,599                 | (3,241)                  | 358                 |
| Furniture and fittings   | 908                   | (643)                    | 265                 | –   | 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              | –   | 157                  | (91)                        | –                    | –             | 440                       | –                                      | 18,304                | –                        | 18,304              |
| – 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                   | (257)                    | 345                 | 15  | –                    | –                           | (14)                 | –             | (1)                       | –                                      | 617                   | (272)                    | 345                 |
| <b>Infrastructure:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Buildings – non-specialised  | 48,798                | (15,243)                 | 33,555              | 121   | 711                  | (189)                       | (511)                | 43            | (3,798)                   | –                                      | 45,614                | (15,682)                 | 29,932              |
| – Buildings – specialised  | 44,306                | (9,749)                  | 34,557              | 342   | 23                   | (58)                        | (316)                | –             | 3                         | –                                      | 44,427                | (9,876)                  | 34,551              |
| – Other structures   | 11,427                | (2,735)                  | 8,692               | 119   | 59                   | –                           | (308)                | 5             | (204)                     | –                                      | 11,406                | (3,043)                  | 8,363               |
| – Roads  | 367,085               | (146,306)                | 220,779             | 11,758                                      | 1,206                | (2,669)                     | (5,602)              | 6,918         | (1)                       | –                                      | 378,963               | (146,574)                | 232,389             |
| – Bridges  | 103,971               | (47,158)                 | 56,813              | 888   | 955                  | (157)                       | (1,100)              | 650           | (48)                      | –                                      | 105,878               | (47,877)                 | 58,001              |
| – Footpaths  | 9,151                 | (3,816)                  | 5,335               | 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                | (10,459)                 | 18,308              | 8   | –                    | –                           | (234)                | 33            | –                         | –                                      | 28,808                | (10,693)                 | 18,115              |
| – Water supply network   | 111,478               | (40,715)                 | 70,763              | 478   | 976                  | (29)                        | (1,803)              | 131           | 35                        | 1,103                                  | 114,716               | (43,062)                 | 71,654              |
| – Sewerage network   | 112,311               | (26,838)                 | 85,473              | 753   | –                    | (371)                       | (1,556)              | –             | 446                       | 1,333                                  | 114,530               | (28,452)                 | 86,078              |
| – Swimming pools   | 9,564                 | (5,174)                  | 4,390               | 76  | 11                   | –                           | (222)                | –             | 1                         | –                                      | 9,652                 | (5,396)                  | 4,256               |
| – Other open space/recreational assets                                       | 13,579                | (3,830)                  | 9,749               | 583   | 2,118                | (97)                        | (413)                | 49            | 1                         | –                                      | 16,111                | (4,121)                  | 11,990              |
| <b>Other assets:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Library books  | 1,323                 | (670)                    | 653                 | 92  | –                    | –                           | (79)                 | –             | –                         | –                                      | 1,415                 | (749)                    | 666                 |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b> |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Tip assets   | 2,641                 | (494)                    | 2,147               | –   | –                    | –                           | (1,150)              | –             | (1)                       | 2,452                                  | 5,092                 | (1,644)                  | 3,448               |
| – Quarry assets  | 422                   | (179)                    | 243                 | –   | –                    | –                           | (43)                 | –             | –                         | 93                                     | 515                   | (222)                    | 293                 |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 36 of 91

## Mid-Western Regional Council

Financial Statements 2019

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

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

| \$ '000  | as at 30/6/2018       |                          |                     | Asset movements during the reporting period |                      |                             |                      |               |                           |  | as at 30/6/2019       |                          |                     |
|--|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>(1)</sup>           | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| <b>Total Infrastructure, property, plant and equipment</b> | 1,261,429             | (330,330)                | 931,099             | 24,817                                      | 8,331                | (6,034)                     | (16,313)             | –             | (5,623)                   | 6,010                                  | 1,281,527             | (339,240)                | 942,287             |

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

| \$ '000                             | as at 30/6/2017       |                          |                     | Asset movements during the reporting period |                      |   |                             |                      |               |                           |                            |  | as at 30/6/2018                        |                       |                          |                     |
|-------------------------------------|-----------------------|--------------------------|---------------------|---|----------------------|---|-----------------------------|----------------------|---------------|---------------------------|----------------------------|--|--|-----------------------|--------------------------|---------------------|
|                                     | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>(1)</sup>           | Additions new assets | Reinstatement costs for impaired assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Other movements (rounding) | Other movements (had not commissioned) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress            | 13,128                | –                        | 13,128              | 6,958                                       | –                    | –                                       | –                           | –                    | (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                 |
| <b>Land:</b>                        |                       |                          |                     |   |                      |   |                             |                      |               |                           |                            |  |  |                       |                          |                     |
| – 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 30/6/08)   | 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                 |
| <b>Infrastructure:</b>              |                       |                          |                     |   |                      |   |                             |                      |               |                           |                            |  |  |                       |                          |                     |
| – 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            | –                         | –                          | –                                      | 9,499                                  | 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             | 10,668                                      | 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              |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 37 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

|  | as at 30/6/2017       |                          |                     | Asset movements during the reporting period |                      |   |                             |                      |               |                           |                            |  |  | as at 30/6/2018       |                          |                     |
|--|-----------------------|--------------------------|---------------------|---|----------------------|---|-----------------------------|----------------------|---------------|---------------------------|----------------------------|--|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>(1)</sup>           | Additions new assets | Reinstatement costs for impaired assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Other movements (rounding) | Other movements (had not commissioned) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| <b>\$ '000</b>   |                       |                          |                     |   |                      |   |                             |                      |               |                           |                            |  |  |                       |                          |                     |
| - 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                | (3,830)                  | 9,749               |
| <b>Other assets:</b>   |                       |                          |                     |   |                      |   |                             |                      |               |                           |                            |  |  |                       |                          |                     |
| - Library books  | 1,243                 | (593)                    | 650                 | -   | 79                   | -                                       | -                           | (77)                 | -             | -                         | 1                          | -                                      | -                                      | 1,323                 | (670)                    | 653                 |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b> |                       |                          |                     |   |                      |   |                             |                      |               |                           |                            |  |  |                       |                          |                     |
| - 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>-</b>                  | <b>5</b>                   | <b>719</b>                             | <b>34,940</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).

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(a). 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 (Dol) – 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/extension               | 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 |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 39 of 91



Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). 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  |                                      |           |
| <b>Transportation assets</b>          |           | <b>Other infrastructure assets</b>   |           |
| Sealed roads: surface                 | 10 to 20  | Bulk earthworks                      | infinite  |
| Sealed roads: structure               | 60 to 130 | Swimming pools                       | 8 to 100  |
| Unsealed roads                        | 9 to 25   | Other open space/recreational assets | 10 to 100 |
| Bridge: concrete                      | 80 to 130 | Other                                | 4 to 150  |
| Bridge: other                         | 80 to 130 |                                      |           |
| Kerb, gutter and footpaths            | 30 to 75  |                                      |           |

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.



## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(b). Externally restricted infrastructure, property, plant and equipment

| \$ '000                            | 2019                  |                                  |                     | 2018                  |                                  |                     |
|------------------------------------|-----------------------|----------------------------------|---------------------|-----------------------|----------------------------------|---------------------|
|                                    | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount |
| <b>Water supply</b>                |                       |                                  |                     |                       |                                  |                     |
| WIP                                | 1,774                 | –                                | 1,774               | 167                   | –                                | 167                 |
| Land                               |                       |                                  |                     |                       |                                  |                     |
| – Operational land                 | 4,618                 | –                                | 4,618               | 4,619                 | –                                | 4,619               |
| – Community land                   | 798                   | –                                | 798                 | 751                   | –                                | 751                 |
| Buildings                          | 32                    | 4                                | 28                  | 32                    | 4                                | 28                  |
| Infrastructure                     | 114,716               | 43,062                           | 71,654              | 111,478               | 40,715                           | 70,763              |
| <b>Total water supply</b>          | <b>121,938</b>        | <b>43,066</b>                    | <b>78,872</b>       | <b>117,047</b>        | <b>40,719</b>                    | <b>76,328</b>       |
| <b>Sewerage services</b>           |                       |                                  |                     |                       |                                  |                     |
| WIP                                | 1,339                 | –                                | 1,339               | 1,335                 | –                                | 1,335               |
| Land                               |                       |                                  |                     |                       |                                  |                     |
| – Operational land                 | 1,331                 | –                                | 1,331               | 1,331                 | –                                | 1,331               |
| – Community land                   | 894                   | –                                | 894                 | 894                   | –                                | 894                 |
| Buildings                          | 197                   | 71                               | 126                 | 197                   | 69                               | 128                 |
| Infrastructure                     | 114,530               | 28,452                           | 86,078              | 112,311               | 26,838                           | 85,473              |
| <b>Total sewerage services</b>     | <b>118,291</b>        | <b>28,523</b>                    | <b>89,768</b>       | <b>116,068</b>        | <b>26,907</b>                    | <b>89,161</b>       |
| <b>Domestic waste management</b>   |                       |                                  |                     |                       |                                  |                     |
| Land                               |                       |                                  |                     |                       |                                  |                     |
| <b>Total DWM</b>                   | <b>–</b>              | <b>–</b>                         | <b>–</b>            | <b>–</b>              | <b>–</b>                         | <b>–</b>            |
| <b>TOTAL RESTRICTED I,PP&amp;E</b> | <b>240,229</b>        | <b>71,589</b>                    | <b>168,640</b>      | <b>233,115</b>        | <b>67,626</b>                    | <b>165,489</b>      |

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

| \$ '000                                      | 2019         | 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>    |              |          |
| - Other movements                            | 6,272        | -        |
| <b>CLOSING BALANCE – INVESTMENT PROPERTY</b> | <b>6,272</b> | <b>-</b> |

(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 2018 revaluations were based on independent assessments made by:  
 APV Valuers and Asset Management.

(c) Contractual obligations at reporting date

Refer to Note 18 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>524</b> | <b>-</b> |
| plus:  |            |          |
| <b>Total income attributable to investment property</b>  | <b>524</b> | <b>-</b> |

## Mid-Western Regional Council

Financial Statements 2019

## 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>                    | <b>346</b> | <b>369</b> |
| <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>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>            | <b>239</b> | <b>346</b> |
| <b>The net book value of intangible assets represents:</b> |            |            |
| – Software   | 239        | 346        |
|  | <b>239</b> | <b>346</b> |

## 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.

## Note 12. Payables and borrowings

| \$ '000                                    | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>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>            |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 43 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

| \$ '000                              | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--------------------------------------|-----------------|---------------------|-----------------|---------------------|
| <b>Borrowings</b>                    |                 |                     |                 |                     |
| Loans – secured <sup>1</sup>         | 2,009           | 10,971              | 1,693           | 12,976              |
| <b>Total borrowings</b>              | <u>2,009</u>    | <u>10,971</u>       | <u>1,693</u>    | <u>12,976</u>       |
| <b>TOTAL PAYABLES AND BORROWINGS</b> |                 |                     |                 |                     |
|                                      | <u>8,933</u>    | <u>10,971</u>       | <u>7,910</u>    | <u>12,976</u>       |

(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 20.

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Payables and borrowings relating to restricted assets</b>     |                 |                     |                 |                     |
| <b>Externally restricted assets</b>                                  |                 |                     |                 |                     |
| Water  | 1,565           | 1,458               | 985             | 1,753               |
| Sewer  | 472             | 7,831               | 645             | 8,141               |
| Domestic waste management  | 257             | –                   | 853             | –                   |
| Trust deposits   | 1,034           | –                   | 967             | –                   |
| Payables and borrowings relating to externally restricted assets     | <u>3,328</u>    | <u>9,289</u>        | <u>3,450</u>    | <u>9,894</u>        |
| <b>Total payables and borrowings relating to restricted assets</b>   | <u>3,328</u>    | <u>9,289</u>        | <u>3,450</u>    | <u>9,894</u>        |
| <b>Total payables and borrowings relating to unrestricted assets</b> | <u>5,605</u>    | <u>1,682</u>        | <u>4,460</u>    | <u>3,082</u>        |
| <b>TOTAL PAYABLES AND BORROWINGS</b>                                 |                 |                     |                 |                     |
|  | <u>8,933</u>    | <u>10,971</u>       | <u>7,910</u>    | <u>12,976</u>       |

(b) Changes in liabilities arising from financing activities

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

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

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 44 of 91

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(c) 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> |

(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 loans and finance lease liabilities.

**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.

**Finance leases**

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Note 13. Provisions

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>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>TOTAL PROVISIONS</b>                          | <b>7,301</b>    | <b>4,987</b>        | <b>6,501</b>    | <b>2,899</b>        |

(a) Provisions relating to restricted assets

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| <b>Externally restricted assets</b>                     |              |              |              |              |
| Domestic waste management                               | 158          | 4,199        | –            | 2,266        |
| Provisions relating to externally restricted assets     | 158          | 4,199        | –            | 2,266        |
| <b>Internally restricted assets</b>                     |              |              |              |              |
| Employee leave entitlements                             | 2,795        | –            | 2,545        | –            |
| Provisions relating to internally restricted assets     | 2,795        | –            | 2,545        | –            |
| <b>Total provisions relating to restricted assets</b>   | <b>2,953</b> | <b>4,199</b> | <b>2,545</b> | <b>2,266</b> |
| <b>Total provisions relating to unrestricted assets</b> | <b>4,348</b> | <b>788</b>   | <b>3,956</b> | <b>633</b>   |
| <b>TOTAL PROVISIONS</b>                                 | <b>7,301</b> | <b>4,987</b> | <b>6,501</b> | <b>2,899</b> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(b) Current provisions not anticipated to be settled within the next twelve months

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

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

(c) Description of and movements in provisions

ELE provisions

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 46 of 91

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions (continued)

| \$ '000                               | Long service leave |            |                    | Total   |
|---------------------------------------|--------------------|------------|--------------------|---------|
|                                       | Annual leave       | Sick leave | Long service leave |         |
| <b>2019</b>                           |                    |            |                    |         |
| At beginning of year                  | 1,524              | 1,187      | 4,156              | 6,867   |
| Additional provisions                 | 1,653              | 77         | 780                | 2,510   |
| Amounts used (payments)               | (1,539)            | (44)       | (547)              | (2,130) |
| Remeasurement effects                 | 2                  | 84         | 262                | 348     |
| Total ELE provisions at end of period | 1,640              | 1,304      | 4,651              | 7,595   |
| <b>2018</b>                           |                    |            |                    |         |
| At beginning of year                  | 1,510              | 1,262      | 4,044              | 6,816   |
| Additional provisions                 | 1,557              | 2          | 691                | 2,250   |
| Amounts used (payments)               | (1,542)            | (75)       | (571)              | (2,188) |
| Remeasurement effects                 | (1)                | (2)        | (8)                | (11)    |
| Total ELE provisions at end of period | 1,524              | 1,187      | 4,156              | 6,867   |

| \$ '000                                 | Other provisions  |       |
|---|-------------------|-------|
|   | Asset remediation | Total |
| <b>2019</b>                             |                   |       |
| At beginning of year                    | 2,533             | 2,533 |
| Additional provisions                   | 2,054             | 2,054 |
| Amounts used (payments)                 | (241)             | (241) |
| Remeasurement effects                   | 322               | 322   |
| Unwinding of discount                   | 25                | 25    |
| Total other provisions at end of period | 4,693             | 4,693 |
| <b>2018</b>                             |                   |       |
| At beginning of year                    | 2,558             | 2,558 |
| – New disturbances to tip               | 7                 | 7     |
| Additional provisions                   | (41)              | (41)  |
| Amounts used (payments)                 | (30)              | (30)  |
| Remeasurement effects                   | (10)              | (10)  |
| Unwinding of discount                   | 49                | 49    |
| Total other provisions at end of period | 2,533             | 2,533 |

## 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.

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 47 of 91



## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 13. Provisions (continued)

##### 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.

###### 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

**Mid-Western Regional Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 13. Provisions (continued)**

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.

**Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

DRAFT

## Mid-Western Regional Council

Financial Statements 2019

### 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

##### (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.

###### **Fair value through other comprehensive income reserve (FVOCI)**

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

###### **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 2017. 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.

## Mid-Western Regional Council

Financial Statements 2019

## 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)

**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).

## Adjustments to the current year figures for the year ended 30 June 2019

## Statement of Financial Position

**Transition adjustments**

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

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

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 51 of 91

## Mid-Western Regional Council

Financial Statements 2019

### 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)

##### **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.

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.

#### (c) Changes in accounting estimates

##### **Nature and effect of changes in accounting estimates on current year**

Provide details of the accounting estimate change/s here and the dollar effect/s on the current year.

##### **Nature and effect of changes in accounting estimates on future years**

Provide details of the accounting estimate change/s impact/s on future years.



## Mid-Western Regional Council

Financial Statements 2019

## 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) Reconciliation of net operating result to cash provided from operating activities**

|   |               |               |
|---|---------------|---------------|
| <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> |

**(c) Non-cash investing and financing activities**

|  |              |           |
|--|--------------|-----------|
| Other dedications  | 1,049        | 66        |
| <b>Total non-cash investing and financing activities</b> | <b>1,049</b> | <b>66</b> |

**(d) Net cash flows attributable to discontinued operations**

Please refer to Note 22 for details of cash flows that relate to discontinued operations

## Note 16. Interests in other entities

**(a) Joint arrangements**

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 53 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

(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.

**Orana Water Utilities Alliance**

Contributions received for activities and projects of the Alliance: \$152,037  
 Total expenditure for 2018/19: \$122,997  
 Cash held at 30 June 2019: \$29,040

(ii) Joint operations

|   | Principal activity                 | Place of business                        | Interest in ownership |      | Interest in voting |      |
|---|------------------------------------|--|-----------------------|------|--------------------|------|
|   |                                    |  | 2019                  | 2018 | 2019               | 2018 |
| <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%                   | –    | 17%                | –    |

**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

Financial Statements 2019

## 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 |
|---------|------|------|
|---------|------|------|

**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 | – | 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.

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(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> |

**Sources for funding of capital commitments:**

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Unrestricted general funds         | 19           | 63           |
| Future grants and contributions    | 2,295        | 3,791        |
| Section 7.11 and 64 funds/reserves | 570          | –            |
| Externally restricted reserves     | 127          | 400          |
| Internally restricted reserves     | 1,158        | 537          |
| New loans (to be raised)           | 60           | –            |
| <b>Total sources of funding</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.

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments (continued)

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

## 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<br>contributions for non-180 Point Members;<br>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*

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 57 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

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.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$313,800 as at 30 June 2019.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the 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.

(iii) StateCover Limited

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

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

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.

## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

---

##### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

##### Developer Contribution Plans

Council levies Developer Contributions upon various development across the Council area through the required contribution plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

#### ASSETS NOT RECOGNISED

##### (ii) 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.



Mid-Western Regional Council

Financial Statements 2019

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<br>2019 | Carrying value<br>2018 | Fair value<br>2019 | Fair value<br>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.

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

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 its 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.

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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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)  |

## (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

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 61 of 91



Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

**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.

|                       | 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.

|                        | 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 (%) | –               | –                   | –                    | –                    | –                 | –     |
| <b>2018</b>            |                 |                     |                      |                      |                   |       |
| Gross carrying amount  | 4,035           | 1,374               | 79                   | 47                   | 303               | 5,838 |
| Expected loss rate (%) | –               | –                   | –                    | –                    | –                 | –     |

(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.

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

| \$ '000                            | Weighted average interest rate | Subject to no maturity | ≤ 1 Year     | payable in:<br>1 - 5 Years | > 5 Years     | Total cash outflows | Actual carrying values |
|------------------------------------|--------------------------------|------------------------|--------------|----------------------------|---------------|---------------------|------------------------|
| \$ '000                            | Weighted average interest rate | Subject to no maturity | ≤ 1 Year     | payable in:<br>1 - 5 Years | > 5 Years     | Total cash outflows | Actual carrying values |
| <b>2019</b>                        |                                |                        |              |                            |               |                     |                        |
| Trade/other payables               | –                              | 1,034                  | 4,840        | –                          | –             | 5,874               | 5,874                  |
| Loans and advances                 | 6%                             | –                      | 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               | –                              | 967                    | 4,300        | –                          | –             | 5,267               | 5,267                  |
| Loans and advances                 | 6%                             | –                      | 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**

Detail here any breaches to loan agreements which have occurred during the reporting year.

Mid-Western Regional Council

Financial Statements 2019

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<br>Budget | 2019<br>Actual | 2019<br>----- Variance* ----- |               |
|--|----------------|----------------|-------------------------------|---------------|
| <b>REVENUES</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   | 2,516          | 3,443          | 927                           | 37% <b>F</b>  |
| Unexpected revenue was received from insurance and legal settlements totalling \$722,000.  |                |                |                               |               |
| Net gains from disposal of assets  | 451            | -              | (451)                         | 100% <b>U</b> |
| Subdivision of land was delayed and subsequently planned sales did not occur.  |                |                |                               |               |
| <b>EXPENSES</b>  |                |                |                               |               |
| Materials and contracts  | 15,351         | 12,724         | 2,627                         | 17% <b>F</b>  |
| 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. |                |                |                               |               |
| Net losses from disposal of assets   | -              | 3,980          | (3,980)                       | ∞ <b>U</b>    |
| This variance is due to the write off of infrastructure replaced during the 2018/19. The majority relates to transport assets.   |                |                |                               |               |

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:

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

**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  | 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>   |                          |                                      |                                       |   |              |
| Investments   |                          |                                      |                                       |   |              |
| – ‘Held for trading’  | 30/06/19                 | –                                    | 8,127                                 | –                                       | 8,127        |
| – ‘Designated at fair value on initial recognition’                   |                          | –                                    | –                                     | –                                       | –            |
| – ‘Financial assets at fair value through other comprehensive income’ |                          | –                                    | –                                     | –                                       | –            |
| Other financial assets  |                          | –                                    | –                                     | –                                       | –            |
| Other (enter details here)  |                          | –                                    | –                                     | –                                       | –            |
| <b>Total financial assets</b>   |                          | –                                    | <b>8,127</b>                          | –                                       | <b>8,127</b> |
| <b>Investment property</b>  |                          |                                      |                                       |   |              |
| Buildings   | 30/06/18                 | –                                    | 3,797                                 | –                                       | 3,797        |
| Land  | 30/06/18                 | –                                    | 2,475                                 | –                                       | 2,475        |
| <b>Total investment property</b>                                      |                          | –                                    | <b>6,272</b>                          | –                                       | <b>6,272</b> |
| <b>Infrastructure, property, plant and equipment</b>                  |                          |                                      |                                       |   |              |
| Work in progress  |                          | –                                    | –                                     | 6,924                                   | 6,924        |
| Plant and equipment   | 30/06/19                 | –                                    | –                                     | 19,857                                  | 19,857       |
| Office equipment  | 30/06/16                 | –                                    | –                                     | 358                                     | 358          |
| Furniture and fittings  | 30/06/16                 | –                                    | –                                     | 231                                     | 231          |
| Operational land  | 30/06/18                 | –                                    | 41,772                                | –                                       | 41,772       |
| Community land  | 30/06/16                 | –                                    | –                                     | 18,304                                  | 18,304       |
| Land under roads  | 30/06/19                 | –                                    | –                                     | 2,634                                   | 2,634        |
| Land improvements – non-depreciable                                   |                          | –                                    | –                                     | 1,619                                   | 1,619        |
| Land improvements – depreciable                                       |                          | –                                    | –                                     | 345                                     | 345          |
| Buildings – market value/income approach                              | 30/06/18                 | –                                    | 288                                   | –                                       | 288          |
| Buildings – replacement cost  | 30/06/18                 | –                                    | –                                     | 63,746                                  | 63,746       |
| Other structures  | 30/06/16                 | –                                    | –                                     | 8,353                                   | 8,353        |
| Roads   | 30/06/15                 | –                                    | –                                     | 232,381                                 | 232,381      |
| Bridges   | 30/06/15                 | –                                    | –                                     | 58,001                                  | 58,001       |
| Footpaths   | 30/06/15                 | –                                    | –                                     | 5,492                                   | 5,492        |
| Bulk earthworks   | 30/06/15                 | –                                    | –                                     | 285,024                                 | 285,024      |
| Stormwater drainage   | 30/06/15                 | –                                    | –                                     | 18,115                                  | 18,115       |
| Water supply network  | 30/06/17                 | –                                    | –                                     | 71,654                                  | 71,654       |
| Sewerage network  | 30/06/17                 | –                                    | –                                     | 86,078                                  | 86,078       |
| Swimming pools  | 30/06/16                 | –                                    | –                                     | 4,256                                   | 4,256        |
| Other open space/recreational assets                                  | 30/06/16                 | –                                    | –                                     | 11,990                                  | 11,990       |
| Library books   | 30/06/16                 | –                                    | –                                     | 666                                     | 666          |
| Tip assets  | 30/06/19                 | –                                    | –                                     | 3,448                                   | 3,448        |
| Quarry assets   | 30/06/17                 | –                                    | –                                     | 293                                     | 293          |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 65 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

| 2019   | 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>Total infrastructure, property, plant and equipment</b> |                          |                                      |                                       |   |         |
|  |                          | –                                    | 42,060                                | 899,769                                 | 941,829 |
| <b>Total discontinued operations</b>                       |                          |                                      |                                       |   |         |
|  |                          | –                                    | –                                     | –                                       | –       |
| <b>Non-current assets classified as ‘held for sale’</b>    |                          |                                      |                                       |   |         |
| <b>Total NCA’s classified as ‘held for sale’</b>           |                          |                                      |                                       |   |         |
|  |                          | –                                    | –                                     | –                                       | –       |

| 2018   | 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>                              |                          |                                      |                                       |   |         |
| Investments  |                          |                                      |                                       |   |         |
|  |                          | –                                    | –                                     | –                                       | –       |
|  |                          | –                                    | –                                     | –                                       | –       |
|  | 30/06/18                 | –                                    | 6,124                                 | –                                       | 6,124   |
|  |                          | –                                    | –                                     | –                                       | –       |
|  |                          | –                                    | –                                     | –                                       | –       |
|  |                          | –                                    | –                                     | –                                       | –       |
|  |                          | –                                    | 6,124                                 | –                                       | 6,124   |
| <b>Investment property</b>                           |                          |                                      |                                       |   |         |
| Buildings  |                          |                                      |                                       |   |         |
|  |                          | –                                    | –                                     | –                                       | –       |
| Land   |                          |                                      |                                       |   |         |
|  |                          | –                                    | –                                     | –                                       | –       |
|  |                          | –                                    | –                                     | –                                       | –       |
|  |                          | –                                    | –                                     | –                                       | –       |
| <b>Infrastructure, property, plant and equipment</b> |                          |                                      |                                       |   |         |
|  | 30/06/18                 | –                                    | –                                     | 12,728                                  | 12,728  |
|  | 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   |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 66 of 91

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

| 2018   | 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>                   |                          |                                      |                                       |   |         |
| Quarry assets  | 30/06/14                 | –                                    | –                                     | 243                                     | 243     |
| <b>Total infrastructure, property, plant and equipment</b> |                          | –                                    | 47,303                                | 883,796                                 | 931,099 |
| <b>Total discontinued operations</b>                       |                          | –                                    | –                                     | –                                       | –       |
| <b>Non-current assets classified as 'held for sale'</b>    |                          |                                      |                                       |   |         |
| <b>Total NCA's classified as 'held for sale'</b>           |                          | –                                    | –                                     | –                                       | –       |

## (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 – Available for Sale financial assets**

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.

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 67 of 91



## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

##### **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.



## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

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
- 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.

Mid-Western Regional Council

Financial Statements 2019

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 23 4(b) | -                | -                   | -                | -                      | (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 (WDV)                                  | -                | (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 (WDV)                                  | -                | (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 ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 70 of 91

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

| \$ '000                                 | 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>    |

| \$ '000                                  |         | 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                         | <b>881,802</b>  |
| Transfers from/(to) level 2 FV hierarchy | 23 4(b) | –                       | –                          | –         | –              | –                             | <b>(43,242)</b> |
| Transfers from/(to) another asset class  |         | –                       | –                          | 1         | –              | 73                            | –               |
| Purchases (GBV)                          |         | –                       | –                          | 66        | 49             | 384                           | <b>32,796</b>   |
| Disposals (WDV)                          |         | –                       | (39)                       | (1)       | (3)            | (1)                           | <b>(7,596)</b>  |
| Depreciation and impairment              |         | (119)                   | –                          | (137)     | (235)          | (397)                         | <b>(15,655)</b> |
| FV gains – other comprehensive income    |         | 120                     | 21                         | –         | –              | –                             | <b>34,967</b>   |
| Other movement (rounding)                |         | 1                       | –                          | (1)       | –              | –                             | <b>5</b>        |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 71 of 91

Mid-Western Regional Council

Financial Statements 2019

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

Note 21. Fair Value Measurement (continued)

| \$ '000                                 | Tip reinstatement asset | Quarry reinstatement asset | Footpaths    | Swimming pools | Other open space/recreational | Total          |
|---|-------------------------|----------------------------|--------------|----------------|-------------------------------|----------------|
| Other movement (had not commissioned)   | -                       | -                          | -            | -              | -                             | 719            |
| <b>Closing balance</b>                  | <b>2,147</b>            | <b>243</b>                 | <b>5,335</b> | <b>4,390</b>   | <b>9,749</b>                  | <b>883,796</b> |
| <b>2019</b>                             |                         |                            |              |                |                               |                |
| <b>Opening balance</b>                  | <b>2,147</b>            | <b>243</b>                 | <b>5,335</b> | <b>4,390</b>   | <b>9,749</b>                  | <b>883,796</b> |
| 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>                  | <b>3,448</b>            | <b>293</b>                 | <b>5,492</b> | <b>4,256</b>   | <b>11,990</b>                 | <b>899,784</b> |

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

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 technique/s     | Unobservable inputs   |
|--|---------------------------|---|
| <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                                |

continued on next page ...

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

|                                      | Valuation technique/s             | Unobservable inputs                        |
|--------------------------------------|-----------------------------------|--|
| 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 |  |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 73 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

d. The valuation process for level 3 fair value measurements

| Class                               | Valuation processes              | Description of the process   | how (and by who) the 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 Engloba/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                       |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 74 of 91

## Mid-Western Regional Council

Financial Statements 2019

## 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.<br>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.<br>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.<br>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.<br>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   |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 75 of 91



Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

---

(4) Highest and best use

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

DRAFT

## Mid-Western Regional Council

Financial Statements 2019

## 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:

| \$ '000                  | 2019         | 2018         |
|--------------------------|--------------|--------------|
| <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> |

## (b) Other transactions with KMP and their related parties

| \$ '000   | 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 |
|---|-----|-----------------------------------|---|----------------------|--|--|
| <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.

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 77 of 91

Mid-Western Regional Council

Financial Statements 2019

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.

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 or improvement of amenities or services) infrastructure in new release areas.

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

Summary of contributions and levies

|          | as at 30/6/2018 |  |          |                         |                         |                              | as at 30/6/2019          |  |
|----------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|          | Opening Balance | Contributions received during the year |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| \$ '000  |                 | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| Drainage | 93              | 33                                     | -        | 3                       | -                       | -                            | 129                      | -  |

continued on next page ...

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions (continued)

| \$ '000  | as at 30/6/2018 |              | Contributions received during the year |                         |                         | as at 30/6/2019              |                          |  |
|--|-----------------|--------------|--|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  | Opening Balance | Cash         | Non-cash                               | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| 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>75</b>               | <b>(702)</b>            | <b>-</b>                     | <b>3,596</b>             | <b>-</b>                                     |
| <b>S7.12 levies – under a plan</b>               | <b>660</b>      | <b>95</b>    | <b>-</b>                               | <b>10</b>               | <b>-</b>                | <b>-</b>                     | <b>765</b>               | <b>-</b>                                     |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>4,547</b>    | <b>431</b>   | <b>-</b>                               | <b>85</b>               | <b>(702)</b>            | <b>-</b>                     | <b>4,361</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>286</b>              | <b>(2,633)</b>          | <b>-</b>                     | <b>15,755</b>            | <b>-</b>                                     |

## S7.11 Contributions – under a plan

## CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

|                      |              |            |          |           |              |          |              |          |
|----------------------|--------------|------------|----------|-----------|--------------|----------|--------------|----------|
| 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> |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 80 of 91

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

| \$ '000  | as at 30/6/2018 |  |          |                         |                         |                              | as at 30/6/2019          |  |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|  |                 | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| <b>S7.12 Levies – under a plan</b>                         |                 |  |          |                         |                         |                              |                          |  |
| <b>CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021</b> |                 |  |          |                         |                         |                              |                          |  |
| 94A  | 660             | 95                                     | -        | 10                      | -                       | -                            | 765                      | -  |
| Total  | 660             | 95                                     | -        | 10                      | -                       | -                            | 765                      | -  |

DRAFT

## Mid-Western Regional Council

Financial Statements 2019

## 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><br>2019 | Water<br>2019 | Sewer<br>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  | 8,258                        | 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>67,616</b>                | <b>8,968</b>  | <b>7,536</b>  |
| <b>Expenses from continuing operations</b>   |                              |               |               |
| Employee benefits and on-costs   | 21,070                       | 1,709         | 1,370         |
| Borrowing costs  | 245                          | 131           | 550           |
| Materials and contracts  | 10,521                       | 1,413         | 790           |
| Depreciation and amortisation  | 13,063                       | 1,803         | 1,559         |
| Other expenses   | 2,465                        | 2,278         | 2,105         |
| Net losses from the disposal of assets   | 3,580                        | 29            | 371           |
| <b>Total expenses from continuing operations</b>   | <b>50,944</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>  | <b>16,672</b>                | <b>1,605</b>  | <b>791</b>    |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(11)</b>                  | <b>617</b>    | <b>626</b>    |

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.

## Statement of Financial Position by fund

**ASSETS****Current assets**

|                             |               |               |               |
|-----------------------------|---------------|---------------|---------------|
| 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> |

**Non-current assets**

|   |                |               |               |
|---|----------------|---------------|---------------|
| 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> |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 82 of 91



Mid-Western Regional Council

Financial Statements 2019

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><br>2019 | Water<br>2019 | Sewer<br>2019 |
|--------------------------------------|------------------------------|---------------|---------------|
| <b>TOTAL ASSETS</b>                  | 839,037                      | 95,013        | 102,785       |
| <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>     | 14,197                       | 1,565         | 472           |
| <b>Non-current liabilities</b>       |                              |               |               |
| Borrowings                           | 1,682                        | 1,458         | 7,831         |
| Provisions                           | 4,987                        | –             | –             |
| <b>Total non-current liabilities</b> | 6,669                        | 1,458         | 7,831         |
| <b>TOTAL LIABILITIES</b>             | 20,866                       | 3,023         | 8,303         |
| <b>Net assets</b>                    | 818,171                      | 91,990        | 94,482        |
| <b>EQUITY</b>                        |                              |               |               |
| Accumulated surplus                  | 320,131                      | 58,755        | 50,375        |
| Revaluation reserves                 | 498,040                      | 33,235        | 44,107        |
| <b>Council equity interest</b>       | 818,171                      | 91,990        | 94,482        |
| <b>Total equity</b>                  | 818,171                      | 91,990        | 94,482        |

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.

Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the Local Government Act 1993)

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

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods<br>2018 | Prior periods<br>2017 | Benchmark |
|--|-----------------|-------------------|-----------------------|-----------------------|-----------|
| <b>1. Operating performance ratio</b>  |                 |                   |                       |                       |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | 4,669           | 7.10%             | 11.69%                | 9.59%                 | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 65,741          |                   |                       |                       |           |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |                       |                       |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | 50,881          | 60.88%            | 63.29%                | 55.20%                | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  | 83,577          |                   |                       |                       |           |
| <b>3. Unrestricted current ratio</b>   |                 |                   |                       |                       |           |
| Current assets less all external restrictions  | 32,070          | 4.31x             | 4.02x                 | 3.65x                 | >1.5x     |
| Current liabilities less specific purpose liabilities  | 7,438           |                   |                       |                       |           |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 83 of 91

## Mid-Western Regional Council

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods |       | Benchmark |
|--|-----------------|-------------------|---------------|-------|-----------|
|  |                 |                   | 2018          | 2017  |           |
| <b>4. Debt service cover ratio</b>   |                 |                   |               |       |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup> | 22,020          | 8.42x             | 9.36x         | 8.69x | >2x       |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                   | 2,615           |                   |               |       |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                       |                 |                   |               |       |           |
| Rates, annual and extra charges outstanding  | 1,215           | 3.81%             | 3.52%         | 3.39% | <5.00%    |
| Rates, annual and extra charges collectible  | 31,928          |                   |               |       |           |
| <b>6. Cash expense cover ratio</b>   |                 |                   |               |       |           |
| Current year's cash and cash equivalents plus all term deposits  | 69,721          | 16.21             | 15.6          | 15.9  | >3        |
| Monthly payments from cash flow of operating and financing activities                                    | 4,301           | mths              | mths          | mths  | mths      |

(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

Mid-Western Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | General Indicators <sup>3</sup> |            | Water Indicators |            | Sewer Indicators |            | Benchmark |
|--|---------------------------------|------------|------------------|------------|------------------|------------|-----------|
|  | 2019                            | 2018       | 2019             | 2018       | 2019             | 2018       |           |
| <b>1. Operating performance ratio</b>  |                                 |            |                  |            |                  |            |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | 6.80%                           | 11.41%     | 7.73%            | 14.27%     | 8.49%            | 10.80%     | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |                                 |            |                  |            |                  |            |           |
| <b>2. Own source operating revenue ratio</b>   |                                 |            |                  |            |                  |            |           |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 53.20%                          | 55.61%     | 87.29%           | 95.23%     | 97.81%           | 96.57%     | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  |                                 |            |                  |            |                  |            |           |
| <b>3. Unrestricted current ratio</b>   |                                 |            |                  |            |                  |            |           |
| Current assets less all external restrictions  | 4.31x                           | 4.02x      | 9.72x            | 8.1x       | 25.86x           | 11.38x     | >1.5x     |
| 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>             | 8.71x                           | 17.28x     | 18.86x           | 4.92x      | 4.93x            | 2.96x      | >2x       |
| 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  | 4.99%                           | 3.68%      | 0.00%            | 3.47%      | 0.00%            | 2.94%      | <5.00%    |
| Rates, annual and extra charges collectible  |                                 |            |                  |            |                  |            |           |
| <b>6. Cash expense cover ratio</b>   |                                 |            |                  |            |                  |            |           |
| Current year's cash and cash equivalents plus all term deposits  | 15.8 mths                       | 12.87 mths | ∞                | 27.52 mths | ∞                | 23.79 mths | >3 mths   |
| Payments from cash flow of operating and financing activities  |                                 |            |                  |            |                  |            |           |

Footnotes

(1) - (2) Refer to Notes at Note 28a above.

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

Mid-Western Regional Council

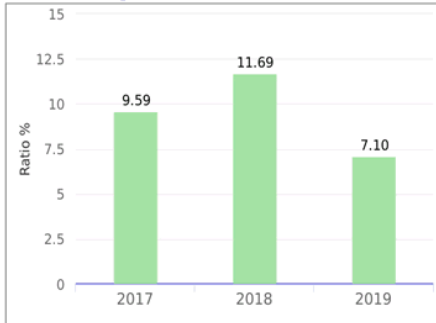
Financial Statements 2019

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%

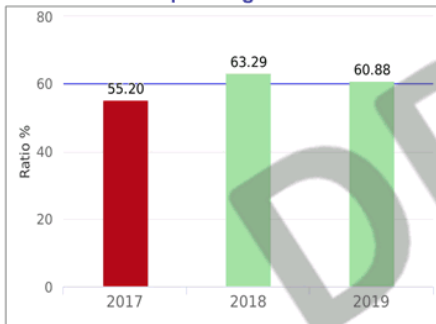
The reduction in Operating performance ratio is mainly due to decreased revenue from RMS Contract Works on State Roads.

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 60.88%

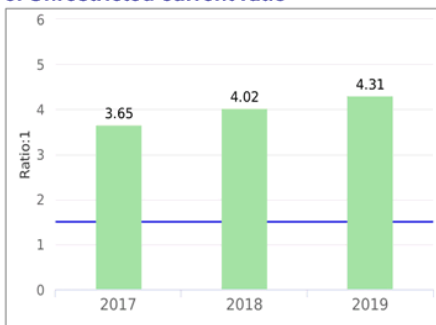
The reduction in Own source operating revenue ratio is mainly due to decreased revenue from RMS Contract Works on State Roads.

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

Benchmark: — > 1.5x

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

Ratio achieves benchmark  
Ratio is outside benchmark

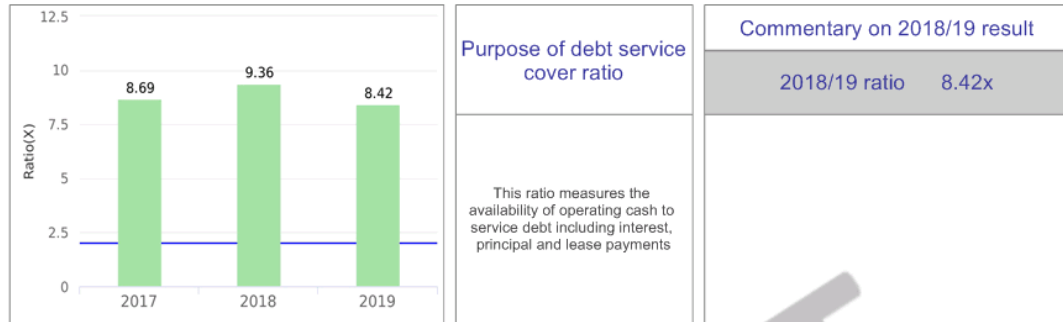
Mid-Western Regional Council

Financial Statements 2019

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

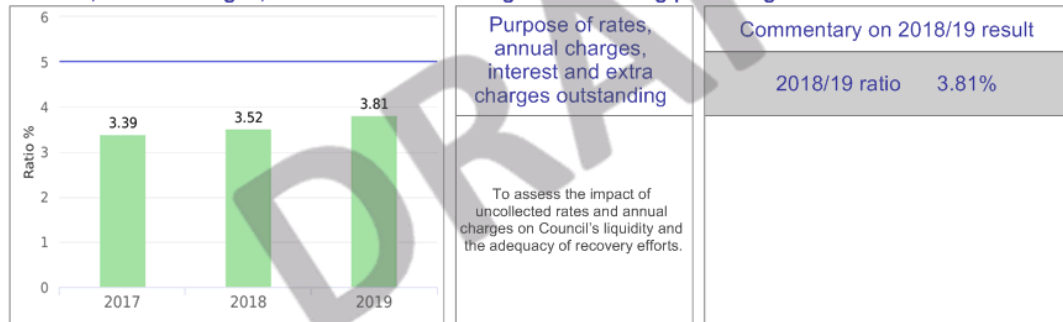


Benchmark: — > 2x

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

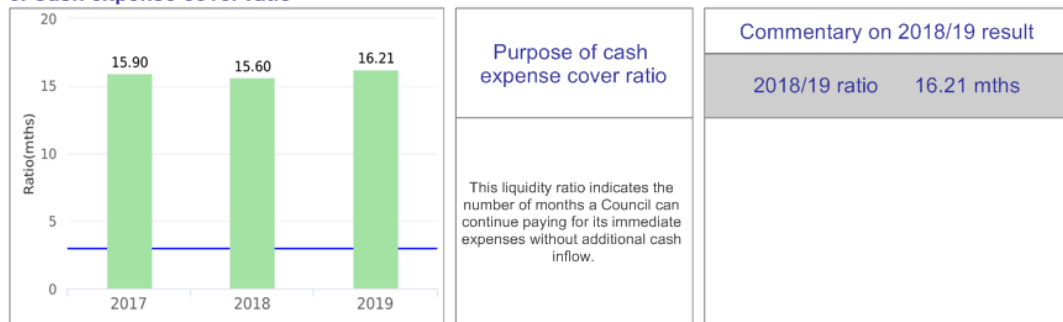


Benchmark: — < 5.00%

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

Ratio achieves benchmark  
 Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 3mths

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Mid-Western Regional Council

Financial Statements 2019

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

| \$ '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  | 14,960  | 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                           | 84,120  | 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                            | 24,149  | 22,521  | 21,227  | 20,454  | 20,028  |
| Borrowing costs   | 926     | 1,064   | 1,108   | 1,204   | 1,290   |
| Materials and contracts expenses                                  | 12,724  | 14,181  | 12,860  | 11,772  | 13,497  |
| Total expenses from continuing operations                         | 65,052  | 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)                 | 932,174 | 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%     |

continued on next page ...

DRAFT to Extraordinary Council Meeting 29 August 2019 | Page 88 of 91



## Mid-Western Regional Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 27. Financial review (continued)

---

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

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

---

**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

**Mid-Western Regional Council**

Financial Statements 2019

**General Purpose Financial Statements**  
for the year ended 30 June 2019

---

**Independent Auditor's Report**

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

DRAFT

DRAFT

## Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

---



## Mid-Western Regional Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements  
for the year ended 30 June 2019

| Contents   | Page      |
|--|-----------|
| <b>Statement by Councillors &amp; Management</b>                 | <b>3</b>  |
| <b>Special Purpose Financial Statements</b>                      |           |
| Income Statement – Water Supply Business Activity                | 4         |
| Income Statement – Sewerage Business Activity                    | 5         |
| Statement of Financial Position – Water Supply Business Activity | 6         |
| Statement of Financial Position – Sewerage Business Activity     | 7         |
| <b>Significant Accounting Policies</b>                           | <b>8</b>  |
| <b>Auditor's Report on Special Purpose Financial Statements</b>  | <b>11</b> |

**Background**

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

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

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

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of 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 2019

### Special Purpose Financial Statements

for the year ended 30 June 2019

---

#### 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.

---

Des Kennedy  
Mayor  
29 August 2019

---

Sam Paine  
Deputy Mayor  
29 August 2019

---

Simon Jones  
Acting General Manager  
29 August 2019

---

Leonie Johnson  
Chief Financial Officer  
29 August 2019

## Mid-Western Regional Council

Special Purpose Financial Statements 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             |
| 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           |
| Calculated taxation equivalents  | 80            | 82            |
| Other expenses   | 2,278         | 2,007         |
| Grants and contributions provided for capital purposes                       | 988           | 335           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>1,525</b>  | <b>1,240</b>  |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>1,525</b>  | <b>1,240</b>  |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (148)         | (249)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>1,377</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>      |
| – Taxation equivalent payments   | 80            | 82            |
| <b>Less:</b>   |               |               |
| – Corporate taxation equivalent  | 148           | 249           |
| <b>Plus adjustments for amounts unpaid:</b>                                  |               |               |
| <b>Plus/less: Transfer to retained earnings for asset disposals</b>          | <b>13</b>     | <b>65</b>     |
| <b>Return on capital %</b>   | <b>0.8%</b>   | <b>1.4%</b>   |
| <b>Subsidy from Council</b>  | <b>–</b>      | <b>942</b>    |
| <b>Calculation of dividend payable:</b>                                      |               |               |
| Surplus (deficit) after tax  | 1,377         | 991           |
| Less: capital grants and contributions (excluding developer contributions)   | (988)         | (335)         |
| <b>Surplus for dividend calculation purposes</b>                             | <b>389</b>    | <b>656</b>    |
| <b>Potential dividend calculated from surplus</b>                            | <b>195</b>    | <b>328</b>    |

Mid-Western Regional Council

Special Purpose Financial Statements 2019

**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            |
| 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           |
| Calculated taxation equivalents  | 25            | 26            |
| Other expenses   | 2,105         | 2,031         |
| Grants and contributions provided for capital purposes                       | 165           | 192           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>766</b>    | <b>664</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>766</b>    | <b>664</b>    |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (165)         | (130)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>601</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>    |
| – Taxation equivalent payments   | 25            | 26            |
| – Corporate taxation equivalent  | 165           | 130           |
| <b>Plus/less: Transfer to retained earnings for asset disposals</b>          | <b>217</b>    | <b>153</b>    |
| <b>Plus adjustments for amounts unpaid:</b>                                  |               |               |
| <b>Less:</b>   |               |               |
| <b>Return on capital %</b>   | <b>1.3%</b>   | <b>1.2%</b>   |
| <b>Subsidy from Council</b>  | <b>–</b>      | <b>1,301</b>  |
| <b>Calculation of dividend payable:</b>                                      |               |               |
| Surplus (deficit) after tax  | 601           | 534           |
| Less: capital grants and contributions (excluding developer contributions)   | (165)         | (192)         |
| <b>Surplus for dividend calculation purposes</b>                             | <b>436</b>    | <b>342</b>    |
| <b>Potential dividend calculated from surplus</b>                            | <b>218</b>    | <b>171</b>    |



## Mid-Western Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Water Supply Business Activity  
for the year ended 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> |

Mid-Western Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Sewerage Business Activity  
 for the year ended 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>NET ASSETS</b>                             | <b>94,482</b>  | <b>92,083</b>  |
| <b>EQUITY</b>                                 |                |                |
| Accumulated surplus                           | 50,375         | 49,029         |
| Revaluation reserves                          | 44,107         | 43,054         |
| <b>TOTAL EQUITY</b>                           | <b>94,482</b>  | <b>92,083</b>  |

DRAFT

## Mid-Western Regional Council

Special Purpose Financial Statements 2019

### 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.

## Mid-Western Regional Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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

##### (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.

## Mid-Western Regional Council

Special Purpose Financial Statements 2019

## 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.

Mid-Western Regional Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements  
for the year ended 30 June 2019

---

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

DRAFT

## 5.2 Quarterly Budget Review June 2019

REPORT BY THE MANAGER FINANCIAL PLANNING  
TO 29 AUGUST 2019 EXTRAORDINARY MEETING  
GOV400066, FIN300117

### RECOMMENDATION

#### That Council:

1. **receive the report by the Manager Financial Planning on the Quarterly Budget Review June 2019; and**
2. **note the opinion by the Responsible Accounting Officer regarding the satisfactory financial position of Council.**

---

### Executive summary

This is the final budget review for the 2018/19 Operational Plan. The attachment to this report provides commentary on the unaudited financial position and performance against budget, as at 30 June 2019.

### Disclosure of Interest

Nil.

### Detailed report

Whilst the Local Government Regulation 2005 does not require a budget review statement for the June quarter it is managements' determination that a review of the 2018/19 actual performance to approved budget is provided to Council. As the 2018/19 financial statements are currently in draft format the review has been performed against the unaudited balances. Some sections of the midyear Quarterly Budget Review Statement such as Income Statement, Balance Sheet and Key Financial Indicators have been removed as final reporting will be provided in the audited financial statements.

Once audited financial statements are presented to Council, the actual variances to the original budgets can be found on the Income Statement and the Statement of Cash Flows. The Material budget variations note also provides commentary on material variations.

### Community Plan implications

| Theme    | Good Governance  |
|----------|--|
| Goal     | An effective and efficient organisation                        |
| Strategy | Prudently manage risks association with all Council activities |



## Strategic implications

### **Council Strategies**

Not applicable

### **Council Policies**

Not applicable

### **Legislation**

The Local Government (General) Regulation 2005 section 203(2) requires a budget review statement must include or be accompanied by:

- (a) a report as to whether or not the responsible accounting officer believes that the statement indicates that the financial position of the council is satisfactory, having regards to the original estimate of income and expenditure, and
- (b) if that position is unsatisfactory, recommendations for remedial action.

## Financial implications

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulation 2005:

*It is my opinion as the Responsible Accounting Officer, that the financial position of Mid-Western Regional Council as at 30 June 2019 is satisfactory, having regard to the original estimates of income and expenditure, and actuals, for the 2018/19 financial year.*

## Associated Risks

Not applicable

NEIL BUNGATE  
MANAGER FINANCIAL PLANNING

LEONIE JOHNSON  
CHIEF FINANCIAL OFFICER

20 August 2019

*Attachments:* 1. QBR Attachments June 2019.

### APPROVED FOR SUBMISSION:

SIMON JONES  
ACTING GENERAL MANAGER



*Good  
Government*

QUARTERLY BUDGET  
REVIEW STATEMENT

JUNE 2019

ATTACHMENTS

28 AUGUST 2019

MID-WESTERN REGIONAL COUNCIL  
CORPORATE: FINANCE

■ ■ ■ ■ ■ TOWARDS 2030



CORPORATE: FINANCE |

THIS DOCUMENT HAS BEEN PREPARED BY NEIL BUNGATE, MANAGER FINANCIAL PLANNING FOR MID-WESTERN REGIONAL COUNCIL.

ANY QUESTIONS IN RELATION TO THE CONTENT OF THIS DOCUMENT SHOULD BE DIRECTED TO:  
NEIL.BUNGATE@MIDWESTERN.NSW.GOV.AU OR (02) 6378 2850

DATE OF PUBLICATION: 28 AUGUST 2019

## Table of Contents

|     |  |    |
|-----|--|----|
| 1.  | Material Budget Variations.....  | 4  |
| 2.  | Unrestricted Cash by Fund .....  | 17 |
| 2.1 | General Fund.....  | 17 |
| 2.2 | Water Fund .....   | 19 |
| 2.3 | Sewer Fund.....  | 19 |
| 2.4 | Waste Fund.....  | 20 |
| 2.5 | Other Funds.....   | 21 |
| 3.  | Developer Contributions – Section 64, 94 and 93F .....                   | 22 |
| 4.  | Loan Borrowings .....  | 24 |
| 5.  | Reserves .....   | 25 |
| 5.1 | Internally Restricted Reserves.....                                      | 25 |
| 5.2 | Externally Restricted Reserves.....                                      | 26 |
| 6.  | Unspent Grants and Contributions .....                                   | 28 |
| 7.  | Budget Summary .....   | 29 |
| 7.1 | Connecting Our Region.....   | 29 |
| 7.2 | Good Government.....   | 31 |
| 7.3 | Looking after Our Community .....  | 33 |
| 7.4 | Protecting our Natural Environment.....                                  | 35 |
| 7.5 | Building a Strong Local Economy.....                                     | 37 |
| 8.  | Capital Works Program.....   | 39 |
| 9.  | Investment Portfolio .....   | 53 |
| 10. | Legal and Consultant Expenses.....                                       | 55 |
| 11. | Councillor Fees and Expenses Paid or Reimbursed as at 30 June 2019 ..... | 56 |

CORPORATE: FINANCE |

## 1. Material Budget Variations

|   |  |
|---|--|
| <b>Looking after our Community</b>                          |  |
| <b>Fire Protection</b>                                      | <b>\$192k Unfavourable</b>   |
| Rural Fire Service - General Operations \$239k Unfavourable | Book Value Disposal of Assets (non-cash) (\$225k) and non-cash contribution of assets (\$25k)<br>Savings on RFS levy (\$29k)<br>Additional expenses to budget (\$21k)<br>Contribution of land received (\$5k) (non-cash) |
| Rural Fire Service - Stations & Sheds \$24k Favourable      |  |
| Rural Fire Service - Vehicles \$14k Favourable              |  |
| Rural Fire Service - Fire Fighting Fund \$7k Favourable     |  |
| <b>Animal Control</b>                                       | <b>\$21k Favourable</b>  |
| Animal & Pest Control \$21k Favourable                      | Savings on employee costs  |
| <b>Emergency Services</b>                                   | <b>\$14k Favourable</b>  |
| State Emergency Services \$11k Favourable                   | Savings on SES levy (\$7k)<br>Depreciation (non-cash) lower than budget (\$3k)   |
| <b>Public Order &amp; Safety</b>                            | <b>\$2k Favourable</b>   |
| <b>Public Health</b>  | <b>\$6k Favourable</b>   |
| Public Health Registrations & Inspections \$6k Favourable   | Savings on employee costs (\$9k) offset by lower revenue \$3k  |
| <b>Health</b>   | <b>\$20k Favourable</b>  |
| Doctors \$5k Favourable                                     | Rental expenses unspent  |
| M&R - Rylstone Doctors Residence \$8k Favourable            | Repairs and maintenance costs unspent  |
| Healthy Communities Alliance \$7k Favourable                |  |
| <b>Community Services Administration</b>                    | <b>\$42k Favourable</b>  |
| Community Services Administration \$12k Favourable          |  |
| Community Builders \$28k Favourable                         | Unspent grant (\$22k)  |
| <b>Family Day Care</b>                                      | <b>\$15k Unfavourable</b>  |
| Family Day Care \$15k Unfavourable                          | Admin Fee and Carers Levy collected under budget (29k) offset partially by other additional grants and revenue (\$13k)   |
| <b>Childcare</b>  |  |

## CORPORATE: FINANCE |

No variance

|   |  |
|---|--|
| <b>Youth Services</b>   | <b>\$37k Favourable</b>  |
| Youth Services Administration \$37k Favourable                  | Revote unspent budget  |
| <b>Aged &amp; Disabled</b>                                      | <b>\$11k Favourable</b>  |
| Community Transport \$23k Favourable                            | Additional grant income (\$84k) and other expenses less than budget (\$8k), offset by lower user charges (\$38k) |
|   | Book Value Disposal of Assets (non-cash) (\$32k)   |
| Ironed Out Operations \$14k Unfavourable                        | Grant income received less than budget (\$17k)   |
| Aged Care Units - Louee Street Rylstone \$4k Favourable         | Depreciation (non-cash) lower than budget (\$3k)   |
| <b>Housing</b>  | <b>\$19k Unfavourable</b>  |
| Lg Housing - Income \$29k Unfavourable                          |  |
| Lg Housing - Denison Street Units \$5k Favourable               |  |
| Affordable Housing \$4k Favourable                              |  |
| <b>Town Planning</b>  | <b>\$169k Favourable</b>   |
| Strategic Planning \$14k Favourable                             | Savings employee costs (\$17k), offset by lower fee income   |
| Section 94 Plan Development \$13k Favourable                    | Completed plan with savings  |
|   | Savings employee costs (\$42k), internal plant hire (\$12k), offset by lower revenue and charges                 |
| Development Control \$98k Favourable                            |  |
|   | Revote of unspent legal budget (\$20k) and Trainee planner (\$39k)   |
| Mudgee Traffic Study Update \$44k Favourable                    | Revote of unspent budget   |
| <b>Public Cemeteries</b>  | <b>\$33k Favourable</b>  |
| Cemetery Mtce - Mwrc Operations \$44k Favourable                | Savings in employee costs and materials  |
| Cemetery Rural \$5k Favourable                                  |  |
| Cemetery Mtce - Administration \$17k Unfavourable               | Fee income lower than budget   |
| <b>Public Toilets</b>   | <b>\$4k Favourable</b>   |
| Public Toilets - Rylstone \$3k Unfavourable                     |  |
| Public Toilets Minor Building Works \$10k Unfavourable          |  |
| Public Toilets - Victoria Park Gulgong Showers \$10k Favourable | Costs transferred to minor building works  |
| Public Toilets - Lawson Park Damage Repairs \$4k Favourable     | Costs transferred to minor building works  |
| <b>Libraries</b>  | <b>\$66k Favourable</b>  |
| Library - General Operations \$16k Favourable                   | Savings on operating expenses \$12k  |
|   | Depreciation (non-cash) lower than budget (\$3k)   |
| Library Books \$3k Unfavourable                                 |  |
| Library Building - Mudgee \$3k Unfavourable                     |  |
| Rylstone Library Branch \$26k Favourable                        | Costs transferred to operating and revote of unspent budget  |
| Mudgee Library Lighting \$4k Favourable                         |  |

CORPORATE: FINANCE |

|   |   |
|---|---|
| Mudgee Library Technology Fit-Out \$25k Favourable                                  | Revote of unspent budget  |
| <b>Museums</b>  |   |
| No variance   |   |
| <b>Community Centres</b> <span style="float: right;"><b>\$1k Favourable</b></span>  |   |
| Community Centres - The Stables \$4k Favourable                                     | Maintenance savings and fee income higher than budget   |
| Community Centres - Hargraves Court \$3k Unfavourable                               | Depreciation (non-cash) higher than budget (\$3k)   |
| <b>Public Halls</b> <span style="float: right;"><b>\$19k Favourable</b></span>      |   |
| Community Buildings Administration \$3k Unfavourable                                | Costs transferred to capital budgets  |
| Public Halls - Goolma Hall \$4k Favourable  | Savings on operating expenses   |
| Public Halls - Gulgong Memorial Hall \$15k Favourable                               | Savings on operating expenses   |
| Mudgee Town Hall Cinema Operations \$12k Unfavourable                               | Revenue lower than budget (\$29k), offset by lower expenses (\$17k)   |
| Gulgong Memorial Hall Kitchen - Misc Item \$5k Favourable                           | Revote of unspent budget  |
| Stables Building Painting \$5k Favourable   | Costs transferred to operating budget   |
| <b>Swimming Pools</b> <span style="float: right;"><b>\$244k Favourable</b></span>   |   |
| Pool Operations - Mudgee \$75k Favourable   | Savings on employee costs (\$57k), materials (\$8k), electricity (\$14k)  |
| Pool Operations - Gulgong \$147k Favourable   | Savings on employee costs (\$89k), materials (\$24k), water usage (\$40k), higher admission income (\$14k), offset by higher electricity (\$18k)  |
| Pool Operations - Kandos \$16k Favourable   | Savings on water usage  |
| Indoor Pool Feasibility Study \$5k Favourable                                       | Savings   |
| Pool Matt Rollers \$3k Unfavourable   | Decided on the more robust thermal mats which were slightly more expensive  |
| Gulgong Pool Irrigation \$4k Favourable   |   |
| <b>Sporting Grounds</b> <span style="float: right;"><b>\$643k Favourable</b></span> |   |
| Active Parks - Mwrc Operations \$11k Favourable                                     | Savings employee costs (\$50k) offset by higher water usage (\$28k) and waste tipping costs (\$12k)   |
| Active Parks - Building Maintenance \$4k Favourable                                 | Savings maintenance costs   |
| Active Parks - Administration \$102k Favourable                                     | Contributed land with value of \$218k (non-cash), offset by disposal of assets (\$95k) non-cash and depreciation higher than budget (\$10k)   |
|   | Ground hire fees lower than budget  |
| Active Parks - Glen Willow Maintenance \$88k Unfavourable                           | More events were held at Glen Willow this year resulting in more maintenance costs of employees (\$13k), maintenance costs (\$24k), electricity (\$9k), water usage (\$36k), waste tipping (\$17k), offset by higher revenue (\$9k) |
| Skate Park Maintenance \$5k Favourable  |   |
| Active Parks - Glen Willow Building Maintenance \$8k Favourable                     | maintenance savings   |



## CORPORATE: FINANCE |

|  |  |
|--|--|
| Glen Willow Sports Ground Upgrades \$350k Favourable             | Revote of unspent budget   |
| Glen Willow Netball Courts \$3k Unfavourable                     |  |
| Glen Willow Player Seating \$15k Favourable                      | Revote of unspent budget   |
| Glen Willow Scoreboard \$180k Favourable                         | Revote of unspent budget   |
| Mudgee Showgrounds - Amenities \$137k Favourable                 | Grant funds received in advance and revote of unspent budget   |
| Victoria Park Gulgong - Lighting Cap Upgrade \$152k Unfavourable | Grant funds received in advance and revote of unspent budget   |
| Waratah Park Scoreboard & Discus Nets \$33k Favourable           | Grant funds received in advance and revote of unspent budget   |
| Mudgee Sports Council \$10k Unfavourable                         | Net ground hire income lower than budget (\$6.8k) and other expenses exceeded budget                         |
| Mudgee Showground Operations \$29k Favourable                    | Grounds hire fee income exceed budget by \$31k,  |
| Mudgee Showground Internal Road Access \$13k Favourable          | Completed with savings   |
| Billy Dunn Grandstand - External Painting \$4k Favourable        | Completed with savings   |
| <b>Parks &amp; Gardens</b>                                       | <b>\$227k Favourable</b>   |
| Passive Parks - Mwrc Operations \$6k Favourable                  | Expenses less than budget  |
| Passive Parks - Building Maintenance \$20k Unfavourable          |  |
| Passive Parks - Administration \$32k Favourable                  | Expenditure lower than budget (\$25k)  |
|  | Infrastructure disposal (\$18k) lower than budget offset by depreciation higher than budget (\$11k) non-cash |
| Peoples Park - Capital Upgrade \$5k Favourable                   | Costs transferred to operating budget  |
| Drainage Reserve Maintenance \$22k Favourable                    |  |
| Flirtation Hill Tree Removal \$14k Favourable                    | Revote of unspent budget   |
| Sculptures Across The Region \$3k Favourable                     |  |
| Playground Equipment - Apex Park Gulgong \$3k Unfavourable       |  |
| Mudgee Outdoor Water Park \$44k Favourable                       | Revote of unspent budget   |
| District Adventure Playground \$110k Favourable                  | Revote of unspent budget   |
| Blackman Park Lighting \$10k Favourable                          |  |
| <b>Art Galleries</b>   | <b>\$1324k Favourable</b>  |
| Art Gallery Facility \$1,324k Favourable                         | Revote of unspent budget   |
|  | Recognition of Art Gallery building at fair value (\$823k) non-cash  |
| <b>Building Control</b>  | <b>\$118k Favourable</b>   |
| Building Regulatory Services \$118k Favourable                   | Savings on employee expenses (\$75k) and higher fee income than budget (\$40k)                               |
| <b>Urban Streetscapes</b>  | <b>\$34k Unfavourable</b>  |
| Street Scape Maintenance \$32k Unfavourable                      | Higher employee expenses (\$30k)   |
| Town Approaches Maintenance \$5k Favourable                      |  |

CORPORATE: FINANCE |

Streetscape - Cbd Infrastructure \$6k Unfavourable

**Protecting our Natural Environment**

Noxious Plants **\$156k Favourable**

Weeds Inspection \$117k Favourable

Savings in employee related costs (\$50k) and plant hire (\$29k) due to vacancies and grant income higher than budget (\$12k)

Revote unspent funds for drones and training

Weed Control - Council Roads \$21k Favourable

Savings in employee related costs (\$6k) and materials and contracts (\$15k)

Weed Control - Crown Lands \$18k Favourable

Unspent grant

**Domestic Waste Management \$64k Unfavourable**

Domestic Waste Management \$62k Unfavourable

Pension rebate higher than budget due to FOGO increase (\$13k), plant hire expenses increase (\$82k) offset by savings on employee costs (\$34k)

Organics Collection System Program \$3k Unfavourable

**Other Waste Management \$45k Unfavourable**

Waste - General Operations \$629k Unfavourable

Savings in plant hire and contractors (\$378k) and increased tipping fee income (\$198k)

Waste - Commercial Waste \$71k Favourable

Depreciation higher than budget due to tip reinstatement cost revision and loss on disposal of asset (\$46k)

Waste - Street & Park Bins \$7k Unfavourable

Higher internal tipping charges than budget

Wts Operations \$78k Unfavourable

Higher plant hire charges

Mudgee Recycling Operations \$125k Favourable

Higher plant hire charges (\$145k) less savings in employee costs (\$70k)

Rural Waste Depot Upgrades \$62k Favourable

Higher fee income and revenue (\$111k), savings in plant hire (\$104k) offset by higher employee costs (\$90k)

New Tip Construction \$3k Unfavourable

Revote unspent budget due to contractor delay supplying retaining wall block

Waste Sites Rehabilitation \$375k Favourable

Budget savings, rehab deferred to future years

Gulgong Wts Office Replacement \$4k Favourable

Revote unspent budget

Sediment Pond And Paper Blow Fencing \$34k Favourable

Revote (\$34k) required litter traps to meet epa licence conditions

**Street Cleaning \$12k Favourable**

Street Cleaning \$12k Favourable

**Stormwater Drainage \$264k Unfavourable**

Drainage Administration \$411k Unfavourable

Employee costs and materials over budget

Drainage Maintenance \$29k Unfavourable

Book value disposal of assets (\$383k)

Employee costs and materials over budget

## CORPORATE: FINANCE |

|   |  |
|---|--|
| Drainage Maintenance - Culvert Replacement \$48k Favourable       | Employee costs and materials under budget  |
| Culvert Installations \$36k Favourable                            | Employee costs and materials under budget  |
| Lawson Park West Pipe Extension \$14k Favourable                  | Revote unspent budget  |
| Mudgee Flood Study & Floodplain Management Plan \$4k Unfavourable |  |
| Stormwater Pump Pitts Lane \$3k Unfavourable                      |  |
| Lawson Park Culvert Replacement \$110k Favourable                 | Revote unspent budget  |
| Cox St Inlet Pit \$10k Favourable                                 |  |
| Causeway Improvement - Botobolar Rd \$27k Favourable              |  |
| Causeway Improvement - Pyramul Road \$9k Unfavourable             |  |
| <b>Environmental Protection</b>                                   | <b>\$45k Favourable</b>  |
| Environment - Administration \$8k Favourable                      |  |
| Environment - Projects & Initiatives \$15k Favourable             |  |
| Env - Riverbed Regeneration \$12k Favourable                      |  |
| Putta Bucca Wetlands Capital \$9k Unfavourable                    | BBQ structure over cost  |
| Putta Bucca Wetlands Extension \$15k Favourable                   | Revote unspent grant   |
| <b>Water Supply</b>   | <b>\$990k Favourable</b>   |
| Water Management & Administration \$388k Favourable               | Income higher than budget for water fund cash and investment earnings (\$167k), residential water usage (\$109k) |
| Water Management Studies \$28k Favourable                         |  |
| Orana Water Utilities Alliance \$39k Favourable                   |  |
| Projects - Orana Water Utilities Alliance \$3k Favourable         |  |
| Water Mains Ops & Maint \$126k Favourable                         |  |
| Water Meter Ops & Maint \$65k Unfavourable                        |  |
| Water New Connections \$9k Favourable                             |  |
| Raw Water Systems Ops & Maint \$13k Favourable                    |  |
| Water Pump Station Ops & Maint \$21k Favourable                   |  |
| Water Filtration Plant Ops & Maint Rylstone \$4k Favourable       |  |
| Water Purchases \$14k Favourable                                  |  |
| Water Condition Assessment \$5k Favourable                        |  |
| Water Reservoir Ops & Maint \$25k Unfavourable                    |  |
| Water River Intakes Ops & Maint \$9k Unfavourable                 |  |
| Water T'Ment Plant Ops & Maint Mudgee \$6k Favourable             |  |
| Water T'Ment Plant Ops & Maint Gulgong \$20k Favourable           |  |
| Water Wellfields Ops & Maint \$7k Favourable                      |  |
| Water Augmentation - Mudgee Headworks \$132k Favourable           |  |
| Water Licence Purchase \$50k Unfavourable                         |  |
| Water Rylstone Dam Upgrade \$1k Favourable                        |  |
| Water Mains - Young St Gulgong \$13k Favourable                   |  |
| Water Mains - Herbert St Rouse To Medley \$16k Favourable         |  |

CORPORATE: FINANCE |

Water Mains - Herbert St Station To Queen \$28k Favourable  
 Water Mains - White St Gulgong \$64k Favourable  
 Reservoirs - Rylstone, Kandos, Charbon, Clandulla \$55k Favourable  
 Raw Water Systems Renewals \$5k Favourable  
 Water Treatment Plant - Ph Correction System \$2k Favourable  
 Online Analyser Replacement - M, G, R Wtp (Inc Flouride) \$1k Favourable  
 Water Meter Replacement \$153k Favourable  
 Chlorine Disinfection - Gulgong - Upgrade \$15k Unfavourable  
 Gulgong Low Lift Pump Replacement \$2k Favourable

**Sewerage Services \$165k Unfavourable**

Sewer Management & Administration \$39k Unfavourable  
 Book value on disposal of assets (\$307k) non-cash and depreciation higher than budget (\$74k)  
 Sewer Management Studies \$64k Favourable  
 Sewer Mains Ops & Maint \$32k Unfavourable  
 Sewer New Connections \$7k Favourable  
 Sewer Pump Station Ops & Maint \$37k Favourable  
 Sewer T'Ment Wks Ops & Maint Mudgee \$19k Favourable  
 Sewer T'Ment Wks Ops & Maint Gulgong \$42k Favourable  
 Sewer T'Ment Wks Ops & Maint Rylstone \$60k Favourable  
 Sewer Augmentation - Charbon \$15k Favourable  
 Sewer Mains - Capital Budget Only \$20k Favourable

**Building a Strong Local Economy**

**Caravan Parks \$43k Favourable**

Caravan Park - Cudgong Waters \$8k Unfavourable  
 Depreciation over budget non-cash  
 Cudgong Waters Caravan Park \$11k Favourable  
 Revote unspent budget  
 Rylstone Caravan Park - Capital \$40k Favourable  
 Revote unspent budget

**Tourism & Area Promotion \$36k Unfavourable**

Tourism Operations \$3k Unfavourable  
 Event Management Assistance \$3k Unfavourable  
 Event Operations \$15k Favourable

Major Events Glen Willow \$70k Unfavourable  
 Whilst revenue exceeded budget by (\$33k) expenses, employee expenses and contract payments were (\$100k) over budget  
 Flavours Of Mudgee \$15k Favourable  
 Unspent grant for 2019 event \$20k  
 Entrance Signage Project \$10k Favourable  
 Revote unspent budget

**Industrial Development Promotion \$10k Favourable**

## CORPORATE: FINANCE |

|   |  |
|---|--|
| Economic Development \$10k Favourable                     | Savings contract costs   |
| <b>Saleyards &amp; Markets</b>                            | <b>\$37k Favourable</b>  |
| Saleyards Administration \$3k Favourable                  |  |
| Saleyards - Post And Rail Replacement \$5k Favourable     |  |
| Saleyards Canteen \$29k Favourable                        |  |
| <b>Real Estate Development</b>                            | <b>\$820k Unfavourable</b>   |
| Property - Income \$1037k Unfavourable                    | Book value of road closure assets upon disposal (\$1.07m) non-cash and depreciation higher than budget (\$40k) |
|   | Rental income (\$57k) higher than budget and savings on expenses of (\$9k)                                     |
| Property - Mudgee Airport Subdivision \$10k Favourable    | Revote unspent budget  |
| Property - Ex Saleyards Stage I \$40k Favourable          | Revote unspent budget  |
| Track To Return & Earn \$10k Favourable                   | Costs transferred to operating budget  |
| Property - Development Mortimer St \$56k Favourable       | Project has been cancelled   |
| Property - Pitts Lane \$6k Favourable                     | Savings  |
| Commercial Prop - Aerodrome Cottage \$3k Unfavourable     |  |
| Commercial Prop - Mortimer Precinct \$6k Favourable       | Higher rental income (\$6k) and lower costs (\$4k)   |
|   | Higher depreciation than budget (\$3k)   |
| Commercial Property - Douro St \$3k Favourable            |  |
| Rylstone Kandos Preschool Extension \$89k Favourable      | Revote unspent budget  |
| Commercial Property Purchase - Mn311/18 \$4k Favourable   |  |
| <b>Connecting our Region</b>                              |  |
| <b>Urban Roads - Local</b>                                | <b>\$54k Unfavourable</b>  |
| Urban Roads Maintenance - Sealed \$40k Unfavourable       |  |
|   | Book value disposal of asset (\$113k) and depreciation (\$43k) over budget                                     |
| Urban Roads - Administration \$131k Unfavourable          | proceeds sale of closed road (\$24k)   |
| Urban Roads Kerb & Gutter Capital \$25k Favourable        |  |
| Rehab - Robinson Street Seg 80 \$3k Unfavourable          |  |
| Rehab - Douro Street Seg 90 \$13k Favourable              |  |
| Urban Heavy Patching \$30k Favourable                     |  |
| Urban Rehab - Inglis Street Seg 20 To 30 \$30k Favourable |  |
| Resheeting - Urban Roads \$3k Favourable                  |  |
| Urban Roads Land Matters Capital \$22k Favourable         |  |
| <b>Urban Roads - Regional</b>                             | <b>\$37k Unfavourable</b>  |
| Urban Regional Road Admin \$138k Unfavourable             | Book value disposal of asset (\$138k)  |
| Rehab Short St - Perry St To Church St \$101k Favourable  | Project was overspent (\$37k) however block grant was allocated as income \$138k                               |

CORPORATE: FINANCE |

|   |  |  |
|---|--|--|
| <b>Sealed Rural Roads - Local</b>                                 |  | <b>\$879k Favourable</b>   |
| Rural Sealed Roads Administration \$319k Favourable               |  | Financial Assistance Grant paid in advance (\$642k)  |
|   |  | Book value disposal of asset (\$278k) and depreciation (\$40k) over budget non-cash                          |
| Rural Sealed Roads Maintenance \$77k Unfavourable                 |  |  |
| Tree Lopping Along Roads \$22k Favourable                         |  |  |
| New Road Naming Signage \$3k Favourable                           |  |  |
| Rural Sealed Roads Shoulder Maintenance \$14k Unfavourable        |  |  |
| Rural Rd Mtce - Charbon Area \$12k Favourable                     |  |  |
| Rural Rehab - Lue Road Seg 140 \$6k Favourable                    |  |  |
| Rural Rehab - Beryl Road Widening \$114k Favourable               |  |  |
| Realignment - Ulan Wollar Rd \$17k Unfavourable                   |  | Revote unspent budget  |
| Ulan Wollar Road - Stage 1 \$501k Favourable                      |  | Revote unspent budget  |
| Ulan Wollar Road - Stage 2 \$7k Unfavourable                      |  |  |
| Rural Sealed Road Land Matters \$17k Favourable                   |  |  |
| <b>Sealed Rural Roads - Regional</b>                              |  | <b>\$206k Unfavourable</b>   |
| Rural Sealed Regional Road Admin \$1538k Unfavourable             |  | Block grant of (\$1.2m) has been allocated out to projects<br>Book value disposal of asset (\$321k) non-cash |
| Rural Sealed Regional Road Maintenance \$533k Favourable          |  | Block grant (\$514k) allocated to expenses   |
| Rural Sealed Regional Road Shoulder Maintenance \$137k Favourable |  | Block grant (\$137k) allocated to expenses   |
| Reg Rds Sealed - Natural Disaster \$21k Favourable                |  | Block grant (\$21k) allocated to expenses  |
| Regional Roads - Line Marking \$32k Favourable                    |  | Linemarking unspent  |
| Rehab Bylong Valley Way Seg 1030,1035,1050,1055 \$7k Favourable   |  | Revote unspent budget  |
| Rehab Bylong Valley Way Part Seg 2110 & 2112 \$88k Favourable     |  | Block grant (\$93k) allocated to expenses  |
| Rural Sealed Regional Road Repair Program \$410k Favourable       |  | Block grant (\$389k) allocated to expenses and unspent Repair funding \$10k                                  |
| Rehab Bylong Valley Way Seg 1040 To 1045 \$10k Favourable         |  | Block grant (\$10k) allocated to expenses  |
| Munghorn Gap Realignment & Upgrade \$55k Favourable               |  | Unspent grant. Revote budget   |
| Bvw Seg 2250 Survey And Design \$35k Favourable                   |  | Block grant (\$35k) allocated to expenses  |
| Rural Sealed Regional Road Land Matters Capital \$5k Favourable   |  | Block grant (\$8k) allocated to expenses   |
| <b>Unsealed Rural Roads - Local</b>                               |  | <b>\$302k Unfavourable</b>   |
| Rural Unsealed Roads Administration \$195k Unfavourable           |  | Financial Assistance Grant paid in advance (\$642k)  |
|   |  | Book value disposal of asset (\$672k) higher than budget offset by depreciation (\$32k) lower than budget    |
|   |  | Road closure proceeds were delayed (\$220k)  |
|   |  | Other net savings (\$23k)  |
| Rural Unsealed Roads Grading Reactive \$41k Favourable            |  |  |



## CORPORATE: FINANCE |

Rural Unsealed Roads Grading Program \$153k Unfavourable  
 Rural Unsealed Roads Minor Maintenance \$8k Unfavourable  
 Gravel Pit Remediation \$4k Unfavourable  
 Seal Extension - Bunbury Road \$5k Unfavourable  
 Seal Extension - Spring Flat South Lane \$83k Favourable  
 Resheeting \$93k Unfavourable  
 Unsealed Roads Land Matters Capital \$32k Favourable

|                                 |                     |
|---------------------------------|---------------------|
| Unsealed Rural Roads - Regional | \$748k Unfavourable |
|---------------------------------|---------------------|

|   |   |
|---|---|
| Rural Unsealed Regional Road Admin \$754k Unfavourable      | Book value disposal of asset (\$731k) and depreciation (\$23k) over budget non-cash |
| Wollar Rd - Stage 1 Rectification (Cortina) \$6k Favourable |   |

|                             |                     |
|-----------------------------|---------------------|
| Bridges - Local Rural Roads | \$191k Unfavourable |
|-----------------------------|---------------------|

|   |  |
|---|--|
| Local Sealed Bridge Maintenance \$156k Unfavourable | Book value disposal of asset (\$157k) and depreciation (\$3k) over budget non-cash |
|   | Expenses over budget (\$4k)  |
| Henry Lawson Drive Bridge \$28k Unfavourable        |  |
| Goodiman Creek Bridge Replacement \$7k Unfavourable |  |

|                                |                    |
|--------------------------------|--------------------|
| Bridges - Regional Rural Roads | \$35k Unfavourable |
|--------------------------------|--------------------|

|   |  |
|---|--|
| Regional Rural Sealed Bridge Maintenance \$50k Unfavourable |  |
| Regional Road Bridge Capital \$15k Favourable               |  |

|                    |                  |
|--------------------|------------------|
| Ulan Road Strategy | \$66k Favourable |
|--------------------|------------------|

|  |  |
|--|--|
| Ulan Road Strategy \$10k Favourable                                | Maintenance contribution income higher than budget |
| Ulan Road - Wattlegrove Ln To Midblock 19.999 \$3k Unfavourable    |  |
| Ulan Road - Wyaldra Ln To Quarry Entrance 27.783 \$9k Unfavourable |  |
| Ulan Road - Ulan Wollar Rd Intersection \$5k Unfavourable          |  |
| Ulan Road - Henry Lawson Drive Intersection \$28k Favourable       |  |
| Ulan Road - Moggs Ln To Wollar Rd \$45k Favourable                 |  |

|           |                    |
|-----------|--------------------|
| Footpaths | \$11k Unfavourable |
|-----------|--------------------|

|  |   |
|--|---|
| Footways - Administration \$4k Unfavourable        | Depreciation (\$4k) over budget non-cash      |
| Footways - Capital Works \$3k Favourable           |   |
| Pedestrian - Putta Bucca Walkway \$3k Unfavourable |   |
| Putta Bucca Eco Trail \$6k Unfavourable            | Grant funded, unspent grant lower than budget |

|            |                    |
|------------|--------------------|
| Aerodromes | \$27k Unfavourable |
|------------|--------------------|

|   |  |
|---|--|
| Airport - Operations & Maintenance \$26k Unfavourable |  |
|---|--|



CORPORATE: FINANCE |

|  |  |
|--|--|
| Airport - Obstacle Lights \$6k Favourable                    | unspent budget   |
| Airport - Tree Removal And Trimming \$5k Favourable          | unspent budget   |
| Airport - Hangar \$12k Unfavourable                          |  |
| <b>Parking Areas</b>   | <b>\$1k Unfavourable</b>   |
| <b>RMS Works - State Roads</b>                               | <b>\$257k Favourable</b>   |
| Rm - Reactive Maintenance \$4k Unfavourable                  |  |
| Rm - Scheduled Maintenance \$226k Favourable                 |  |
| Ow - Heavy Patching \$46k Unfavourable                       |  |
| Ow - Reseals \$20k Favourable                                |  |
| Ow - Misc Accidents \$8k Favourable                          |  |
| Ow - Sofala Hill \$4k Unfavourable                           |  |
| Ow - Apple Tree Flat Safety Project \$3k Favourable          |  |
| Ow - Razorback Safety Project \$40k Favourable               |  |
| Ow - Mebul East Rehab \$6k Unfavourable                      |  |
| Ow - 2 Mile Flat Shoulders \$6k Favourable                   |  |
| Ow - Mullamuddy Shoulder Widening \$12k Favourable           |  |
| <b>Street Lighting</b>                                       | <b>\$6k Unfavourable</b>   |
| Street Light Maintenance \$6k Unfavourable                   | Electricity costs higher than budget   |
| <b>Good Government</b>                                       |  |
| <b>Governance</b>  | <b>\$115k Favourable</b>   |
| Members Expenses \$47k Favourable                            | Savings in expenses for meetings, lobbying, training, telephone and conferences  |
| Code Of Conduct Committee \$11k Favourable                   |  |
| Council Donations & Contributions \$23k Favourable           |  |
| Audit & Risk Committee \$33k Favourable                      | Revote unspent budget  |
| <b>Corporate Support</b>                                     | <b>\$174k Favourable</b>   |
| Insurance - General \$20k Favourable                         | Insurance claim excess were charged out to projects  |
| Corporate Buildings Admin \$84k Unfavourable                 | Business unit oncost internal charges were not able to be fully recouped due to staff vacancies (\$66k), other costs such as FBT and telephone over budget |
| Corporate - Administration Centre Mudgee \$4k Unfavourable   |  |
| Corporate - Administration Centre Rylstone \$6k Unfavourable |  |
| Corporate - Family Day Care Offices \$5k Unfavourable        |  |
| Corporate - Operations Admin Office \$6k Unfavourable        |  |
| Corporate - Douro St Office \$3k Unfavourable                |  |
| Corporate Buildings Upgrade Budget Only \$15k Favourable     | Revote unspent budget  |
| Rylstone Council Building \$3k Favourable                    | Revote unspent budget  |
| Mudgee Cottage Aerodrome \$6k Favourable                     |  |

## CORPORATE: FINANCE |

|   |  |
|---|--|
| Mudgee Town Hall \$5k Favourable                        |  |
| Gulgong Depot Capital \$4k Favourable                   |  |
| Operations Admin Capital \$22k Favourable               | Revote( \$10k) of the unspent budget   |
| Douro St Refurbishment \$3k Favourable                  |  |
| Corporate Governance \$28k Unfavourable                 | Overspend on legal expenses  |
|   | Reduced income for drainage diagrams following fee reduction (\$36k), overspend on casual wages (\$15k)              |
| Customer Services \$53k Unfavourable                    | Revote unspent consultant budget   |
| Records Operations \$14k Favourable                     | Savings in employee costs (\$61k) and other expenses   |
| Executive Support \$71k Favourable                      | Savings in employee costs (\$16k)  |
| Corporate Development \$16k Favourable                  |  |
| Community News & Advertising \$14k Unfavourable         |  |
| Corporate Advertising \$4k Favourable                   |  |
| Human Resources \$60k Favourable                        | Savings in employee cost (\$26k) and other expenses  |
|   | Revote of unspent risk management contract   |
|   |  |
| Staff Recruitment & Retention \$14k Favourable          | Revote of unspent budget   |
| Staff Training, Conferences & Seminars \$44k Favourable |  |
|   | Increased employee leave liability due to reduction in discount rate (\$387k) non-cash                               |
| Staff Leave Entitlements \$372k Unfavourable            | Net savings employee leave payments  |
|   | Savings in employee costs (\$11k)  |
|   | Revote of (\$22k) unspent budget for WHS officer and training initiatives  |
| Workplace Health & Safety \$33k Favourable              |  |
|   | Savings in employee costs (\$40k), borrowing costs (\$7k) and other expenses   |
| Financial Services \$53k Favourable                     | Savings in employee costs (\$17k)  |
| Revenue Collection \$21k Favourable                     | Revote of unspent budget   |
| Plans Of Management - Crown Lands \$94k Favourable      | Stock write up variance (\$28k) non-cash   |
| Stores & Purchasing \$97k Favourable                    | Savings materials (\$20k), employee costs (\$41k) and additional revenue due to scrap sales (\$14k)                  |
|   | Savings in employee costs (\$33k), lease payments and consultants (\$32k), offset by increase telephone costs (\$9k) |
| Information Technology Operations \$66k Favourable      | IT Firewall configuration revoted  |
|   | Revote of unspent budget   |
| Purchase Of Mobile Devices \$58k Favourable             | Revote of unspent budget   |
| It Special Projects \$15k Favourable                    | Revote of unspent budget   |
| It Corporate Software \$9k Favourable                   | Revote of unspent budget   |
|   |  |
| <b>Mid-Western Operations Administration</b>            | <b>\$162k Favourable</b>   |
| Mid-Western Operations Administration \$172k Favourable | Savings employee costs (\$94k), contract labour (\$40k), increased revenue from s138 fees (\$18k)                    |
| Mwrc Ops Admin - 48 Depot Rd \$10k Unfavourable         |  |
|   |  |
| <b>Engineering &amp; Works - Assets</b>                 | <b>\$617k Favourable</b>   |
| Plant Operations Fund \$523k Favourable                 |  |
| Council Works Depots - Buildings \$15k Favourable       |  |
| Tv Towers Administration \$4k Favourable                |  |

CORPORATE: FINANCE |

Plant Purchases \$59k Unfavourable  
 Book Value Of P&E Sold \$132k Favourable

Book value disposal of plant non-cash

**Private Works \$41k Favourable**  
 Jobs undertaken as private works have generated a surplus of \$88k, which has outperformed budget by \$41k

**General Purpose Revenue \$2432k Favourable**  
 General Purpose Revenue \$2432k Favourable  
 Financial Assistance Grant paid in advance (\$2,096k)  
 Investment revenues exceed budget (\$243k)  
 Residential rates revenue exceed budget by (\$78k)  
 Savings in bad debts expenses (\$23k) non-cash

**Developer Contributions \$34k Favourable**  
 S94 General Fund Contributions \$171k Favourable  
 S64 Water Contributions \$88k Unfavourable  
 S64 Sewer Contributions \$49k Unfavourable  
 S94A (\$70k), VPA (\$56k) and civic improvements (\$18k) receipts higher than budget with additional interest earned (\$14k)  
 Income received lower than budget  
 Income received lower than budget

## 2. Unrestricted Cash by Fund

### 2.1 General Fund

Council finished the 2017/18 financial year with an unrestricted cash balance of \$10.614 million. As adopted by Council the Original Budget projected a decrease to 30 June 2019 of \$396,000. Council has since adopted the following budget movements, summarised below.

| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | (396)           | Decrease        |
| Revotes   | (661)           | Decrease        |
| Approved variations                               | 7               | Increase        |
| <b>Estimated movement to 30 June 2019</b>         | <b>(1,050)</b>  | <b>Decrease</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>9,564</b>    |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>9,567</b>    |                 |

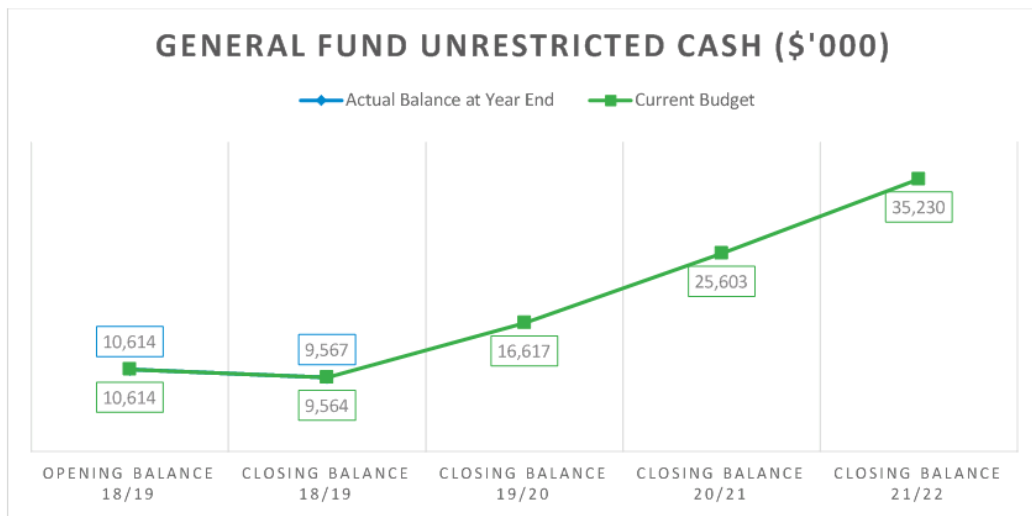
The closing balance of unrestricted cash as at 30 June 2019 compares favourably with budget estimates by \$3,000. The main factors influencing this outcome are related to:

| VARIATION  | AMOUNT (\$'000) | MOVEMENT |
|--|-----------------|----------|
| Increase in unrestricted Trade Creditors                           | 292             | Increase |
| Increase in unrestricted Trade Debtors                             | (2,136)         | Decrease |
| Increase in unrestricted Inventory                                 | (41)            | Decrease |
| Unrestricted cash expenditure carried forward to 2019/20 (revotes) | 210             | Increase |
| State Roads net result   | 257             | Increase |
| Investment income higher than budget                               | 243             | Increase |
| Pool Operations Savings  | 238             | Increase |
| Corporate administration and corporate buildings net savings       | 202             | Increase |
| Operations administration savings                                  | 172             | Increase |
| Building Regulatory and Development control savings                | 157             | Increase |
| Beryl Road widening  | 114             | Increase |
| Regional Roads savings   | 107             | Increase |
| Weed control savings   | 87              | Increase |
| Residential rates revenue  | 78              | Increase |
| Commercial tipping fees income                                     | 71              | Increase |
| Real estate income   | 66              | Increase |
| Governance savings   | 58              | Increase |
| Local Roads other savings  | 57              | Increase |
| Passive Parks and Mudgee Showground savings                        | 50              | Increase |
| Drainage maintenance   | 48              | Increase |

CORPORATE: FINANCE |

| VARIATION  | AMOUNT (\$'000) | MOVEMENT        |
|--|-----------------|-----------------|
| Cemetery maintenance savings                                 | 44              | Increase        |
| Unsealed roads maintenance, resheeting and grading overspent | -213            | Decrease        |
| Glen willow maintenance higher due to events                 | -88             | Decrease        |
| Glen Willow Major Events net cost exceeded budget            | -70             | Decrease        |
| <b>Net Movement</b>  | <b>3</b>        | <b>Increase</b> |

The General Fund projected unrestricted cash balance over the next four years is shown below.



## 2.2 Water Fund

Council finished the 2017/18 financial year with a Water fund unrestricted cash balance of \$1,636,000. As adopted by Council the Original Budget projected a decrease to 30 June 2019 of \$317,000. The budget movements are summarised below.

| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | (317)           | Decrease        |
| Approved Variations                               | (36)            | Decrease        |
| <b>Estimated movement to 30 June 2019</b>         | <b>(353)</b>    | <b>Decrease</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>1,283</b>    |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>2,529</b>    |                 |

The closing balance of unrestricted cash as at 30 June 2019 compares favourably with budget estimates by \$1,246,000 (unaudited).

### TOTAL WATER FUND CASH

Council finished the 2018 financial year with a Water Fund cash balance of \$14,020 million, made up of:

| CASH CLASSIFICATION         | AMOUNT (\$'000) |
|-----------------------------|-----------------|
| S64 Developer Contributions | 5,742           |
| Water Reserves              | 6,641           |
| Unspent Grants              | 1               |
| Unrestricted                | 1,636           |
| <b>Total</b>                | <b>14,020</b>   |

Actual Water Fund cash balances as at 30 June 2019 are made up as follows (unaudited):

| CASH CLASSIFICATION         | AMOUNT (\$'000) |
|-----------------------------|-----------------|
| S64 Developer Contributions | 5,119           |
| Water Reserves              | 6,805           |
| Unspent Grants              | 114             |
| Unrestricted                | 2,529           |
| <b>Total</b>                | <b>14,567</b>   |

## 2.3 Sewer Fund

Council finished the 2017/18 financial year with a Sewer Fund unrestricted cash balance of \$1,070,000. As adopted by Council the Original Budget projected a decrease to 30 June 2019 of \$316,000. The budget movements are summarised below.

| Variation       | Amount (\$'000) | Movement |
|-----------------|-----------------|----------|
| Original Budget | (316)           | Decrease |

CORPORATE: FINANCE |

|   |                       |
|---|-----------------------|
| Approved Variations                               | (75) Decrease         |
| <b>Estimated movement to 30 June 2019</b>         | <b>(391) Decrease</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>679</b>            |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>589</b>            |

The closing balance of unrestricted cash as at 30 June 2019 compares unfavourably with budget estimates by \$90,000 (unaudited).

TOTAL SEWER FUND CASH

Council finished the 2018 financial year with a Sewer Fund cash balance of \$11,322 million, made up of:

| CASH CLASSIFICATION         | AMOUNT (\$'000) |
|-----------------------------|-----------------|
| S64 Developer Contributions | 2,803           |
| Sewer Reserves              | 7,449           |
| Unrestricted                | 1,070           |
| <b>Total</b>                | <b>11,322</b>   |

Actual Sewer Fund cash balances as at 30 June 2019 are made up as follows (unaudited):

| CASH CLASSIFICATION         | AMOUNT (\$'000) |
|-----------------------------|-----------------|
| S64 Developer Contributions | 3,022           |
| Sewer Reserves              | 9,009           |
| Unrestricted                | 589             |
| <b>Total</b>                | <b>12,620</b>   |

## 2.4 Waste Fund

Council finished the 2017/18 financial year with a Waste Fund unrestricted cash balance of \$921,000. As adopted by Council the Original Budget projected an increase to 30 June 2019 of \$227,000. The budget movements are summarised below.

| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | 227             | Increase        |
| Approved Variations                               | 33              | Increase        |
| <b>Estimated movement to 30 June 2019</b>         | <b>260</b>      | <b>Increase</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>1,181</b>    |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>1,204</b>    |                 |

The closing balance of unrestricted cash as at 30 June 2019 compares favourably with budget estimates by \$23,000 (unaudited).



## TOTAL WASTE FUND CASH

Council finished the 2018 financial year with a Waste Fund cash balance of \$4,685 million, made up of:

| CASH CLASSIFICATION | AMOUNT (\$'000) |
|---------------------|-----------------|
| Waste Reserves      | 3,885           |
| Unspent Grants      | 104             |
| Unrestricted        | 921             |
| <b>Total</b>        | <b>4,910</b>    |

Actual Waste Fund cash balances as at 30 June 2019 are made up as follows (unaudited):

| CASH CLASSIFICATION | AMOUNT (\$'000) |
|---------------------|-----------------|
| Waste Reserves      | 3,373           |
| Unrestricted        | 1,204           |
| <b>Total</b>        | <b>4,577</b>    |

## 2.5 Other Funds

Council maintains a number of other funds including:

- Private Works
- Saleyards
- Mudgee Sports Council
- Gulgong Sports Council
- Rylstone Sports Council

At 30 June of each financial year, the cash balance held in the above Funds forms part of the overall General Fund Unrestricted Cash Balance.

CORPORATE: FINANCE |

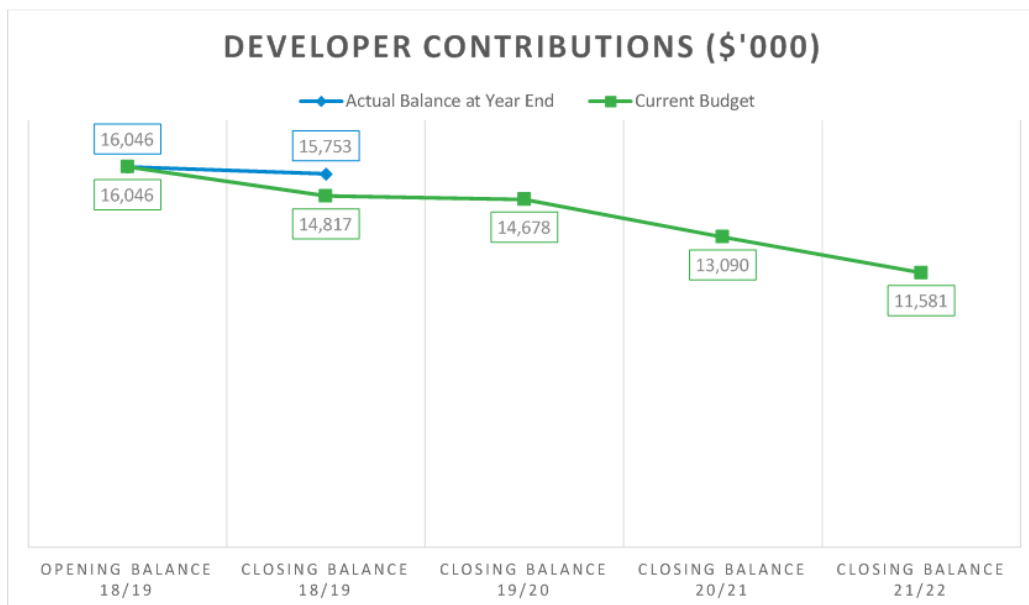
### 3. Developer Contributions – Section 64, 94 and 93F

Council finished the 2017/18 financial year with a Developer Contributions balance of \$16,046,000. As adopted by Council the Original Budget projected a decrease to 30 June 2019 of \$4,638,194. The budget movements are summarised below.

| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | (4,638)         | Decrease        |
| Revotes   | (67)            | Decrease        |
| Approved Variations                               | 3,476           | Increase        |
| <b>Estimated movement to 30 June 2019</b>         | <b>(1,229)</b>  | <b>Decrease</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>14,817</b>   |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>15,753</b>   |                 |

The closing balance as at 30 June 2019 compares favourably with budget estimates by \$936,000 (unaudited), mainly due to lower expenditure than budgeted on Glen Willow Stage 2 and Art Gallery Development.

The following chart shows the projected balances over a four year period.



Detailed Section 64, 94 & 93F movements and current balances are as follows:

| S94/64 Plan Item                     | Opening Balance | Budget Transfers To | Budget Transfers From | Budget Closing Balance | Current Balance |
|--------------------------------------|-----------------|---------------------|-----------------------|------------------------|-----------------|
| Traffic Management                   | 645             | 62                  | 50                    | 657                    | 702             |
| Open Space                           | 1881            | 211                 | 1,060                 | 1,032                  | 1,489           |
| Community Facilities                 | 615             | 38                  | 32                    | 621                    | 633             |
| Administration                       | 404             | 31                  | 77                    | 358                    | 370             |
| Civic Improvements                   | (5)             | 0                   | 0                     | (5)                    | 14              |
| Car Parking                          | 253             | 0                   | 0                     | 253                    | 258             |
| S94A Levies                          | 658             | 31                  | 150                   | 539                    | 763             |
| Drainage – 2A                        | 93              | 37                  | 0                     | 130                    | 129             |
| <b>Total S94 Contributions</b>       | <b>4,544</b>    | <b>410</b>          | <b>1,369</b>          | <b>3,585</b>           | <b>4,360</b>    |
| S64 Sewer                            | 2,803           | 268                 | 0                     | 3,071                  | 3,022           |
| S64 Water                            | 5,742           | 538                 | 1,205                 | 5,075                  | 5,119           |
| Voluntary Planning Agreements        | 2,957           | 1,091               | 964                   | 3,084                  | 3,253           |
| <b>Total Developer Contributions</b> | <b>16,046</b>   | <b>2,307</b>        | <b>3,538</b>          | <b>14,815</b>          | <b>15,754</b>   |

CORPORATE: FINANCE |

## 4. Loan Borrowings

Council's 2018/19 Operational Plan includes the proposed borrowings below.

| Project                               | Fund    | Original Budget \$'000 | Proposed Budget \$'000 | Actual YTD \$'000 |
|---------------------------------------|---------|------------------------|------------------------|-------------------|
| Property – Saleyards Lane subdivision | General | 0                      | 130                    | 0                 |
| <b>Total</b>                          |         | <b>0</b>               | <b>130</b>             | <b>0</b>          |

Following a successful grant application under the Low Cost Loans Initiative (LCLI) it is proposed to borrow \$1 million to fund the development of 25 lots at Saleyards Lane. The LCLI gives a 50% grant on loan interest charged on approved loans. The drawdown of funds had to be deferred until 2019/20 to finalise loan approval.

## 5. Reserves

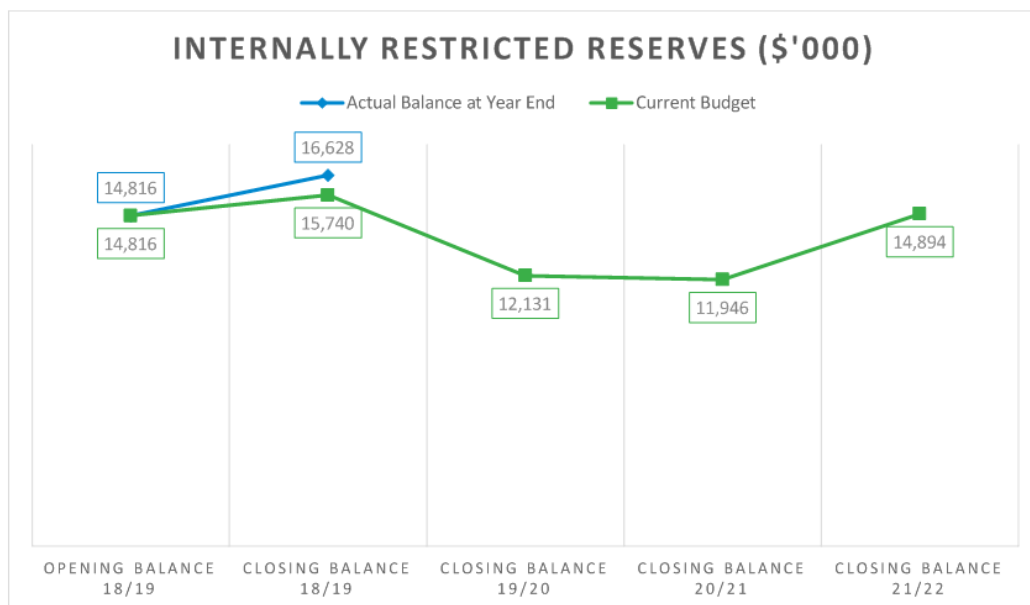
### 5.1 Internally Restricted Reserves

Council finished the 2017/18 financial year with an Internally Restricted Reserve balance of \$14,816,000. As adopted by Council the Original Budget projected a decrease to 30 June 2019 of \$6,657,000. The budget movements are summarised below.

| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | (6,657)         | Decrease        |
| Revotes   | (399)           | Decrease        |
| Approved Variations                               | 7,980           | Increase        |
| <b>Estimated movement to 30 June 2019</b>         | <b>924</b>      | <b>Increase</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>15,740</b>   |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>16,628</b>   |                 |

The closing balance as at 30 June 2019 compares favourably with budget estimates by \$888,000 (unaudited), mainly due to Plant Replacement fund receiving higher than budgeted plant hire income \$453,000 and less expenditure from the asset replacement reserve by \$223,000, of which \$180,000 is prosed for revote and carry forward to 2019/20.

The following chart shows the projected balances over a four year period.



CORPORATE: FINANCE |

Detailed budgeted reserve movements are included in the following table.

| Internally Restricted Reserves (\$'000) | Opening Balance | Budget Transfers To | Budget Transfers From | Budget Closing Balance | Current Balance |
|---|-----------------|---------------------|-----------------------|------------------------|-----------------|
| Employee Leave Entitlements             | 2,545           | 250                 | 0                     | 2,795                  | 2,795           |
| Land Development                        | 5,075           | 0                   | 979                   | 4,096                  | 4,162           |
| Election                                | 186             | 17                  | 0                     | 203                    | 203             |
| Plant Replacement                       | 3,772           | 4,695               | 4,643                 | 3,824                  | 4,343           |
| Asset Replacement                       | 1,887           | 1,388               | 1,129                 | 2,145                  | 2,369           |
| Capital Program                         | 371             | 600                 | 361                   | 610                    | 693             |
| Livestock Exchange                      | 60              | 0                   | 20                    | 40                     | 45              |
| State Roads Warranty                    | 400             | 0                   | 95                    | 305                    | 305             |
| Future Fund                             | 500             | 0                   | 0                     | 500                    | 500             |
| Mudgee Bicentenary                      | 20              | 0                   | 0                     | 20                     | 20              |
| Seal Extension Program                  | 0               | 1,200               | 0                     | 1,200                  | 1,193           |
| <b>TOTAL</b>                            | <b>14,815</b>   | <b>8,150</b>        | <b>7,227</b>          | <b>15,739</b>          | <b>16,629</b>   |

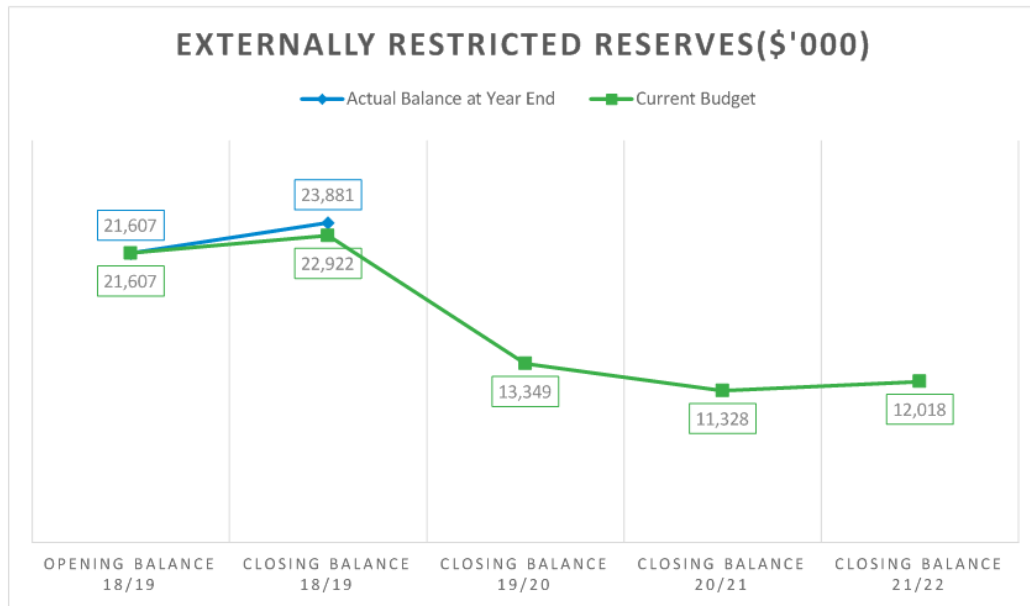
## 5.2 Externally Restricted Reserves

Council finished the 2017/18 financial year with an Externally Restricted Reserve balance of \$21,607,000. As adopted by Council the Original budget projected a decrease to 30 June 2019 of \$3,605,000. The budget movements are summarised below.

| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | (3,605)         | Decrease        |
| Revotes   | (1,968)         | Decrease        |
| Approved Variations                               | 6,887           | Increase        |
| <b>Estimated movement to 30 June 2019</b>         | <b>1,314</b>    | <b>Increase</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>22,921</b>   |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>23,881</b>   |                 |

The closing balance as at 30 June 2019 compares favourably with budget estimates by \$960,000 (unaudited), mainly due to deferred expenditure on Ulan Road Strategy and Waste and Water fund capital works.

The following chart shows the projected balances over a four year period.



Detailed budgeted reserve movements are included in the following table.

| Externally Restricted Reserves (\$'000)              | Opening Balance | Budget Transfers To | Budget Transfers From | Budget Closing Balance | Current Balance |
|--|-----------------|---------------------|-----------------------|------------------------|-----------------|
| Waste  | 3,885           | 100                 | 849                   | 3,136                  | 3,373           |
| Sewer  | 7,449           | 2,300               | 775                   | 8,974                  | 9,009           |
| Water  | 6,641           | 1,500               | 1,601                 | 6,541                  | 6,805           |
| Community Services                                   | 77              | 0                   | 0                     | 77                     | 77              |
| Community Tenancy Scheme - Walter & Denison St Units | 147             | 0                   | 14                    | 133                    | 154             |
| Family Day Care                                      | 145             | 31                  | 36                    | 139                    | 124             |
| Bequest - Simpkins Park                              | 101             | 0                   | 0                     | 101                    | 101             |
| Community Transport Vehicle Replacement              | 126             | 44                  | 0                     | 171                    | 219             |
| Ulan Road Strategy                                   | 3,036           | 1,106               | 1,572                 | 2,570                  | 3,158           |
| Public Road Closure Compensation                     | 0               | 1,080               | 0                     | 1,080                  | 860             |
| <b>TOTAL</b>   | <b>21,607</b>   | <b>6,161</b>        | <b>4,847</b>          | <b>22,922</b>          | <b>23,881</b>   |



CORPORATE: FINANCE |

## 6. Unspent Grants and Contributions

Council finished the 2017/18 financial year with unspent grants and contributions of \$4,234,000. As adopted by Council the Original Budget projected a decrease of \$202,000 to 30 June 2019. The budget movements are summarised below.

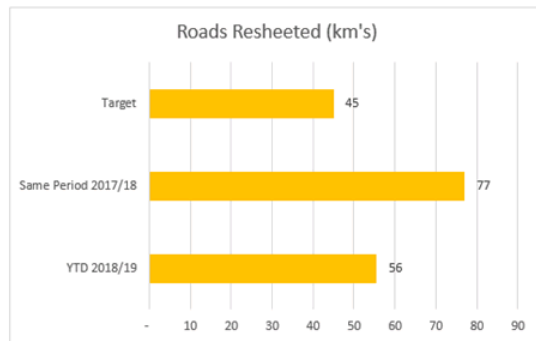
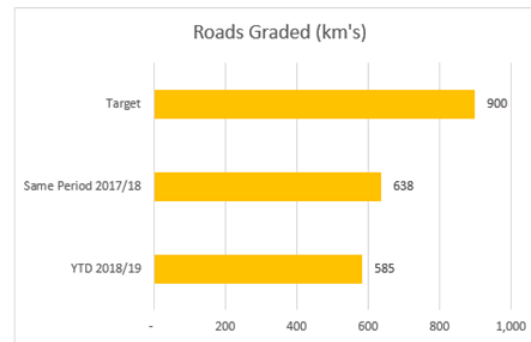
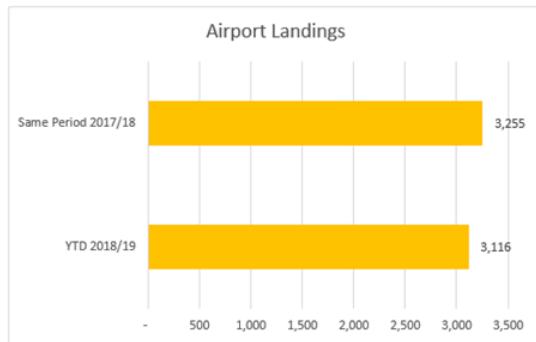
| Variation   | Amount (\$'000) | Movement        |
|---|-----------------|-----------------|
| Original Budget                                   | (202)           | Decrease        |
| Revotes   | (278)           | Decrease        |
| Approved Variations                               | (2,384)         | Decrease        |
| <b>Estimated movement to 30 June 2019</b>         | <b>(2,864)</b>  | <b>Decrease</b> |
| <b>Projected balance at 30 June 2019</b>          | <b>1,370</b>    |                 |
| <b>Actual (unaudited) balance at 30 June 2019</b> | <b>6,664</b>    |                 |

The closing balance as at 30 June 2019 compares favourably with budget estimates by \$5,294,000 (unaudited), mainly due to grant income received in advance, such as the financial assistance grant of \$3.38 million for 19/20 and the art gallery project \$500,000.

## 7. Budget Summary

### 7.1 Connecting Our Region

#### Key Performance Indicators

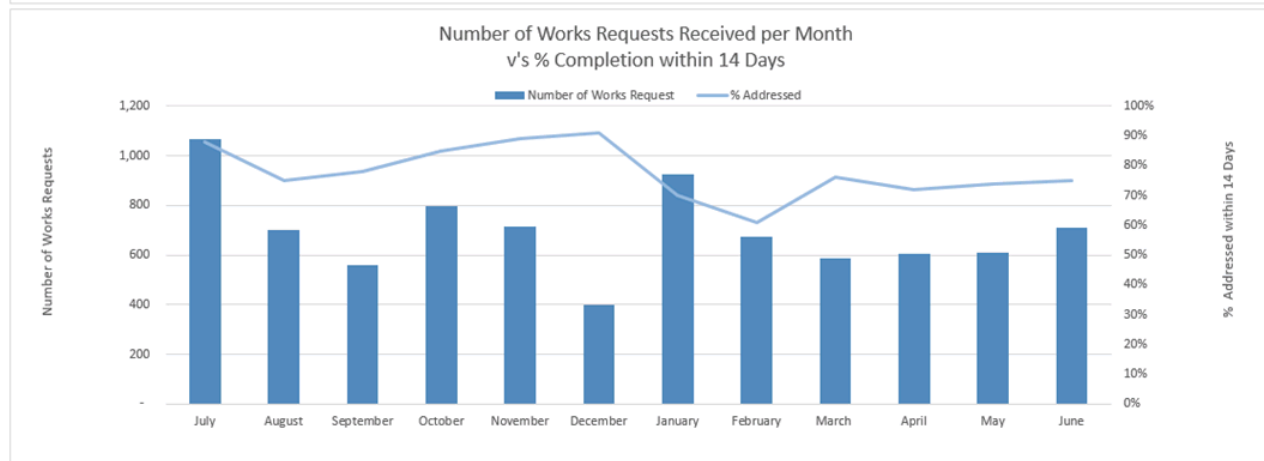
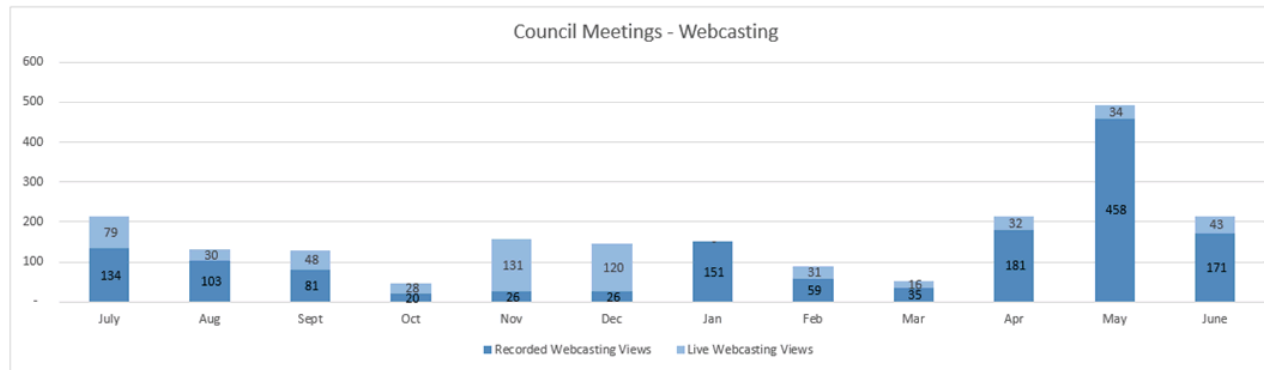


Significant Capital Projects

| \$'000                                  | Original Annual Budget | Current Annual Budget | Actual YTD   | Comment  |
|---|------------------------|-----------------------|--------------|--|
| <b>Connecting our Region</b>            |                        |                       |              |  |
| REALIGNMENT - ULAN WOLLAR RD            | 3,981                  | 107                   | 69           | Works in Stage 2 are complete, Stage 1 works are under construction, Stage 3 is under contract negotiations.         |
| REHAB BYLONG VALLEY WAY SEG 1030 & 1035 | 518                    | 1,300                 | 1,110        | Construction complete. Scope extended to incorporate approx. 6.5km of rehabilitation in total for the financial year |
| MUNGHORN GAP REALIGNMENT & UPGRADE      | 0                      | 116                   | 90           | Preliminary works complete, first stage of construction under 19/20 financial year.                                  |
| SEAL EXTENSION - WOLLAR ROAD            | 1,600                  | 2,534                 | 2,564        | Project complete except Wollar Rd/ Bylong Valley Way Intersection.   |
| SEAL EXTENSION - WOLLAR ROAD STAGE 4    | 0                      | 2,275                 | 2,192        | Awaiting announcement of Kepco Bylong Valley Mine Project prior to completing Wollar/Bylong Valley Way Intersection. |
| <b>Total</b>                            | <b>6,099</b>           | <b>6,331</b>          | <b>6,024</b> |  |

7.2 Good Government

Key Performance Indicators

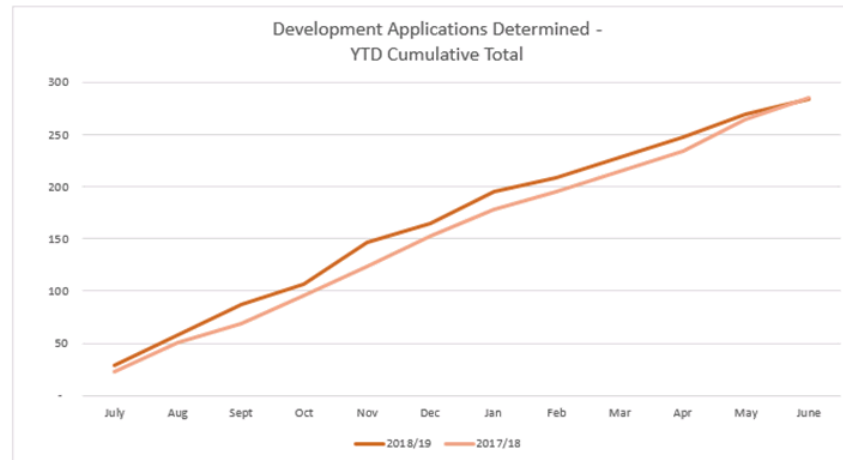
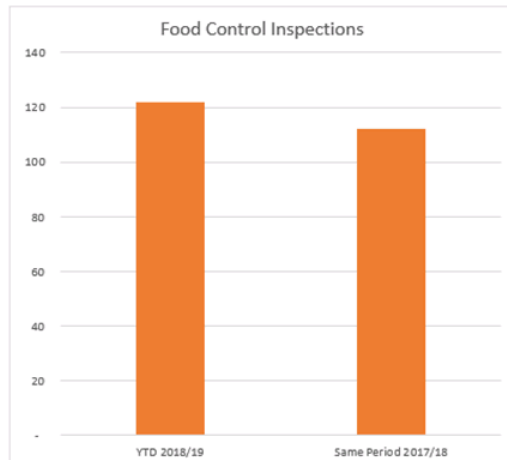
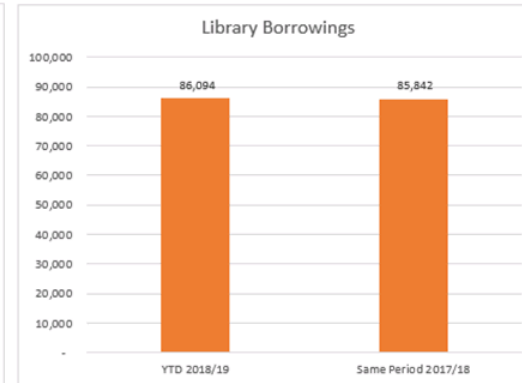
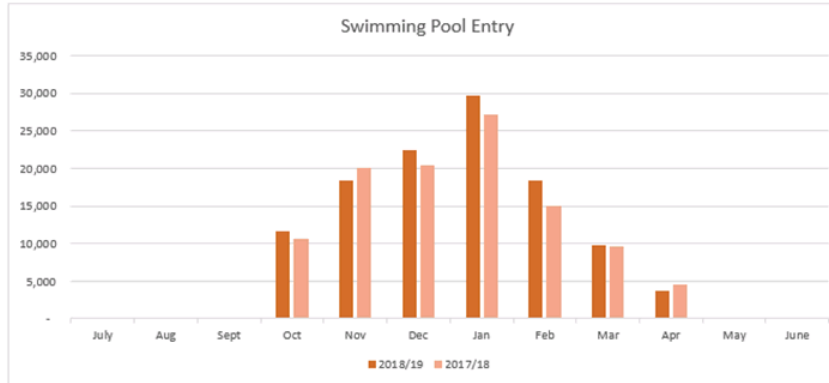


Significant Capital Projects

| \$'000                 | Original Annual Budget | Current Annual Budget | Actual YTD | Comment   |
|------------------------|------------------------|-----------------------|------------|-----------|
| <b>Good Government</b> |                        |                       |            |           |
| PLANT PURCHASES        | 6,050                  | 4,716                 | 4,775      | Completed |

### 7.3 Looking after Our Community

#### Key Performance Indicators



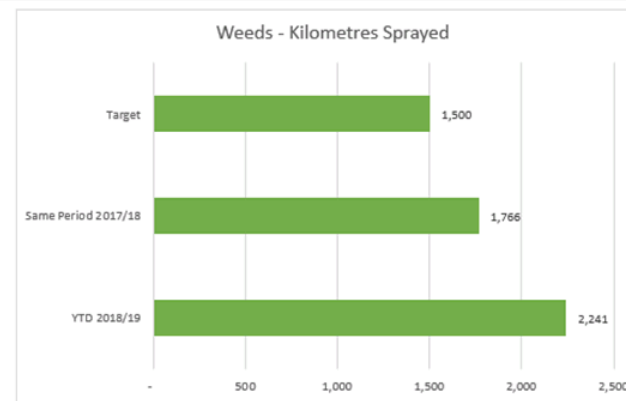
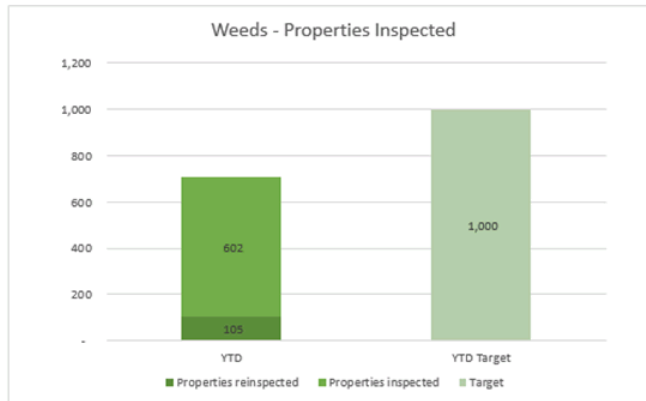
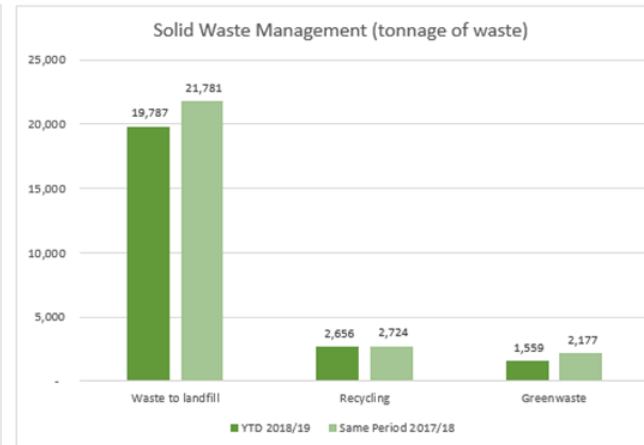
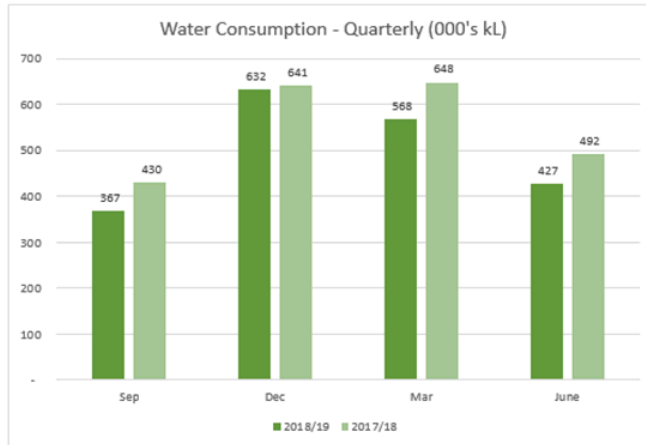
Significant Capital Projects

| \$'000                                       | Original Annual Budget | Current Annual Budget | Actual YTD | Comment   |
|--|------------------------|-----------------------|------------|---|
| <b>Looking after our Community</b>           |                        |                       |            |   |
| GLEN WILLOW SPORTS GROUND UPGRADES           | 3,000                  | 400                   | 50         | Full design work being undertaken for the two buildings, six fields and all associated infrastructure. Tenders for the design of the Rugby Union building and the design and construction of the junior rugby league building have been undertaken. |
| VICTORIA PARK GULGONG - LIGHTING CAP UPGRADE | 0                      | 11                    | 5          | Scope of works being drafted awaiting Essential Energy to sign off  |
| MUDGEEO OUTDOOR WATER PARK                   | 1,050                  | 1,050                 | 1,006      | Finishing fencing, seating and signage  |
| DISTRICT ADVENTURE PLAYGROUND                | 800                    | 900                   | 790        | Playground open, amenities to be finished in July   |
| ART GALLERY FACILITY                         | 3,500                  | 324                   | 23         | Tender for the Design of the gallery has been awarded. Detailed design is underway. 90 Market Street is now in Council ownership.   |



## 7.4 Protecting our Natural Environment

### Key Performance Indicators

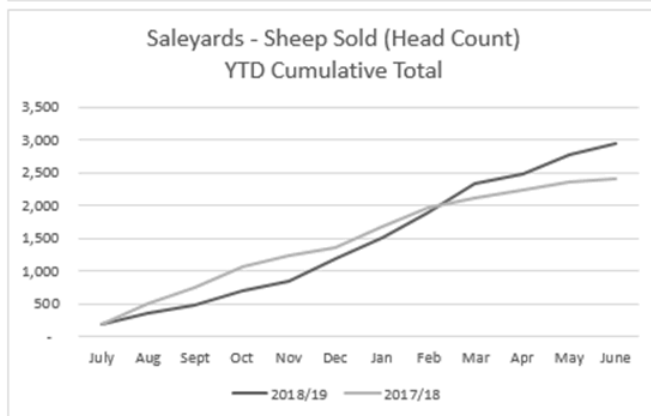
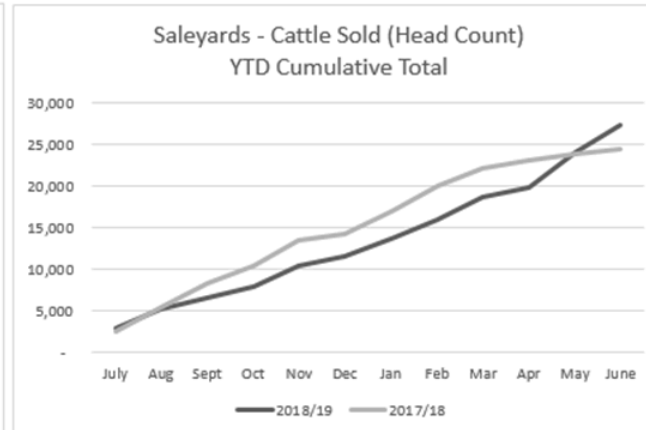
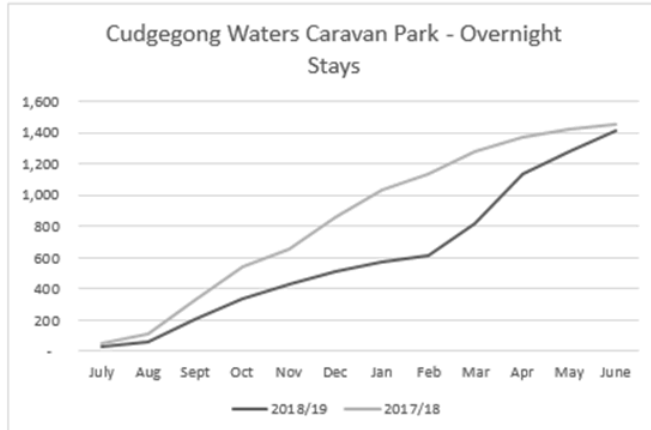


Significant Capital Projects

| \$'000                                    | Original Annual Budget | Current Annual Budget | Actual YTD | Comment   |
|---|------------------------|-----------------------|------------|---|
| <b>Protecting our Natural Environment</b> |                        |                       |            |   |
| NEW TIP CONSTRUCTION                      | 2,000                  | 100                   | 103        | Reviewing Technical Specification prior to preparing tender documents.  |
| WATER AUGMENTATION - MUDGEE HEADWORKS     | 2,696                  | 661                   | 148        | Chlorine disinfection system programmed for commissioning in July 2019. Detailed design of WTP and Raw water pump station currently in progress after delays to contract formation. Estimated design completion date is end September 2019.           |
| WATER AUGMENTATION - ULAN RD EXTENSION    | 1,500                  | 1,529                 | 889        | Contract completed June 2019.   |
| WATER METER REPLACEMENT                   | 865                    | 1,403                 | 1,258      | All 20mm Smart water meters installed in Kandos, Rylstone, Charbon and Clandulla by end June 2019. Installations in Mudgee and Gulgong now in progress.   |
| SEWER AUGMENTATION - CHARBON              | 1,715                  | 1,000                 | 2          | Tender accepted. Draft Policy to be exhibited in July, with the aim of approval of Policy in August to allow the contract to proceed in August. Current estimation of construction commencement is late 2019, with contract completion in April 2020. |

7.5 Building a Strong Local Economy

Key Performance Indicators

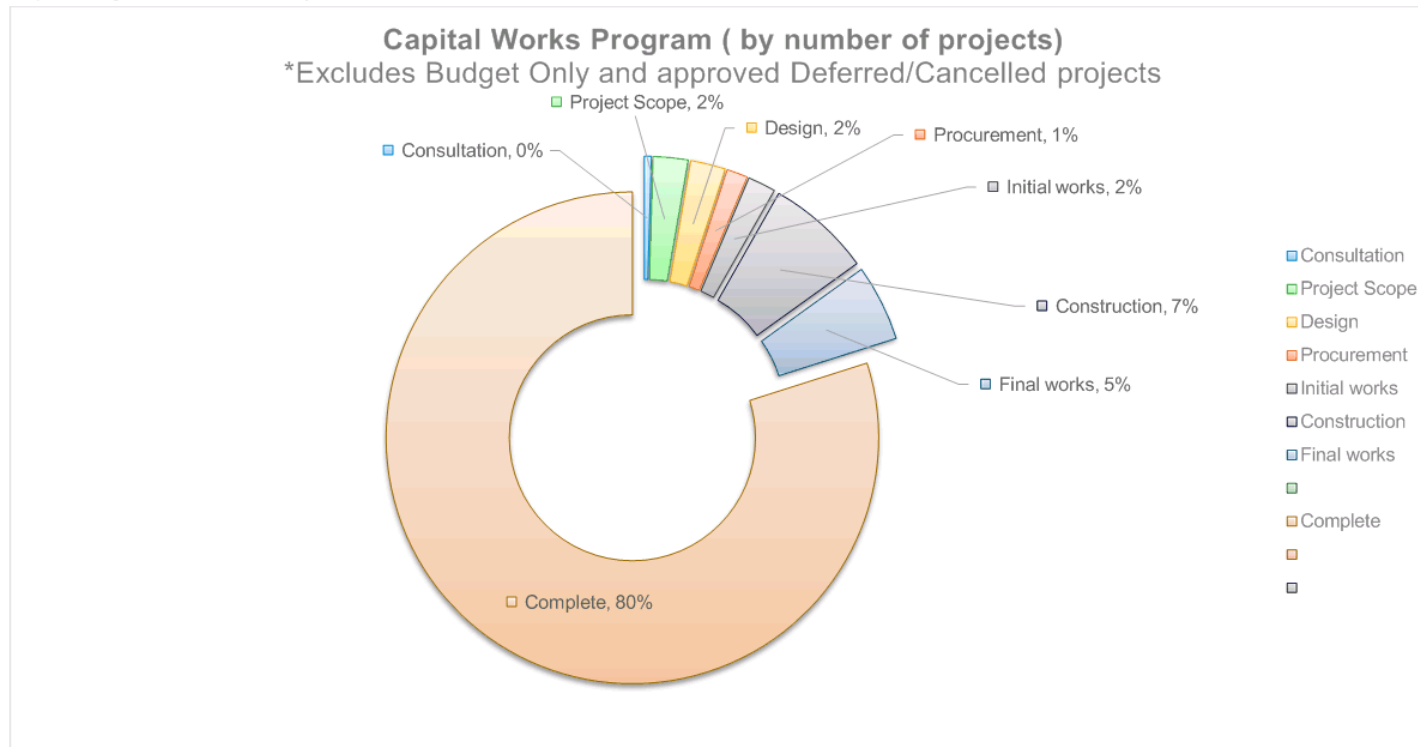


Significant Capital Projects

| \$'000                                 | Original Annual Budget | Current Annual Budget | Actual YTD | Comment                            |
|--|------------------------|-----------------------|------------|------------------------------------|
| <b>Building a Strong Local Economy</b> |                        |                       |            |                                    |
| PROPERTY - DEVELOPMENT MORTIMER ST     | 4,764                  | 56                    | 0          | Prospective tenant not proceeding. |

## 8. Capital Works Program

Capital Program Status Summary



KEY

| Status                      | Description  |
|-----------------------------|--|
| Consultation                | Engaging with stakeholders for ideas and to determine viability and direction for the project. |
| Project Scope               | Initial concept, business case and project plan development.                                   |
| Design                      | Initial and detailed design.   |
| Procurement                 | Tendering, sourcing quotes or suppliers.   |
| Initial works               | Early stages of project delivery.  |
| Construction                | Major project activities are in progress.  |
| Final works                 | Project is in final stages of completion or awaiting minor items.                              |
| Complete, awaiting invoices | Project work is complete. Waiting on invoices from suppliers for financial completion.         |
| Complete                    | Project work is complete and all costs have been allocated.                                    |

## Detailed Capital Works

| \$'000   | Original Annual Budget | Current Annual Budget | Actual YTD | Actual YTD/<br>Annual Budget | Project Status     |
|--|------------------------|-----------------------|------------|------------------------------|--------------------|
| <b>Looking after our Community</b>             |                        |                       |            |                              |                    |
| RURAL FIRE SERVICE - TOILET CONSTRUCTION       | 0                      | 10                    | 10         | 101%                         | Complete           |
| MUDGEES POUND - CAGE REPAIRS                   | 20                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| COMM. TRANSPORT- VEHICLE PURCHASE              | 173                    | 0                     | 0          | 0%                           | Deferred/Cancelled |
| CAPITAL -DENISON STREET UNITS                  | 25                     | 14                    | 14         | 100%                         | Complete           |
| CEMETERY CAPITAL PROGRAM                       | 15                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| GULGONG LAWN CEMETERY EXTENSION                | 25                     | 32                    | 32         | 101%                         | Complete           |
| REDHILL PUBLIC TOILETS - CAP UPGRADE           | 55                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| PUBLIC TOILETS - VICTORIA PARK GULGONG SHOWERS | 10                     | 10                    | 4          | 35%                          | Complete           |
| PUBLIC TOILETS - ROTARY PARK KANDOS PAINTING   | 10                     | 2                     | 2          | 97%                          | Complete           |
| PUBLIC TOILETS - LAWSON PARK PAINTING (FLOOR)  | 5                      | 1                     | 1          | 94%                          | Complete           |
| PUBLIC TOILETS - LAWSON PARK DAMAGE REPAIRS    | 0                      | 4                     | 4          | 99%                          | Complete           |
| LIBRARY BOOKS                                  | 89                     | 89                    | 92         | 103%                         | Complete           |
| RYLSTONE LIBRARY BRANCH                        | 0                      | 26                    | 15         | 57%                          | Complete           |
| MUDGEES LIBRARY LIGHTING                       | 10                     | 4                     | 0          | 0%                           | Complete           |
| MUDGEES LIBRARY TECHNOLOGY FIT-OUT             | 0                      | 49                    | 0          | 0%                           | Construction       |
| CAPITAL UPGRADE - RYLSTONE HALL                | 0                      | 20                    | 18         | 89%                          | Complete           |
| MUDGEES TOWN HALL - SENSORY SCREENING          | 7                      | 0                     | 0          | 0%                           | Deferred/Cancelled |
| CAP UPGRD-COMMUNITY BLD-BUDGET ONLY            | 28                     | 0                     | 0          | 0%                           | Budget only        |
| GULGONG MEMORIAL HALL EXT. PAINTING            | 30                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| GULGONG MEMORIAL HALL ROOF                     | 70                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| STABLES BUILDING PAINTING                      | 10                     | 5                     | 4          | 74%                          | Complete           |



| <b>\$'000</b>                                | <b>Original Annual Budget</b> | <b>Current Annual Budget</b> | <b>Actual YTD</b> | <b>Actual YTD/<br/>Annual Budget</b> | <b>Project Status</b> |
|--|-------------------------------|------------------------------|-------------------|--------------------------------------|-----------------------|
| POOL INFLATABLE                              | 17                            | 17                           | 16                | 93%                                  | Complete              |
| POOL MATTS                                   | 28                            | 28                           | 28                | 101%                                 | Complete              |
| POOL MATT ROLLERS                            | 20                            | 29                           | 32                | 110%                                 | Complete              |
| GULGONG POOL IRRIGATION                      | 15                            | 15                           | 11                | 73%                                  | Complete              |
| MUDGEES SHOWGROUNDS - REDEVELOPMENT          | 500                           | 0                            | 0                 | 0%                                   | Deferred/Cancelled    |
| GLEN WILLOW SPORTS GROUND UPGRADES           | 3,000                         | 400                          | 50                | 13%                                  | Design                |
| GLEN WILLOW NETBALL COURTS                   | 110                           | 110                          | 113               | 103%                                 | Complete              |
| GLEN WILLOW SHED                             | 15                            | 15                           | 14                | 96%                                  | Complete              |
| WARATAH PARK FENCING                         | 8                             | 35                           | 35                | 101%                                 | Final works           |
| GLEN WILLOW PLAYER SEATING                   | 0                             | 40                           | 5                 | 13%                                  | Final works           |
| GLEN WILLOW SCOREBOARD                       | 160                           | 301                          | 30                | 10%                                  | Construction          |
| MUDGEES SKATE PARK                           | 214                           | 214                          | 214               | 100%                                 | Complete              |
| GULGONG SKATE PARK                           | 150                           | 161                          | 161               | 100%                                 | Complete              |
| MUDGEES SHOWGROUNDS - AMENITIES              | 125                           | 88                           | 1                 | 1%                                   | Procurement           |
| BILLY DUNN FENCE UPGRADE                     | 0                             | 48                           | 53                | 112%                                 | Final works           |
| VICTORIA PARK GULGONG - FENCING              | 0                             | 50                           | 50                | 99%                                  | Complete              |
| MUDGEES TENNIS COURTS - CAPITAL UPGRADE      | 20                            | 20                           | 20                | 101%                                 | Complete              |
| VICTORIA PARK GULGONG - LIGHTING CAP UPGRADE | 0                             | 11                           | 5                 | 45%                                  | Initial works         |
| MUDGEES SHOWGROUND AMENITIES PAINTING        | 8                             | 8                            | 7                 | 83%                                  | Complete              |
| MUDGEES SHOWGROUND TOILET BLOCK PAINTING     | 5                             | 5                            | 5                 | 95%                                  | Complete              |
| MUDGEES SHOWGROUND PAVILION COOLING          | 8                             | 8                            | 7                 | 82%                                  | Complete              |
| WARATAH PARK SCOREBOARD & DISCUS NETS        | 0                             | 100                          | 17                | 17%                                  | Construction          |
| MUDGEES SHOWGROUND INTERNAL ROAD ACCESS      | 5                             | 22                           | 9                 | 41%                                  | Complete              |
| MUDGEES SHOWGROUND EQUIPMENT STORAGE         | 5                             | 5                            | 4                 | 87%                                  | Complete              |
| KANDOS SPORTSGROUND GRANDSTAND SEATING       | 34                            | 29                           | 29                | 100%                                 | Complete              |
| BILLY DUNN GRANDSTAND - EXTERNAL PAINTING    | 30                            | 22                           | 18                | 81%                                  | Complete              |

| \$'000                                    | Original Annual Budget | Current Annual Budget | Actual YTD   | Actual YTD/<br>Annual Budget | Project Status |
|---|------------------------|-----------------------|--------------|------------------------------|----------------|
| IRRIGATION RYLSTONE SHOWGROUND            | 0                      | 60                    | 49           | 81%                          | Complete       |
| PEOPLES PARK - CAPITAL UPGRADE            | 5                      | 5                     | 2            | 34%                          | Complete       |
| PASSIVE PARKS - LANDSCAPING IMPROVEMENTS  | 5                      | 5                     | 5            | 93%                          | Complete       |
| SCULPTURES ACROSS THE REGION              | 25                     | 25                    | 22           | 86%                          | Complete       |
| PLAYGROUND EQUIPMENT - ROTARY PARK KANDOS | 40                     | 40                    | 40           | 100%                         | Complete       |
| PLAYGROUND EQUIPMENT - APEX PARK GULGONG  | 50                     | 50                    | 53           | 106%                         | Complete       |
| LAWSON PARK - RESTORATION STONE FENCE     | 0                      | 12                    | 11           | 90%                          | Complete       |
| PLAYGROUND SHADING - BLACKMAN PARK        | 16                     | 18                    | 20           | 113%                         | Complete       |
| ANZAC PARK GULGONG UPGRADES               | 0                      | 51                    | 49           | 97%                          | Final works    |
| MUDGEEO OUTDOOR WATER PARK                | 1,050                  | 1,050                 | 1,006        | 96%                          | Final works    |
| DISTRICT ADVENTURE PLAYGROUND             | 800                    | 900                   | 790          | 88%                          | Final works    |
| APEX PARK GULGONG CAPITAL UPGRADES        | 16                     | 16                    | 15           | 93%                          | Complete       |
| PLAYGROUND SOFTFALL - APEX PARK GULGONG   | 65                     | 65                    | 65           | 100%                         | Complete       |
| ROBERTSON PARK EQUIPMENT STORE            | 10                     | 6                     | 5            | 78%                          | Complete       |
| LAWSON PARK PATH UPGRADES                 | 62                     | 62                    | 62           | 100%                         | Complete       |
| BLACKMAN PARK LIGHTING                    | 10                     | 30                    | 20           | 67%                          | Complete       |
| DARTON PARK FENCING                       | 12                     | 8                     | 7            | 99%                          | Complete       |
| RYLSTONE RIVERBANK PICNIC TABLES          | 10                     | 10                    | 6            | 63%                          | Complete       |
| PLAYGROUND EQUIPMENT - GOOLMA             | 0                      | 4                     | 3            | 63%                          | Complete       |
| ART GALLERY FACILITY                      | 3,500                  | 324                   | 23           | 7%                           | Design         |
| STREETSCAPE - CBD INFRASTRUCTURE          | 13                     | 21                    | 27           | 128%                         | Complete       |
| <b>Total</b>                              | <b>10,749</b>          | <b>4,805</b>          | <b>3,407</b> | <b>71%</b>                   |                |

| \$'000   | Original Annual Budget | Current Annual Budget | Actual YTD | Actual YTD/<br>Annual Budget | Project Status     |
|--|------------------------|-----------------------|------------|------------------------------|--------------------|
| <b>Protecting our Natural Environment</b>        |                        |                       |            |                              |                    |
| RURAL WASTE DEPOT UPGRADES                       | 150                    | 192                   | 129        | 67%                          | Construction       |
| MUDGEES WASTE DEPOT UPGRADES                     | 34                     | 34                    | 34         | 100%                         | Complete           |
| NEW TIP CONSTRUCTION                             | 2,000                  | 100                   | 103        | 103%                         | Construction       |
| WASTE SITES REHABILITATION                       | 400                    | 400                   | 266        | 66%                          | Complete           |
| MUDGEES RECYCLING - NEW LIFT                     | 50                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| LEACHATE POND ENLARGEMENT                        | 250                    | 0                     | 0          | 0%                           | Deferred/Cancelled |
| GULGONG WTS OFFICE REPLACEMENT                   | 100                    | 25                    | 21         | 84%                          | Construction       |
| HOOKLIFT BINS                                    | 0                      | 48                    | 49         | 102%                         | Complete           |
| SEDIMENT POND AND PAPER BLOW FENCING             | 0                      | 50                    | 16         | 33%                          | Design             |
| CAUSEWAY IMPROVEMENTS                            | 62                     | 0                     | 0          | 0%                           | Budget only        |
| LAWSON PARK WEST PIPE EXTENSION                  | 0                      | 17                    | 3          | 19%                          | Initial works      |
| MUDGEES FLOOD STUDY & FLOODPLAIN MANAGEMENT PLAN | 157                    | 16                    | 27         | 168%                         | Construction       |
| KERB EXTENSIONS JACQUES AND DANGAR STREETS       | 50                     | 0                     | 0          | 0%                           | Deferred/Cancelled |
| STORMWATER PUMP PITTS LANE                       | 0                      | 4                     | 8          | 174%                         | Complete           |
| LAWSON PARK CULVERT REPLACEMENT                  | 110                    | 110                   | 0          | 0%                           | Project Scope      |
| COX ST INLET PIT                                 | 30                     | 10                    | 0          | 0%                           | Project Scope      |
| EARTH CHANNEL ENLARGEMENT WORKS                  | 100                    | 2                     | 2          | 101%                         | Deferred/Cancelled |
| CAUSEWAY IMPROVEMENT - BOTOBOLAR RD              | 0                      | 25                    | 52         | 207%                         | Complete           |
| CAUSEWAY IMPROVEMENT - PYRAMUL ROAD              | 0                      | 37                    | 46         | 124%                         | Complete           |
| PUTTA BUCCA WETLANDS CAPITAL                     | 32                     | 52                    | 65         | 126%                         | Complete           |
| PUTTA BUCCA WETLANDS EXTENSION                   | 31                     | 31                    | 13         | 42%                          | Construction       |
| WATER NEW CONNECTIONS                            | 74                     | 74                    | 65         | 88%                          | Complete           |
| WATER AUGMENTATION - MUDGEES HEADWORKS           | 2,696                  | 280                   | 148        | 53%                          | Construction       |

| <b>\$'000</b>  | <b>Original Annual Budget</b> | <b>Current Annual Budget</b> | <b>Actual YTD</b> | <b>Actual YTD/<br/>Annual Budget</b> | <b>Project Status</b> |
|--|-------------------------------|------------------------------|-------------------|--------------------------------------|-----------------------|
| WATER AUGMENTATION - ULAN RD EXTENSION                   | 1,500                         | 890                          | 889               | 100%                                 | Complete              |
| WATER LICENCE PURCHASE                                   | 0                             | 0                            | 50                | 0%                                   | Complete              |
| WATER RYLSTONE DAM UPGRADE                               | 530                           | 30                           | 29                | 98%                                  | Complete              |
| WATER MAINS - CAPITAL BUDGET ONLY                        | 900                           | 0                            | 0                 | 0%                                   | Budget only           |
| WATER MAINS - ROBINSON STREET                            | 0                             | 43                           | 43                | 100%                                 | Complete              |
| WATER MAINS - DANGAR STREET                              | 0                             | 158                          | 158               | 100%                                 | Complete              |
| WATER MAINS - YOUNG ST GULGONG                           | 0                             | 34                           | 21                | 63%                                  | Complete              |
| WATER MAINS - HERBERT ST ROUSE TO MEDLEY                 | 0                             | 47                           | 31                | 67%                                  | Complete              |
| WATER MAINS - HERBERT ST STATION TO QUEEN                | 0                             | 117                          | 89                | 76%                                  | Construction          |
| WATER MAINS - WHITE ST GULGONG                           | 0                             | 82                           | 18                | 22%                                  | Construction          |
| WATER PUMP STATION - CAPITAL RENEWALS                    | 207                           | 0                            | 0                 | 0%                                   | Budget only           |
| RESERVOIRS - RYLSTONE, KANDOS, CHARBON, CLANDULLA        | 55                            | 55                           | 0                 | 0%                                   | Project Scope         |
| RAW WATER SYSTEMS RENEWALS                               | 17                            | 17                           | 12                | 73%                                  | Complete              |
| WATER TREATMENT PLANT - RENEWALS                         | 101                           | 112                          | 112               | 100%                                 | Complete              |
| WATER TREATMENT PLANT - pH CORRECTION SYSTEM             | 0                             | 16                           | 14                | 86%                                  | Complete              |
| ONLINE ANALYSER REPLACEMENT - M, G, R WTP (Inc Fluoride) | 0                             | 8                            | 7                 | 91%                                  | Complete              |
| WATER METER REPLACEMENT                                  | 865                           | 1,403                        | 1,258             | 90%                                  | Construction          |
| SEAL GULGONG WATER FILLING STATION                       | 98                            | 87                           | 87                | 100%                                 | Complete              |
| CHLORINE DISINFECITON - GULGONG - UPGRADE                | 110                           | 130                          | 145               | 111%                                 | Final works           |
| GULGONG LOW LIFT PUMP REPLACEMENT                        | 0                             | 15                           | 13                | 85%                                  | Complete              |
| SEWER NEW CONNECTIONS                                    | 22                            | 22                           | 14                | 66%                                  | Complete              |
| SEWER AUGMENTATION - CHARBON                             | 1,715                         | 30                           | 2                 | 8%                                   | Initial works         |
| SEWER MAINS - CAPITAL BUDGET ONLY                        | 255                           | 20                           | 0                 | 0%                                   | Budget only           |
| SEWER MAINS RELINING                                     | 600                           | 739                          | 738               | 100%                                 | Complete              |
| SEWER PUMP STATION - CAPITAL RENEWALS                    | 970                           | 0                            | 0                 | 0%                                   | Deferred/Cancelled    |

| \$'000       | Original Annual Budget | Current Annual Budget | Actual YTD   | Actual YTD/<br>Annual Budget | Project Status |
|--------------|------------------------|-----------------------|--------------|------------------------------|----------------|
| <b>Total</b> | <b>14,271</b>          | <b>5,563</b>          | <b>4,783</b> | <b>86%</b>                   |                |

### Building a Strong Local Economy

|   |              |              |              |            |               |
|---|--------------|--------------|--------------|------------|---------------|
| CUDGEGONG WATERS CARAVAN PARK           | 0            | 60           | 49           | 82%        | Initial works |
| RYLSTONE CARAVAN PARK - CAPITAL         | 0            | 60           | 0            | 0%         | Design        |
| ENTRANCE SIGNAGE PROJECT                | 20           | 10           | 0            | 0%         | Project Scope |
| SALEYARDS - POST AND RAIL REPLACEMENT   | 10           | 15           | 10           | 65%        | Complete      |
| SALEYARDS CANTEEN                       | 8            | 50           | 1            | 1%         | Construction  |
| SALEYARDS SECURITY                      | 6            | 5            | 5            | 100%       | Complete      |
| PROPERTY - MUDGEER AIRPORT SUBDIVISION  | 0            | 13           | 3            | 27%        | Complete      |
| PROPERTY - EX SALEYARDS STAGE I         | 390          | 130          | 90           | 70%        | Procurement   |
| TRACK TO RETURN & EARN                  | 0            | 10           | 4            | 41%        | Complete      |
| PROPERTY - DEVELOPMENT MORTIMER ST      | 4,764        | 56           | 0            | 0%         | Consultation  |
| RYLSTONE KANDOS PRESCHOOL EXTENSION     | 290          | 97           | 8            | 8%         | Procurement   |
| COMMERCIAL PROPERTY PURCHASE            | 0            | 52           | 64           | 123%       | Complete      |
| MORTIMER ST PRECINCT EXTERNAL PAINTING  | 9            | 7            | 6            | 84%        | Complete      |
| CHILD CARE (DOURO) REFERBISHMENT        | 50           | 0            | 0            | 0%         | Complete      |
| COMMERCIAL PROPERTY PURCHASE - MN311/18 | 0            | 910          | 906          | 100%       | Complete      |
| <b>Total</b>                            | <b>5,547</b> | <b>1,475</b> | <b>1,147</b> | <b>78%</b> |               |

### Connecting our Region

|                                      |    |   |   |      |             |
|--------------------------------------|----|---|---|------|-------------|
| BUS SHELTER GULGONG REPAIR STRUCTURE | 5  | 5 | 5 | 105% | Complete    |
| URBAN RESEALS - BUDGET ONLY          | 32 | 0 | 0 | 0%   | Budget only |
| URBAN RESEALS - MACKAY STREET SEG 10 | 5  | 5 | 5 | 100% | Complete    |

| <b>\$'000</b>                                   | <b>Original Annual Budget</b> | <b>Current Annual Budget</b> | <b>Actual YTD</b> | <b>Actual YTD/<br/>Annual Budget</b> | <b>Project Status</b> |
|---|-------------------------------|------------------------------|-------------------|--------------------------------------|-----------------------|
| URBAN RESEALS - NANDOURA STREET SEG 70          | 6                             | 7                            | 7                 | 100%                                 | Complete              |
| URBAN RESEALS - POMANY STREET SEG 20 - 30       | 13                            | 9                            | 9                 | 100%                                 | Complete              |
| URBAN RESEALS - RHEINBERGER AVE SEG 10 - 20     | 13                            | 12                           | 12                | 100%                                 | Complete              |
| URBAN RESEALS - ROBERTSON ST SEG 20             | 31                            | 22                           | 22                | 101%                                 | Complete              |
| URBAN RESEALS - ROXBURGH ST SEG 10 - 20         | 17                            | 13                           | 13                | 100%                                 | Complete              |
| URBAN RESEALS - THOMPSONS LANE SEG 10,30        | 16                            | 21                           | 21                | 100%                                 | Complete              |
| URBAN RESEALS - WATTLE LANE SEG 10              | 4                             | 3                            | 3                 | 100%                                 | Complete              |
| URBAN RESEALS - WHITE STREET SEG 100            | 11                            | 6                            | 6                 | 100%                                 | Complete              |
| URBAN RESEALS - WYNELLA STREET SEG 50           | 6                             | 6                            | 6                 | 100%                                 | Complete              |
| URBAN RESEALS - LOCKWOOD STREET SEG 10          | 11                            | 11                           | 11                | 100%                                 | Complete              |
| URBAN RESEAL - ANDERSON STREET SEG 10           | 5                             | 2                            | 2                 | 100%                                 | Complete              |
| URBAN RESEAL - AUGUSTA CRESCENT SEG 10          | 4                             | 3                            | 3                 | 100%                                 | Complete              |
| URBAN RESEAL - AVISFORD COURT SEG 10            | 10                            | 6                            | 6                 | 100%                                 | Complete              |
| URBAN RESEAL - BARIGAN STREET                   | 5                             | 8                            | 8                 | 100%                                 | Complete              |
| URBAN RESEALS - BELLEVUE RD SEG 10 & 20         | 32                            | 18                           | 19                | 104%                                 | Complete              |
| URBAN RESEALS - BURGUNDY RD SEG 10              | 9                             | 7                            | 7                 | 100%                                 | Complete              |
| URBAN RESEALS - DARREN DRIVE SEG10              | 13                            | 8                            | 9                 | 106%                                 | Complete              |
| URBAN RESEALS - FLIRTATION AVE SEG 10           | 6                             | 6                            | 6                 | 100%                                 | Complete              |
| URBAN RESEALS - HEADLEY PLACE SEG 10            | 5                             | 0                            | 0                 | 0%                                   | Deferred/Cancelled    |
| URBAN RESEALS - HENRY BAYLY DR SEG 20           | 14                            | 6                            | 6                 | 100%                                 | Complete              |
| URBAN RESEALS - HERBERT STREET SEG 40 & 50      | 12                            | 0                            | 0                 | 0%                                   | Deferred/Cancelled    |
| URBAN RESEALS - HERBERT STREET SEG 90 - 120,150 | 18                            | 0                            | 0                 | 0%                                   | Deferred/Cancelled    |
| URBAN RESEALS - HERMITAGE CLOSE SEG 10          | 8                             | 6                            | 6                 | 100%                                 | Complete              |
| URBAN RESEALS - INGLIS STREET SEG 10            | 8                             | 3                            | 3                 | 100%                                 | Complete              |
| URBAN RESEALS - JOHN STREET SEG 10              | 10                            | 7                            | 7                 | 100%                                 | Complete              |
| URBAN RESEALS - LEWIS STREET SEG 70             | 12                            | 7                            | 7                 | 100%                                 | Complete              |

| <b>\$'000</b>                                  | <b>Original Annual Budget</b> | <b>Current Annual Budget</b> | <b>Actual YTD</b> | <b>Actual YTD/<br/>Annual Budget</b> | <b>Project Status</b> |
|--|-------------------------------|------------------------------|-------------------|--------------------------------------|-----------------------|
| URBAN RESEALS - LITTLE BAYLY STREET SEG 10-20  | 12                            | 7                            | 7                 | 100%                                 | Complete              |
| URBAN ROADS KERB & GUTTER CAPITAL              | 25                            | 25                           | 3                 | 11%                                  | Complete              |
| REHAB - ROBINSON STREET SEG 80                 | 21                            | 21                           | 24                | 114%                                 | Complete              |
| REHAB - COOYAL STREET SEG 10                   | 30                            | 0                            | 0                 | 0%                                   | Deferred/Cancelled    |
| REHAB - ANZAC AVE SEG 10 - 20                  | 34                            | 37                           | 37                | 100%                                 | Complete              |
| REHAB - STEWART STREET SEG 10                  | 7                             | 4                            | 4                 | 100%                                 | Complete              |
| REHAB - DOURO STREET SEG 90                    | 214                           | 134                          | 121               | 90%                                  | Complete              |
| URBAN HEAVY PATCHING                           | 0                             | 30                           | 30                | 102%                                 | Complete              |
| URBAN REHAB - INGLIS STREET SEG 20 TO 30       | 0                             | 7                            | 4                 | 61%                                  | Complete              |
| RESHEETING - URBAN ROADS                       | 15                            | 3                            | 3                 | 86%                                  | Complete              |
| URBAN ROAD -BUS ACCESS TO REDHILL              | 0                             | 100                          | 75                | 75%                                  | Construction          |
| URBAN ROADS LAND MATTERS CAPITAL               | 22                            | 22                           | 0                 | 0%                                   | Complete              |
| REHAB SHORT ST - PERRY ST TO CHURCH ST         | 101                           | 101                          | 138               | 137%                                 | Complete              |
| RURAL REHAB - LUE ROAD SEG 140                 | 264                           | 253                          | 247               | 98%                                  | Complete              |
| RURAL REHAB - HENRY LAWSON DR SEG 220          | 220                           | 302                          | 303               | 100%                                 | Complete              |
| RURAL REHAB - NARRANGO RD SEG 70 & PART SEG 80 | 285                           | 323                          | 323               | 100%                                 | Complete              |
| RURAL REHAB - BERYL ROAD WIDENING              | 0                             | 526                          | 459               | 87%                                  | Complete              |
| REALIGNMENT - ULAN WOLLAR RD                   | 3,981                         | 107                          | 69                | 65%                                  | Complete              |
| HEAVY PATCHING                                 | 110                           | 134                          | 134               | 100%                                 | Complete              |
| CUDGEGONG ROAD GUARDRAIL                       | 50                            | 35                           | 35                | 100%                                 | Complete              |
| RURAL RESEAL - BANKSIA WAY SEG 10              | 6                             | 6                            | 5                 | 99%                                  | Complete              |
| RURAL RESEAL - BLUE SPRINGS RD SEG 50-100      | 272                           | 282                          | 282               | 100%                                 | Complete              |
| RURAL RESEAL - GLEN ALICE RD SEG 10,20,40      | 107                           | 101                          | 100               | 99%                                  | Complete              |
| RURAL RESEAL - SUMMER HILL RD NTH SEG 50       | 32                            | 20                           | 20                | 100%                                 | Complete              |
| RURAL RESEAL - TRIANGLE SWAMP RD SEG 30        | 17                            | 11                           | 10                | 100%                                 | Complete              |



| \$'000  | Original Annual Budget | Current Annual Budget | Actual YTD | Actual YTD/<br>Annual Budget | Project Status |
|---|------------------------|-----------------------|------------|------------------------------|----------------|
| RURAL RESEAL - ULAN-WOLLAR RD SEG 40,150-190    | 244                    | 154                   | 153        | 99%                          | Complete       |
| RURAL RESEAL - YARRAWONGA RD SEG 70-90          | 89                     | 109                   | 110        | 101%                         | Complete       |
| ULAN WOLLAR ROAD - STAGE 1                      | 0                      | 3,031                 | 1,635      | 54%                          | Construction   |
| ULAN WOLLAR ROAD - STAGE 2                      | 0                      | 1,158                 | 1,164      | 101%                         | Complete       |
| RURAL SEALED ROAD LAND MATTERS                  | 27                     | 27                    | 10         | 35%                          | Complete       |
| REHAB BYLONG VALLEY WAY SEG 1030 & 1035         | 518                    | 1,300                 | 1,110      | 85%                          | Complete       |
| REHAB BYLONG VALLEY WAY PART SEG 2110 & 2112    | 100                    | 88                    | 93         | 106%                         | Complete       |
| RURAL SEALED REGIONAL ROAD REPAIR PROGRAM       | 800                    | 800                   | 780        | 97%                          | Complete       |
| BLACKSPOT BUDGET ONLY                           | 1,160                  | 0                     | 0          | 0%                           | Budget only    |
| REHAB BYLONG VALLEY WAY SEG 1040 TO 1045        | 0                      | 10                    | 10         | 100%                         | Complete       |
| MUNGHORN GAP REALIGNMENT & UPGRADE              | 0                      | 116                   | 90         | 78%                          | Complete       |
| BVW SEG 2250 SURVEY AND DESIGN                  | 0                      | 35                    | 35         | 100%                         | Complete       |
| RURAL SEALED REGIONAL ROAD LAND MATTERS CAPITAL | 5                      | 5                     | 9          | 170%                         | Complete       |
| SEAL EXTENSION - BUNBURY ROAD                   | 0                      | 18                    | 23         | 126%                         | Complete       |
| SEAL EXTENSION - BLACK LEAD LANE                | 0                      | 60                    | 60         | 99%                          | Complete       |
| SEAL EXTENSION - SPRING FLAT SOUTH LANE         | 0                      | 83                    | 0          | 0%                           | Project Scope  |
| RESHEETING                                      | 1,318                  | 1,324                 | 1,417      | 107%                         | Complete       |
| REALIGNMENT MALONEYS ROAD                       | 0                      | 12                    | 10         | 90%                          | Complete       |
| UNSEALED ROADS LAND MATTERS CAPITAL             | 16                     | 20                    | (12)       | -60%                         | Complete       |
| SEAL EXTENSION - WOLLAR ROAD                    | 1,600                  | 2,534                 | 2,567      | 101%                         | Complete       |
| SEAL EXTENSION - WOLLAR ROAD STAGE 4            | 0                      | 2,275                 | 2,192      | 96%                          | Final works    |
| WOLLAR RD - STAGE 1 RECTIFICATION (CORTINA)     | 0                      | 58                    | 52         | 90%                          | Final works    |
| HENRY LAWSON DRIVE BRIDGE                       | 550                    | 934                   | 934        | 100%                         | Complete       |
| GOODIMAN CREEK BRIDGE REPLACEMENT               | 450                    | 741                   | 744        | 100%                         | Complete       |
| REGIONAL ROAD BRIDGE CAPITAL                    | 57                     | 15                    | 0          | 0%                           | Complete       |

| \$'000  | Original Annual Budget | Current Annual Budget | Actual YTD    | Actual YTD/<br>Annual Budget | Project Status     |
|---|------------------------|-----------------------|---------------|------------------------------|--------------------|
| ULAN ROAD - COPE RD TO UCML MINE ENTRANCE                       | 0                      | 125                   | 125           | 100%                         | Complete           |
| ULAN ROAD - WATTLEGROVE LN TO MIDBLOCK<br>19.999                | 0                      | 120                   | 123           | 102%                         | Complete           |
| ULAN ROAD - WYALDRA LN TO QUARRY ENTRANCE<br>27.783             | 0                      | 117                   | 126           | 108%                         | Complete           |
| ULAN ROAD - REHABS, WIDENING AND<br>CONFORMING RESEALS - BUDGET | 734                    | (0)                   | 0             | 0%                           | Budget only        |
| ULAN ROAD - ULAN WOLLAR RD INTERSECTION                         | 0                      | 410                   | 415           | 101%                         | Complete           |
| ULAN ROAD - HENRY LAWSON DRIVE<br>INTERSECTION                  | 0                      | 350                   | 322           | 92%                          | Complete           |
| ULAN ROAD - REHAB GEORGE CAMPBELL DRIVE TO<br>BUCKAROO LANE     | 0                      | 79                    | 79            | 101%                         | Complete           |
| ULAN ROAD - MOGGS LN TO WOLLAR RD                               | 0                      | 422                   | 383           | 91%                          | Complete           |
| FOOTWAYS - CAPITAL WORKS  | 116                    | 130                   | 127           | 98%                          | Complete           |
| PEDESTRIAN - PUTTA BUCCA WALKWAY                                | 0                      | 2                     | 5             | 232%                         | Complete           |
| CYCLEWAY LINK LAWSON PARK TO PITTS LANE                         | 0                      | 20                    | 22            | 108%                         | Complete           |
| PEDESTRIAN BRIDGE RYLSTONE                                      | 0                      | 17                    | 18            | 102%                         | Complete           |
| GLEN WILLOW FOOTBRIDGE RECTIFICATION                            | 0                      | 2                     | 1             | 51%                          | Complete           |
| FOOTPATH - WINTER STREET TO WALKING TRACK                       | 39                     | 0                     | 0             | 0%                           | Deferred/Cancelled |
| KANDOS RYLSTONE BIKE PATH                                       | 0                      | 50                    | 45            | 90%                          | Complete           |
| FOOTPATH - JACQUES STREET, WSTN SIDE                            | 0                      | 20                    | 20            | 100%                         | Complete           |
| PUTTA BUCCA ECO TRAIL   | 0                      | 26                    | 32            | 125%                         | Complete           |
| FOOTPATH JACQUES AND DANGAR INTERSECTION                        | 0                      | 25                    | 23            | 90%                          | Complete           |
| AIRPORT - TAXIWAY CIVIL WORKS                                   | 0                      | 10                    | 10            | 99%                          | Complete           |
| AIRPORT - OBSTACLE LIGHTS                                       | 6                      | 6                     | 5             | 76%                          | Complete           |
| AIRPORT - HANGAR  | 0                      | 220                   | 220           | 100%                         | Complete           |
| AIRPORT - MAIN RUNWAY SURFACE ASSESSMENT                        | 25                     | 27                    | 26            | 100%                         | Complete           |
| <b>Total</b>  | <b>14,020</b>          | <b>19,876</b>         | <b>17,951</b> | <b>90%</b>                   |                    |

| \$'000                                  | Original Annual Budget | Current Annual Budget | Actual YTD   | Actual YTD/<br>Annual Budget | Project Status     |
|---|------------------------|-----------------------|--------------|------------------------------|--------------------|
| <b>Good Government</b>                  |                        |                       |              |                              |                    |
| CORPORATE BUILDINGS UPGRADE BUDGET ONLY | 88                     | 15                    | 0            | 0%                           | Budget only        |
| MUDGEES ADMINISTRATION BUILDING UPGRADE | 100                    | 0                     | 1            | 0%                           | Deferred/Cancelled |
| RYLSTONE COUNCIL BUILDING               | 95                     | 5                     | 2            | 31%                          | Design             |
| MUDGEES COTTAGE AERODROME               | 0                      | 12                    | 6            | 54%                          | Complete           |
| CAPITAL UPGRADE - MWRC DEPOT            | 100                    | 0                     | 0            | 0%                           | Deferred/Cancelled |
| MUDGEES TOWN HALL                       | 0                      | 5                     | 0            | 0%                           | Deferred/Cancelled |
| GULGONG OFFICE CAPITAL                  | 20                     | 17                    | 17           | 98%                          | Complete           |
| GULGONG DEPOT CAPITAL                   | 10                     | 10                    | 8            | 77%                          | Complete           |
| OLD POLICE STATION CAPITAL              | 7                      | 0                     | 0            | 0%                           | Deferred/Cancelled |
| OPERATIONS ADMIN CAPITAL                | 30                     | 30                    | 8            | 26%                          | Complete           |
| CARMEL CROAN BUILDING CAPITAL           | 30                     | 0                     | 0            | 0%                           | Deferred/Cancelled |
| BUILDINGS MASTER KEY SYSTEM             | 100                    | 0                     | 0            | 0%                           | Deferred/Cancelled |
| DOURO ST REFURBISHMENT                  | 0                      | 50                    | 50           | 101%                         | Complete           |
| IT SPECIAL PROJECTS                     | 45                     | 45                    | 31           | 67%                          | Final works        |
| IT NETWORK UPGRADES                     | 60                     | 0                     | 0            | 0%                           | Deferred/Cancelled |
| IT CORPORATE SOFTWARE                   | 144                    | 64                    | 55           | 86%                          | Final works        |
| SERVER RECONFIGURATION                  | 35                     | 5                     | 4            | 76%                          | Complete           |
| PLANT PURCHASES                         | 6,050                  | 4,716                 | 4,775        | 101%                         | Complete           |
| MUDGEES DEPOT WASHBAY                   | 65                     | 9                     | 9            | 105%                         | Complete           |
| MUDGEES BULK OIL STORAGE                | 20                     | 0                     | 0            | 0%                           | Deferred/Cancelled |
| DEPOT SHEDS - STORES AND ROADS          | 50                     | 0                     | 0            | 0%                           | Deferred/Cancelled |
| SOLAR FARM INITIATIVE                   | 0                      | 70                    | 70           | 100%                         | Complete           |
| GULGONG DEPOT CAPITAL WORKS             | 0                      | 4                     | 5            | 132%                         | Complete           |
| <b>Total</b>                            | <b>7,048</b>           | <b>5,057</b>          | <b>5,040</b> | <b>100%</b>                  |                    |

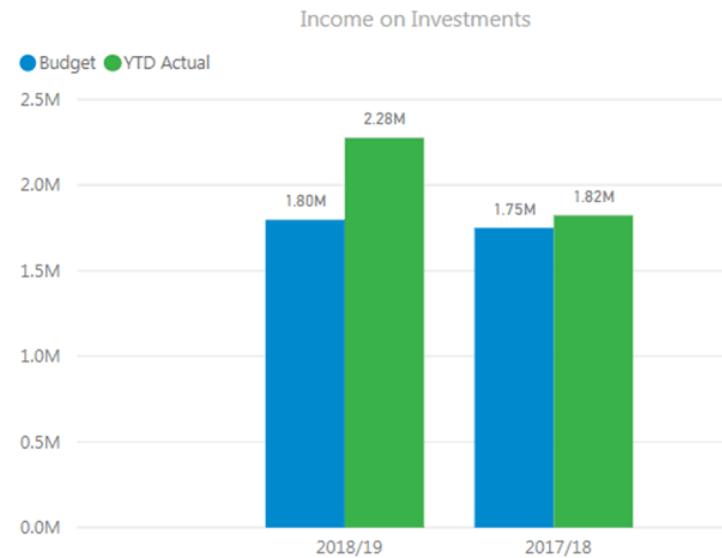
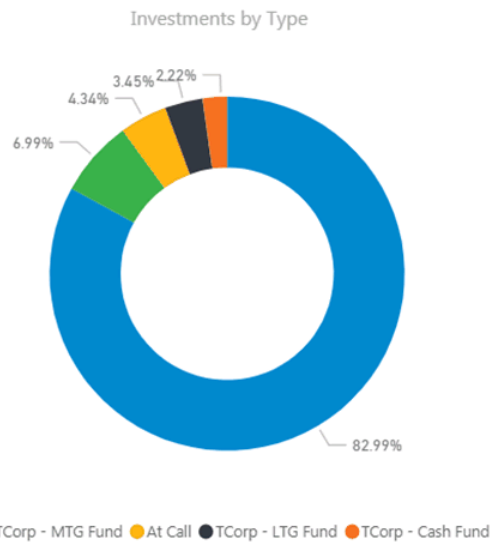
| <b>\$'000</b>               | <b>Original Annual Budget</b> | <b>Current Annual Budget</b> | <b>Actual YTD</b> | <b>Actual YTD/<br/>Annual Budget</b> | <b>Project Status</b> |
|-----------------------------|-------------------------------|------------------------------|-------------------|--------------------------------------|-----------------------|
| Total Capital Works Program | 51,635                        | 36,775                       | 32,327            | 88%                                  |                       |

## 9. Investment Portfolio

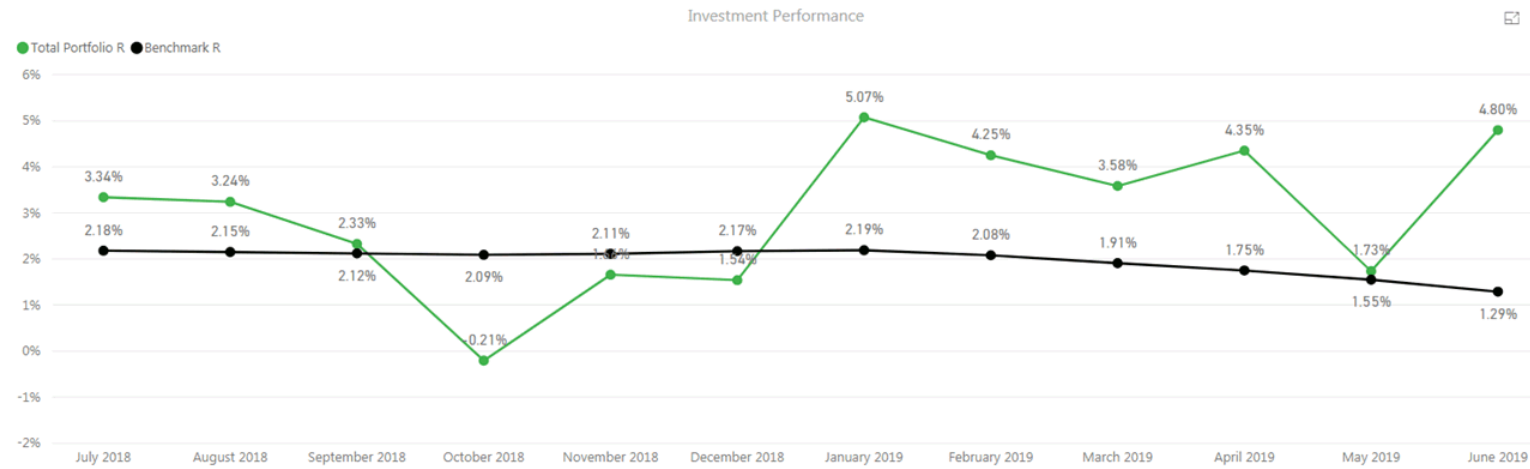
As at 30 June 2019 Council's investment portfolio balance was \$77.8M. This balance consisted of:

- Term Deposits \$64.6M
- At Call Funds \$3.4M
- Managed Funds \$9.8M

The total income on investments for 2018/19 financial year was \$2.28M, exceeding the budget by \$478,000.



The total portfolio annualised rate of return is shown below for each month of the 2018/19 financial year. The rate of return exceeded the benchmark Bloomberg Ausbond Bank Bill Index in 9 out of 12 months. Term Deposit returns steadily declined throughout the year. For Term Deposits, initially the portfolio held an average of 2.71% in July, reducing to 2.64% in June. The volatility in return shown below is due to the change in value of TCorp Managed Funds. These funds are held for the long and medium term and do experience movements in value due to the exposure to growth assets. At 30 June 2019, Council had \$5.4m in the Medium Term Growth Fund, with a financial year return of 6.38%. In the Long Term Growth Fund Council had \$2.7m, with the financial year return for this fund being 8.66%.



## 10. Legal and Consultant Expenses

### LEGAL EXPENSES

This financial year to date, Council has incurred \$456,647 of legal expenses. The primary areas of expenditure are:

- Debt recovery
- Contract dispute
- Road closures
- Companion animal dispute
- Property acquisition
- Development Control

### CONSULTANCIES

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors.

This financial year to date, Council has incurred \$612,572 of consultancy expenses. The primary areas of expenditure are:

- Road Design
- Tip design
- Flood Study
- Section 94 Plan
- Dam Upgrades
- Renewable energy plan



## 11. Councillor Fees and Expenses Paid or Reimbursed as at 30 June 2019

| Councillor Expenses  |                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
|  | General Operations | Cr Cavalier      | Cr Holden        | Cr Karavas       | Cr Kennedy       | Cr Martens       | Cr O'Neill       | Cr Paine         | Cr Shelley       | Cr Thompson      | TOTAL             |
| Councillor Fees  | -                  | 19,790.04        | 19,790.04        | 19,790.04        | 19,790.04        | 19,790.04        | 19,790.04        | 19,790.04        | 19,790.04        | 19,790.04        | 178,110.36        |
| Mayoral Fees   | -                  | -                | -                | -                | 43,170.00        | -                | -                | -                | -                | -                | 43,170.00         |
| Council Meeting Expenses (accommodation, travel and meals)                                     | 7,794.02           | -                | -                | -                | 309.99           | 745.01           | -                | -                | -                | 1,045.20         | 9,894.22          |
| Conferences, Seminars and Representational/Lobbying Expenses (accommodation, travel and meals) | 32.07              | -                | 247.26           | 173.95           | 671.72           | 2,346.00         | 164.13           | 1,218.14         | 1,132.56         | -                | 5,985.83          |
| Provision of Vehicle   | 411.32             | -                | -                | -                | 13,128.24        | -                | -                | -                | -                | -                | 13,539.56         |
| Memberships & Subscriptions  | 73,950.58          | -                | -                | -                | -                | -                | -                | -                | -                | -                | 73,950.58         |
| Miscellaneous expenses (meals, sundries, stationery, etc)                                      | 865.00             | 118.09           | -                | -                | 231.75           | -                | -                | -                | -                | -                | 1,214.84          |
| Provision of office equipment, such as laptop computer and telephones                          | 445.07             | 2,167.04         | 1,382.00         | 483.46           | 2,147.23         | 2,219.99         | 483.48           | 376.08           | 1,399.78         | 376.08           | 11,480.21         |
| Training and provision of skill development for Councillors                                    | -                  | 1,765.00         | -                | 1,765.00         | 486.88           | -                | 1,765.00         | 2,415.00         | -                | -                | 8,196.88          |
| <b>Totals</b>  | <b>72,168.77</b>   | <b>23,840.17</b> | <b>21,419.30</b> | <b>22,212.45</b> | <b>80,464.67</b> | <b>25,101.04</b> | <b>22,202.65</b> | <b>23,799.26</b> | <b>22,322.38</b> | <b>21,211.32</b> | <b>345,542.48</b> |



## Item 6: Urgent Business Without Notice

---

### URGENT BUSINESS WITHOUT NOTICE

As provided by Clauses 19 & 20 of Council's Code of Meeting Practice (Clause 14 LGMR).

### GIVING NOTICE OF BUSINESS

19. (1) The Council must not transact business at a meeting of the Council:
- (a) unless a Councillor has given notice of the business in writing at least two (2) days prior to the day on which the agenda and business paper is prepared and delivered to Councillors; and
  - (b) unless notice of the business has been sent to the Councillors in accordance with Clause 6 of this Code. (see Section 367 LGA & Clause 14(1) LGMR)
- (2) Subclause (1) does not apply to the consideration of business at a meeting if the business:
- (a) is already before, or directly relates to a matter that is already before the Council (see Clause 14(2)(a) LGMR); or
  - (b) is the election of a chairperson to preside at the meeting as provided by Clause 12(1) (see Clause 14(2)(b) LGMR); or
  - (c) is a matter or topic put to the meeting by the chairperson in accordance with Clause 21 (see Clause 14(2)(c) LGMR); or
  - (d) is a motion for the adoption of recommendations of a committee of the Council; (see Clause 14(2)(d) LGMR); or
  - (e) relates to reports from officers, which in the opinion of the Chairperson or the General Manager are urgent;
  - (f) relates to reports from officers placed on the business paper pursuant to a decision of a committee that additional information be provided to the Council in relation to a matter before the Committee; and
  - (g) relates to urgent administrative or procedural matters that are raised by the Mayor or General Manager.

### BUSINESS WITHOUT NOTICE

20. (1) Despite Clause 19 of this Code, business may be transacted at a meeting of the Council even though due notice of the business has not been given to the Councillors. However, this can happen only if:
- (a) a motion is passed to have the business transacted at the meeting; and
  - (b) the business proposed to be brought forward is ruled by the Chairperson to be of great urgency. Such a motion can be moved without notice. (see Clause 14(3) LGMR)
- (2) Despite Clause 30 of this Code, only the mover of a motion referred to in subclause (1) can speak to the motion before it is put. (see Clause 14(4) LGMR)

