

Central Tablelands Water

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Central Tablelands Water

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

Central Tablelands Water is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

30 Church Street
Blayney NSW 2799

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.ctw.nsw.gov.au

Central Tablelands Water

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.

Central Tablelands Water

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 professional pronouncements, and
- 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 09 October 2019.



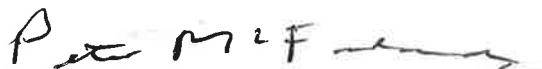
CLr David Somervaille
Chairperson
09 October 2019



CLr Kevin Walker
Deputy Chairperson
09 October 2019



Gavin Rhodes
General Manager
09 October 2019



Peter McFarlane
Responsible Accounting Officer
09 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
1,474	Annual charges	3a	1,523	1,490
4,696	User charges and fees	3b	4,929	4,861
105	Interest and investment revenue	3c	195	182
63	Other revenues	3d	302	186
52	Grants and contributions provided for operating purposes	3e,3f	27	–
651	Grants and contributions provided for capital purposes	3e,3f	11,885	246
<u>Other income:</u>				
57	Net gains from the disposal of assets	5	–	63
7,098	Total income from continuing operations		18,861	7,028
Expenses from continuing operations				
2,137	Employee benefits and on-costs	4a	2,070	1,933
114	Borrowing costs	4b	114	144
1,101	Materials and contracts	4c	1,037	971
2,006	Depreciation and amortisation	4d	2,761	2,111
1,000	Other expenses	4e	905	799
–	Net losses from the disposal of assets	5	7	–
6,358	Total expenses from continuing operations		6,894	5,958
740	Operating result from continuing operations		11,967	1,070
740	Net operating result for the year		11,967	1,070
740	Net operating result attributable to council		11,967	1,070
89	Net operating result for the year before grants and contributions provided for capital purposes		82	824

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		11,967	1,070
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	912	1,949
Impairment (loss) reversal relating to IPP&E	9(a)	170	(1,373)
Total items which will not be reclassified subsequently to the operating result		1,082	576
Total other comprehensive income for the year		1,082	576
Total comprehensive income for the year		13,049	1,646
Total comprehensive income attributable to Council		13,049	1,646

(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 Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	2,029	817
Investments	6(b)	4,100	6,000
Receivables	7	931	561
Inventories	8a	179	194
Other	8b	6	8
Total current assets		<u>7,245</u>	<u>7,580</u>
Non-current assets			
Receivables	7	7	7
Infrastructure, property, plant and equipment	9(a)	83,022	69,544
Intangible assets	10	81	67
Total non-current assets		<u>83,110</u>	<u>69,618</u>
TOTAL ASSETS		<u>90,355</u>	<u>77,198</u>
LIABILITIES			
Current liabilities			
Payables	11	655	202
Income received in advance	11	87	90
Borrowings	11	497	466
Provisions	12	814	694
Total current liabilities		<u>2,053</u>	<u>1,452</u>
Non-current liabilities			
Borrowings	11	945	1,442
Provisions	12	17	13
Total non-current liabilities		<u>962</u>	<u>1,455</u>
TOTAL LIABILITIES		<u>3,015</u>	<u>2,907</u>
Net assets		<u>87,340</u>	<u>74,291</u>
EQUITY			
Accumulated surplus	13	46,139	34,172
Revaluation reserves	13	41,201	40,119
Council equity interest		<u>87,340</u>	<u>74,291</u>
Total equity		<u>87,340</u>	<u>74,291</u>

(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.

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

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		34,172	40,119	74,291	33,102	39,543	72,645
Net operating result for the year		11,967	–	11,967	1,070	–	1,070
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	912	912	–	1,949	1,949
– Impairment (loss) reversal relating to IPP&E	9(a)	–	170	170	–	(1,373)	(1,373)
Other comprehensive income		–	1,082	1,082	–	576	576
Total comprehensive income		11,967	1,082	13,049	1,070	576	1,646
Equity – balance at end of the reporting period		46,139	41,201	87,340	34,172	40,119	74,291

(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.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
1,474	Rates and annual charges		1,523	1,437
4,676	User charges and fees		4,980	4,645
119	Investment and interest revenue received		195	196
596	Grants and contributions		508	300
–	Bonds, deposits and retention amounts received		–	5
72	Other		295	501
<u>Payments</u>				
(2,171)	Employee benefits and on-costs		(1,922)	(1,823)
(1,108)	Materials and contracts		(989)	(1,066)
(114)	Borrowing costs		(114)	(144)
–	Bonds, deposits and retention amounts refunded		(5)	–
(1,000)	Other		(1,243)	(1,001)
2,544	Net cash provided (or used in) operating activities	14b	3,228	3,050
Cash flows from investing activities				
<u>Receipts</u>				
2,284	Sale of investment securities		1,900	800
–	Sale of infrastructure, property, plant and equipment		154	243
–	Deferred debtors receipts		21	20
<u>Payments</u>				
–	Deferred debtors and advances made		(26)	(33)
(4,362)	Purchase of infrastructure, property, plant and equipment		(3,576)	(3,391)
–	Purchase of intangible assets		(23)	–
–	Purchase of investment securities		–	(600)
(2,078)	Net cash provided (or used in) investing activities		(1,550)	(2,961)
Cash flows from financing activities				
<u>Payments</u>				
(466)	Repayment of borrowings and advances		(466)	(437)
(466)	Net cash flow provided (used in) financing activities		(466)	(437)
–	Net increase/(decrease) in cash and cash equivalents		1,212	(348)
400	Plus: cash and cash equivalents – beginning of year	14a	817	1,165
400	Cash and cash equivalents – end of the year	14a	2,029	817
Additional Information:				
2,084	plus: Investments on hand – end of year	6(b)	4,100	6,000
2,484	Total cash, cash equivalents and investments		6,129	6,817

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these 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 18 – 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.

The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets.

AASB 9 allows for three classification categories for financial assets - amortised cost, fair value through other comprehensive income and fair value through profit and loss. Classification is based on the business model in which a financial asset is managed and the related contractual cash flows. AASB9 estimates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost with the exception of the equity instruments. Council does not hold any equity instruments.

Impairment of Financial Assets

Council's financial assets carried at amortised cost are now subject to AASB 9's new three stage expected credit loss model from an incurred loss model. This means earlier recognition of expected credit losses.

Council has reviewed its receivables and does not anticipate losses greater than the current provision for impairment. The majority of receivables due to Council are for water charges which are a charge against the land pursuant to Section 550 of the Local Government Act 1993. The majority of other receivables consist of amounts due from other Councils and other tiers of Government.

(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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) employee benefit provisions – refer Note 12.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

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).

As at the date of authorisation of these financial statements, Accounting Standard AASB 15 dealing with revenue recognition may have a future impact on revenue recognised from certain grants and contributions. This new standard will require revenue from grants and contributions to be recognised after specified performance obligations are met. This may delay the recognition of revenue from these sources. The impact of this standard is not expected to be material given the level of grants and contributions receivable by Council.

Council does not consider that any of the new standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

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
Functions or activities										
Governance	–	–	191	185	(191)	(185)	–	–	–	–
Water supplies	18,861	7,028	6,703	5,773	12,158	1,255	11,565	–	90,355	77,198
Total functions and activities	18,861	7,028	6,894	5,958	11,967	1,070	11,565	–	90,355	77,198

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:

Governance

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.

Water supplies

Comprising the water supply systems servicing towns and villages within the Blayney, Cabonne, Weddin, Bland and Cowra Local Government Areas.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Annual charges		
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Other	63	66
Residential	1,048	1,019
Commercial	243	243
Rural	178	173
Industrial	34	33
Less: pensioner rebates (mandatory)	(97)	(97)
Annual charges levied	1,469	1,437
Pensioner subsidies received:		
– Water	54	53
Total annual charges	1,523	1,490
<u>TOTAL ANNUAL CHARGES</u>	<u>1,523</u>	<u>1,490</u>

Accounting policy for annual charges

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

Pensioner rebates relate to reductions in certain annual charges for eligible pensioners' place of residence in the local government council area. These rebates are funded 55% by the NSW Government and 45% by Council.

Pensioner subsidies are received from the NSW Government to provide a contribution 55% towards the pensioner rebates.

Control over assets acquired from annual charges is obtained when a quarterly water account is issued as it is an enforceable debt linked to the serviced property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Other	203	219
Residential	2,280	2,301
Commercial	646	646
Rural	971	878
Industrial	596	629
Bulk supplies to Council	94	86
Total specific user charges	4,790	4,759
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	102	49
Section 603 certificates	17	25
Total fees and charges – statutory/regulatory	119	74
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Special meter readings and reconnection fees	20	28
Total fees and charges – other	20	28
TOTAL USER CHARGES AND FEES	4,929	4,861

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided. Water user charges are recognised after the water has passed the point of supply (usually the water meter) and the actual usage has been determined by a meter reading.

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

– Overdue user and annual charges	16	12
– Cash and investments	179	170
TOTAL INTEREST AND INVESTMENT REVENUE	195	182

Interest revenue is attributable to:**Restricted investments/funds – external:**

Water fund operations	195	182
Total interest and investment revenue	195	182

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	22	22
Diesel rebate	2	1
Insurance claims recoveries	186	9
Employee contributions to motor vehicles	25	21
Insurance incentives and rebates	22	17
Pipeline project income	44	111
Miscellaneous	1	4
Legal Costs Recovery – Debt Recovery	–	1
<u>TOTAL OTHER REVENUE</u>	<u>302</u>	<u>186</u>

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.

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 recognised on a straight lines basis over the term of the lease.

Insurance Claim recoveries are recognised as revenue after the claim is accepted by the Insurance Company in accordance with the policy conditions and the economic benefits flow to Council in the form of cash or the fair value of any assets resulting from the claim.

Employee contributions for motor vehicles are recognised as revenue upon receipt,

Pipeline project income is recognised as revenue when the services have been provided to the recipient.

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.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
Specific purpose				
Water supplies	23	–	11,542	–
Total specific purpose	23	–	11,542	–
<u>Total grants</u>	<u>23</u>	<u>–</u>	<u>11,542</u>	<u>–</u>
Grant revenue is attributable to:				
– State funding	23	–	11,542	–
	23	–	11,542	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		–	–	245	209
Total developer contributions – cash		<u>–</u>	<u>–</u>	<u>245</u>	<u>209</u>
Total developer contributions	22	<u>–</u>	<u>–</u>	<u>245</u>	<u>209</u>
Other contributions:					
Cash contributions					
Water supplies (excl. section 64 contributions)		4	–	88	–
Developer charges – mains extensions		–	–	10	37
Total other contributions – cash		<u>4</u>	<u>–</u>	<u>98</u>	<u>37</u>
Total other contributions		<u>4</u>	<u>–</u>	<u>98</u>	<u>37</u>
Total contributions		<u>4</u>	<u>–</u>	<u>343</u>	<u>246</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>27</u>	<u>–</u>	<u>11,885</u>	<u>246</u>

Accounting policy for grants and contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below. Council has obligations to provide water network infrastructure from contribution revenues levied on developers under the provisions of section 64 of the Local Government Act 1993 and Council's Development Servicing Plan.

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 its work program. 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.

\$ '000	2019	2018
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(g) Unspent grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:****Contributions**

Unexpended at the close of the previous reporting period	–	–
Add: contributions recognised in the current period but not yet spent	<u>1</u>	<u>–</u>
Unexpended and held as restricted assets (contributions)	<u>1</u>	<u>–</u>

Unexpended portion of contribution from Central West Joint Organisation for consultancy project.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	1,641	1,347
Employee termination costs (where material – other than vested leave paid)	24	–
Travel expenses	7	4
Employee leave entitlements (ELE)	264	256
Superannuation – defined contribution plans	142	135
Superannuation – defined benefit plans	27	28
Workers' compensation insurance	26	30
Fringe benefit tax (FBT)	21	28
Payroll tax	66	66
Training costs (other than salaries and wages)	28	22
Sick leave insurance	7	6
Safety and protective clothing	9	10
Employee assistance program	1	1
Total employee costs	2,263	1,933
Less: capitalised costs	(193)	–
TOTAL EMPLOYEE COSTS EXPENSED	2,070	1,933
Number of 'full-time equivalent' employees (FTE) at year end	21	21

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 16 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	114	144
Total interest bearing liability costs expensed	114	144
TOTAL BORROWING COSTS EXPENSED	114	144

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 as incurred.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	690	602
Contractor and consultancy costs	304	334
Auditors remuneration ¹	43	34
Legal expenses:		
– Legal expenses: debt recovery	–	1
Total materials and contracts	<u>1,037</u>	<u>971</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>1,037</u>	<u>971</u>
1. 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	30	29
Remuneration for audit and other assurance services	<u>30</u>	<u>29</u>
Total Auditor-General remuneration	<u>30</u>	<u>29</u>
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – Internal Audit	13	5
Remuneration for audit and other assurance services	<u>13</u>	<u>5</u>
Total remuneration of non NSW Auditor-General audit firms	<u>13</u>	<u>5</u>
Total Auditor remuneration	<u>43</u>	<u>34</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		158	162
Office equipment		14	10
Furniture and fittings		1	1
Infrastructure:			
– Buildings – non-specialised		70	62
– Water supply network		2,509	1,876
Intangible assets	10	9	–
Total gross depreciation and amortisation costs		2,761	2,111
Total depreciation and amortisation costs		2,761	2,111
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>			
		2,761	2,111

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial assets

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	13	10
Bad and doubtful debts	3	5
Bank charges	28	28
Member expenses – chairperson’s fee	16	15
Member expenses – member fees	59	56
Member expenses (incl. chairperson) – other (excluding fees above)	12	13
Demand management (water wise programme) expenses	4	17
Donations, contributions and assistance to other organisations (Section 356)	14	14
Electricity and heating	432	384
Groundwater and unregulated access fees	34	40
Insurance	98	90
Postage	27	26
Printing and stationery	25	19
Subscriptions and publications	32	30
Telephone and communications	37	32
Other	71	20
TOTAL OTHER EXPENSES	905	799

Accounting policy for other expenses

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

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

\$ '000	Notes	2019	2018
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		154	243
Less: carrying amount of plant and equipment assets sold/written off		(125)	(180)
Net gain/(loss) on disposal		29	63
Infrastructure			
	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(36)	–
Net gain/(loss) on disposal		(36)	–
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		1,900	800
Less: carrying amount of investments sold/redeemed/matured		(1,900)	(800)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(7)	63

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	2,029	817
Total cash and cash equivalents	<u>2,029</u>	<u>817</u>

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.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
Debt securities at amortised cost	4,100	–	6,000	–
Total Investments	<u>4,100</u>	<u>–</u>	<u>6,000</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>6,129</u>	<u>–</u>	<u>6,817</u>	<u>–</u>
Loans and receivables				
Long term deposits	4,100	–	6,000	–
Total	<u>4,100</u>	<u>–</u>	<u>6,000</u>	<u>–</u>

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

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

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

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. All Council's existing investments are measured at amortised cost.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

(a) 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	6,129	–	6,817	–
attributable to:				
External restrictions	1	–	–	–
Internal restrictions	5,628	–	6,316	–
Unrestricted	500	–	501	–
	<u>6,129</u>	<u>–</u>	<u>6,817</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Other	1	–
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External restrictions – other	<u>1</u>	<u>–</u>
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Total external restrictions	<u>1</u>	<u>–</u>
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Internal restrictions

Plant and vehicle replacement	325	184
Infrastructure replacement	4,353	5,297
Employees leave entitlement	422	359
Development reserve	488	426
Consultancy	40	50

Total internal restrictions	<u>5,628</u>	<u>6,316</u>
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TOTAL RESTRICTIONS	<u>5,629</u>	<u>6,316</u>
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
User charges and fees	401	–	452	–
Contributions to works	39	–	11	–
Accrued revenues				
– Interest on investments	34	–	34	–
– Other income accruals	39	–	–	–
Amounts due from other councils	313	–	1	–
Deferred debtors	26	7	21	7
Government grants and subsidies	40	–	40	–
Net GST receivable	39	–	–	–
Other debtors	8	–	7	–
Total	939	7	566	7
Less: provision of impairment				
User charges and fees	(8)	–	(5)	–
Total provision for impairment – receivables	(8)	–	(5)	–
<u>TOTAL NET RECEIVABLES</u>	<u>931</u>	<u>7</u>	<u>561</u>	<u>7</u>

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	5	–
+ new provisions recognised during the year	3	5
Balance at the end of the period	8	5

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 water debtors, Council takes into account that unpaid water charges represent a charge against the 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 an increase in credit risk.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

- 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 and no arrangement has been entered into with Council for settlement.

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 based on historical and anticipated future factors.

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 2 years past due, whichever occurs first.

Any of the receivables that have been written off were subject to enforcement and recovery activity.

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	179	–	194	–
Total inventories at cost	179	–	194	–
<u>TOTAL INVENTORIES</u>	<u>179</u>	<u>–</u>	<u>194</u>	<u>–</u>
(b) Other assets				
Prepayments	6	–	8	–
<u>TOTAL OTHER ASSETS</u>	<u>6</u>	<u>–</u>	<u>8</u>	<u>–</u>

(i) Other disclosures

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. Freight costs incurred in getting stores into their current location is expensed.

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

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

	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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	4,851	–	4,851	3,047	97	–	–	–	(2,613)	–	–	5,382	–	5,382
Plant and equipment	1,284	(629)	655	246	–	(125)	(158)	–	–	–	–	1,346	(728)	618
Office equipment	84	(60)	24	25	10	–	(14)	–	–	–	–	119	(74)	45
Furniture and fittings	39	(32)	7	–	–	–	(1)	–	–	–	–	39	(33)	6
Land:														
– Operational land	2,306	–	2,306	–	–	–	–	–	–	–	–	2,306	–	2,306
Infrastructure:														
– Buildings	2,800	(929)	1,871	15	21	–	(70)	–	–	–	–	2,835	(998)	1,837
– Water supply network	129,578	(69,748)	59,830	4,349	7,474	(36)	(2,509)	170	2,613	25	912	146,355	(73,527)	72,828
Total Infrastructure, property, plant and equipment	140,942	(71,398)	69,544	7,682	7,602	(161)	(2,752)	170	–	25	912	158,382	(75,360)	83,022

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	2,425	–	2,425	803	1,908	–	–	–	(285)	–	–	–	4,851	–	4,851
Plant and equipment	1,296	(763)	533	–	464	(180)	(162)	–	–	–	–	–	1,284	(629)	655
Office equipment	84	(50)	34	–	–	–	(10)	–	–	–	–	–	84	(60)	24
Furniture and fittings	39	(31)	8	–	–	–	(1)	–	–	–	–	–	39	(32)	7
Land:															
– Operational land	2,326	–	2,326	–	–	–	–	–	–	–	(20)	–	2,306	–	2,306
Infrastructure:															
– Buildings – non-specialised	2,793	(1,817)	976	16	–	–	(62)	–	285	967	(311)	–	2,800	(929)	1,871
– Water supply network	132,242	(70,586)	61,656	15	95	–	(1,876)	(1,373)	–	(967)	–	2,280	129,578	(69,748)	59,830
Total Infrastructure, property, plant and equipment	141,205	(73,247)	67,958	834	2,467	(180)	(2,111)	(1,373)	–	–	(331)	2,280	140,942	(71,398)	69,544

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(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 network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

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

Land is not depreciated.

Plant and equipment	Years
Office equipment	5 to 10
Office furniture	10 to 20
Computer equipment	3
Vehicles	5 to 8
Heavy plant/road making equipment	5 to 8
Other plant and equipment	5 to 15

Water assets

Dams and reservoirs	80 to 100
Bores	20 to 40
Reticulation pipes: PVC	70 to 80
Reticulation pipes: other	25 to 75
Pumps and telemetry	15 to 20

Buildings

Buildings - masonry	50 to 100
Buildings - other	20 to 40

The assets' residual values (excepting water network assets) and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2019	2018
Impairment losses recognised direct to equity (ARR):			
– Reticulation mains no longer used.		–	(36)
– Canowindra reservoir roof damaged by storm event.		–	(23)
– Trunk mains and pumping stations to be made redundant.		170	(1,314)
Total impairment losses		170	(1,373)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		170	(1,373)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	67	167
Accumulated amortisation	–	(167)
Net book value – opening balance	67	–
Movements for the year		
– Purchases	23	67
– Amortisation charges	(9)	–
– Gross book value written off	–	(167)
– Accumulated amortisation charges written off	–	167
Closing values at 30 June		
Gross book value	90	67
Accumulated amortisation	(9)	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	81	67
The net book value of intangible assets represents:		
– Software	81	67
	81	67

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 relating to minor software purchases or modifications to existing software are expensed as incurred and are not capitalised,

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	269	–	142	–
Goods and services – capital expenditure	329	–	–	–
Accrued expenses:				
– Salaries and wages	57	–	30	–
Security bonds, deposits and retentions	–	–	5	–
ATO – PAYG	–	–	25	–
Total payables	655	–	202	–
Income received in advance				
Payments received in advance	87	–	90	–
Total income received in advance	87	–	90	–
Borrowings				
Loans – secured ¹	497	945	466	1,442
Total borrowings	497	945	466	1,442
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,239</u>	<u>945</u>	<u>758</u>	<u>1,442</u>

(1) Loans are secured over the water charges income of Council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	1,908	(466)	–	–	–	1,442	
TOTAL	1,908	(466)	–	–	–	1,442	

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	2,345	(437)	–	–	–	1,908	
TOTAL	2,345	(437)	–	–	–	1,908	

\$ '000	2019	2018
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(b) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Credit cards/purchase cards	45	45
Total financing arrangements	45	45

Undrawn facilities as at balance date:

– Credit cards/purchase cards	45	45
Total undrawn financing arrangements	45	45

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	257	–	221	–
Long service leave	557	17	473	13
Sub-total – aggregate employee benefits	814	17	694	13
TOTAL PROVISIONS	814	17	694	13

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

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

Provisions – employees benefits	674	549
	674	549

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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.

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	2,029	817
Balance as per the Statement of Cash Flows		2,029	817
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		11,967	1,070
Adjust for non-cash items:			
Non-cash Insurance Claim Recovery		–	–
Depreciation and amortisation		2,761	2,111
Net losses/(gains) on disposal of assets		7	(63)
Non-cash capital grants and contributions		(11,404)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(368)	(206)
Increase/(decrease) in provision for impairment of receivables		3	5
Decrease/(increase) in inventories		15	67
Decrease/(increase) in other current assets		2	15
Increase/(decrease) in payables		127	(65)
Increase/(decrease) in other accrued expenses payable		27	(14)
Increase/(decrease) in other liabilities		(33)	29
Increase/(decrease) in provision for employee benefits		124	101
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		3,228	3,050
(c) Non-cash investing and financing activities			
Dedicated Assets - Shared Capital Grant - Carcoar to Orange Pipeline		11,258	–
Dedicated Asset - Insurance Claim Recovery		146	–
Total non-cash investing and financing activities		11,404	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. 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		
Water Infrastructure	108	100
Intangible – Software Development	–	12
Total commitments	108	112
These expenditures are payable as follows:		
Within the next year	108	112
Total payable	108	112
Sources for funding of capital commitments:		
Internally restricted reserves	108	112
Total sources of funding	108	112

Details of capital commitments

Council had committed funds for continuing works on the final stage of the renewal of Trunk Main K being the main connecting Gooloogong to Grenfell. These works are expected to be completed in early 2020.

(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	15	13
Later than one year and not later than 5 years	5	–
Total non-cancellable operating lease commitments	20	13

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

Office Equipment

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and operating leases:

– All operating leases are secured only against the leased asset.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. 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**(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 x times employee contributions
Division C	2.5% salaries
Division D	1.64 x times employee contributions

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 , 2019.

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

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 \$ 27,421.89..

The amount of additional contributions included in the total employer contribution advised above is \$12,000. Council's expected contribution to the plan for the next annual reporting period is \$12,300

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.00	100.4%

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

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

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

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(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.

2. Other liabilities

(i) Third party claims

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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 corporate department under policies approved by the Council.

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	2,029	817	2,029	–
Receivables	938	568	938	–
Investments				
– 'Loans and receivables'	4,100	6,000	4,100	–
Total financial assets	7,067	7,385	7,067	–
Financial liabilities				
Payables	655	202	655	–
Loans/advances	1,442	1,908	1,442	–
Total financial liabilities	2,097	2,110	2,097	–

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 team manages the cash and Investments portfolio. Finance brokers are used to place investments selected by Council. Council staff carry out due diligence when selecting new approved deposit institutions to ensure that they comply with Council's investment policy and risk appetite.

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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **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 approved deposit institutions that are regulated by Australian Prudential Regulatory Authority.

(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
2019				
Possible impact of a 10% movement in market values	410	410	(410)	(410)
Possible impact of a 1% movement in interest rates	41	41	(41)	(41)
2018				
Possible impact of a 10% movement in market values	600	600	(600)	(600)
Possible impact of a 1% movement in interest rates	60	60	(60)	(60)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing debt recovery procedures. Council also encourages consumers to pay their water charges by the due date to avoid late payment charges.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are approved deposit institutions regulated by the Australian Prudential Regulatory Authority.

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

Credit risk on annual and user 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 water charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	273	128	–	–	–	401
2018						
Gross carrying amount	292	160	–	–	–	452

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	467	–	–	–	40	507
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.50%	0.04%
ECL provision	–	–	–	–	8	8
2018						
Gross carrying amount	572	–	–	–	1	573
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	–	655	–	–	655	655
Loans and advances	6.60%	–	581	1,007	–	1,588	1,442
Total financial liabilities		–	1,236	1,007	–	2,243	2,097
2018							
Trade/other payables	0.00%	–	202	–	–	202	202
Loans and advances	6.60%	–	581	1,587	–	2,168	1,908
Total financial liabilities		–	783	1,587	–	2,370	2,110

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 13/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	1,474	1,523	49	3% F
User charges and fees	4,696	4,929	233	5% F
Interest and investment revenue	105	195	90	86% F
Higher average funds invested resulted in larger returns than expected. This was a result of the deferral of capital projects including Trunk Main K and plant replacements.				
Other revenues	63	302	239	379% F
Other Revenues were higher than expected due to the receipt of \$186K associated with insurance claim recoveries for the Canowindra Reservoir Roof and storm damage at the Blayney and Carcoar Water Filtration Plants. A further 44K of fees for Project Management fees for the Orange to Carcoar Pipeline was not included in the original budget.				
Operating grants and contributions	52	27	(25)	(48)% U
This income was less than budget due to the State Government pensioner subsidy now required to be reported as annual charges rather than as an operating grant in accord with the Local Government Code of Accounting Practice and Financial Reporting.				
Capital grants and contributions	651	11,885	11,234	1,726% F
This income was substantially more than budget due to the \$11,257K grant attributable to the take up of the Council's share of the Carcoar to Orange Pipeline assets. This grant was received and administered by the applicant Orange City Council. Council's share of the pipeline was fully operational in April, 2019.				
Net gains from disposal of assets	57	-	(57)	100% U
Council deferred some vehicle sales under its plant replacement program therefore the expected budgeted gains were not crystallised.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	2,137	2,070	67	3% F
Borrowing costs	114	114	-	0% F
Materials and contracts	1,101	1,037	64	6% F
Depreciation and amortisation	2,006	2,761	(755)	(38)% U
Depreciation was much higher than expected following the reassessment of the remaining life of the existing Trunk Main K pipeline. The new Trunk Main K pipeline is expected to be commissioned in early 2020.				
Other expenses	1,000	905	95	10% F
Other expenses were lower than expected due to savings in electricity costs due to prudent use of pumping stations to maximise the use of the lower cost offpeak power. This saving amounted to around 70K.				
Net losses from disposal of assets	-	7	(7)	∞ U

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	2,544	3,228	684	27% F
This additional cash flow was attributable to higher than budgeted water user and annual charges. Cash outflows for operational employee costs, materials and contracts were lower than budget due to work being undertaken on capital projects particularly Trunk Main K. This resulted in an improved level of cash being provided from operations than originally budgeted.				
Net cash provided from (used in) investing activities	(2,078)	(1,550)	528	(25)% F
This variation was attributable to lower than budgeted cash capital expenditure for the year. Budget was 4,362K and actual was 3,558K				
Net cash provided from (used in) financing activities	(466)	(466)	-	0% F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant & Equipment		30/06/19	–	–	618	618
Office Equipment		30/06/19	–	–	45	45
Furniture & Fittings		30/06/19	–	–	6	6
Operational Land		30/06/19	–	–	2,306	2,306
Buildings		30/06/19	–	335	1,502	1,837
Water Supply Network		30/06/17	–	–	72,828	72,828
Capital Works in Progress		30/06/19	–	–	5,382	5,382
Total infrastructure, property, plant and equipment			–	335	82,687	83,022

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Plant & Equipment		30/06/18	–	–	656	656
Office Equipment		30/06/18	–	–	24	24
Furniture & Fittings		30/06/18	–	–	7	7
Operational Land		30/06/18	–	–	2,306	2,306
Buildings		30/06/18	–	–	1,871	1,871
Water Supply Network		30/06/17	–	–	59,829	59,829
Capital Works in Progress		30/06/18	–	–	4,851	4,851
Total infrastructure, property, plant and equipment			–	–	69,544	69,544

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

(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:

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

Plant & Equipment, Office Equipment and Furniture & Fittings

Loader, vehicles, trucks, computers, desks, chairs, cupboards, etc. - (Level 3)

Valuation Technique - Cost approach

These assets are valued at cost but are disclosed at fair value in Note 9(a). The carrying amount of these assets are assumed to approximate fair value due to the nature of the items and their short useful lives.

Operational Land - (Level 3)

Valuation Technique - Market approach

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Australis Asset Advisory Group by Elise Wallace Certified Practising Valuer AAPI #66461.

Buildings – (Level 2 and 3)

Council Office, Council Depots and Council Filtration Plant Buildings

Council's Buildings were last valued on 30 June 2018 by Australis Asset Advisory Group by Elise Wallace Certified Practising Valuer AAPI#66461. Fair value was determined using the Cost approach (using depreciated current replacement cost). This method determines the cost to market participant to acquire or construct a similar building of comparable service potential adjusted for depreciation or obsolescence.

The market approach was applied to two buildings where sufficient sales evidence existed to permit recent sales history to permit a market value to be determined.

Water Supply Network

Trunk Mains, Reticulation Mains, Filtration Plants, Reservoirs, Pump Stations, Bores, Dams, Telemetry - (Level 3)

The Water Supply Network was last valued on 30 June 2017 utilising both "in house" staff and external consultants. A former employee with extensive experience and qualifications prepared the valuations of the Bores, Trunk Mains, Reticulation Mains, Telemetry and Pump Stations. The valuation methodology used for Reservoirs, Pump Stations Bores and Trunk Mains is based on use of the reference rates sourced from the NSW Office of Water Reference Rate Manual (RRM) in June 2014 and then applying the capital cost factor for 2019.

Dams and Treatment Plants were valued by Australia Asset Advisory Group whom have extensive experience and qualifications in the valuation of assets of this type. The valuation was completed in accord with fair valuation principles. These principles lead to valuations being made on the basis of depreciated replacement costs using standard unit rates. The valuation considered the nature and condition of the assets based upon physical inspection and asset data such as asset life.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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	IPP&E
2018	
Opening balance	67,958
Purchases (GBV)	3,302
Disposals (WDV)	(180)
Depreciation and impairment	(3,485)
FV gains – other comprehensive income	1,949
Closing balance	69,544
2019	
Opening balance	69,544
Purchases (GBV)	15,284
Disposals (WDV)	(161)
Depreciation and impairment	(2,752)
FV gains – other comprehensive income	1,107
Closing balance	83,022

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Purchases: Movements include purchases of plant & equipment, building, office equipment and water infrastructure construction.

Disposals: This movement includes the WDV of plant and equipment that was sold during the year.

Depreciation Expense: This represents the depreciation on Water Infrastructure Assets during the the year.

FV Gains: Movement in FV Gains for the year relates to the FV revaluation adjustment for Level 3 Water Infrastructure Assets that were revalued in 2016/17.

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.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	618	Refer Note 19 above	Increase/decrease in cost of unit or useful life
Office Equipment	45	Refer Note 19 above	Increase/decrease in cost of unit or useful life
Furniture & Fittings	6	Refer Note 19 above	Increase/decrease in cost of unit or useful life
Operational Land	2,306	Refer Note 19 above	Increase/decrease in land value, land area
Buildings	1,837	Refer Note 19 above	Increase/decrease in cost of unit or useful life
Water Supply Network	72,828	Refer Note 19 above	Increase/decrease in cost of unit or useful life
Capital Works in Progress	5,382	Refer Note 19 above	Increase/decrease in cost of unit

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

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

Note 20. 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
Compensation:		
Short-term benefits	467	440
Post-employment benefits	47	33
Other long-term benefits	13	9
Total	527	482

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. water supply services by KMP) will not be disclosed. There were no related party transactions between KMP and Council during the year ended 30 June, 2019.

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2018						
Automotive Services	1	1	-		-	-
Telemetry Services	2	145	-		-	-

1 A KMP member operated a automotive business which sold a mower to Council on a normal commercial terms and conditions.

2 A KMP Member was a director and owner of a company who supplied telemetry services to Council during the year on normal terms and conditions. The engagement of this Company has now ceased.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

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

Note 22. Statement of developer contributions

Under Section 64 of the Local Government Act 1993 , Council has obligations to provide water infrastructure in accordance with its Development Servicing Plan.

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			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S64 contributions	–	245	–	–	(245)	–	–	–
Total contributions	–	245	–	–	(245)	–	–	–

Central Tablelands Water

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

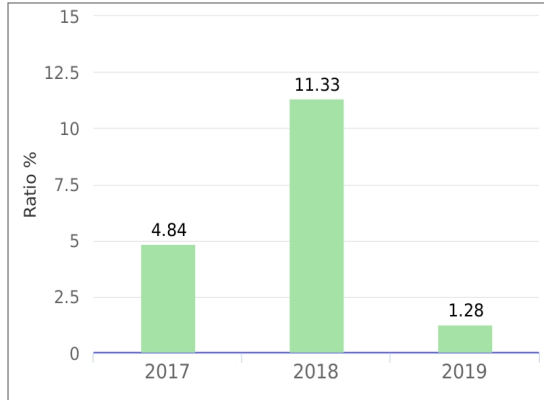
Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>89</u>	1.28%	11.33%	4.84%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>6,976</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>6,895</u>	36.56%	95.71%	96.07%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>18,861</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>7,244</u>	5.25x	8.38x	8.04x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,379</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>2,964</u>	5.11x	5.19x	3.88x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>580</u>				
5. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>6,129</u>	15.48 mths	18.30 mths	19.7 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>396</u>				
WATER AVAILABILITY & USER CHARGES RATIO					
Council has operated under a "user pays" system since January 1994 and has not raised rates since that time. Since Council does not have any rates within its income base, the ratios shown below have more relevance:					
6. Annual water charges coverage ratio					
Annual water charges	<u>6,313</u>	90.50%	92.22%	89.29%	
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>6,976</u>				
7. Annual water charges, interest and extra charges outstanding percentage					
Annual water and extra charges outstanding	<u>401</u>	5.98%	6.96%	4.28%	
Annual water and extra charges collectible	<u>6,706</u>				

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

Note 23(b). 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 1.28%

This ratio is lower than in previous years due to the higher depreciation expense associated with Trunk Main K.

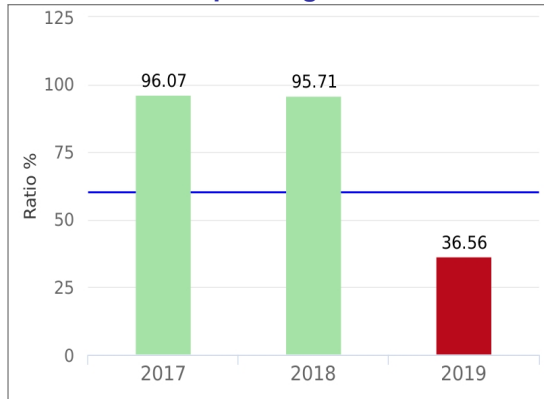
Benchmark: — > 0.00%

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 36.56%

This ratio is sharply lower due to the large capital grant received for the Carcoar to Orange Pipeline. This ratio will fluctuate dependent upon the level of grant funding received. Council has historically not received grant funding.

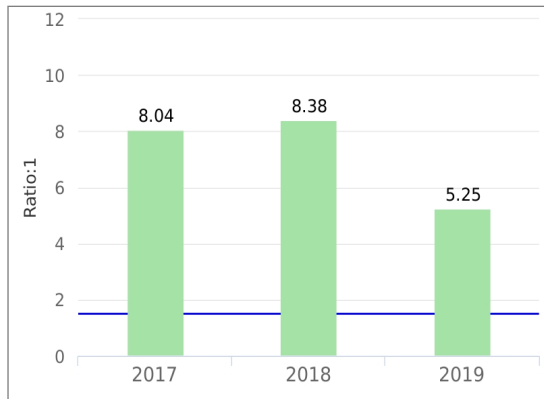
Benchmark: — > 60.00%

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 5.25x

This ratio indicates that Council has a strong liquidity position and is able to pay its debts as and when they fall due.

Benchmark: — > 1.50x

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

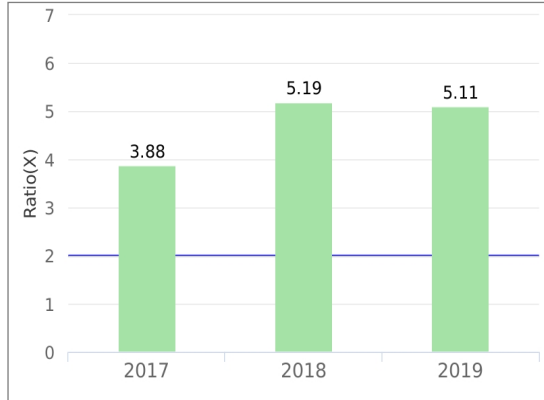
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 23(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.11x

Council is in a strong position to service its existing debt.

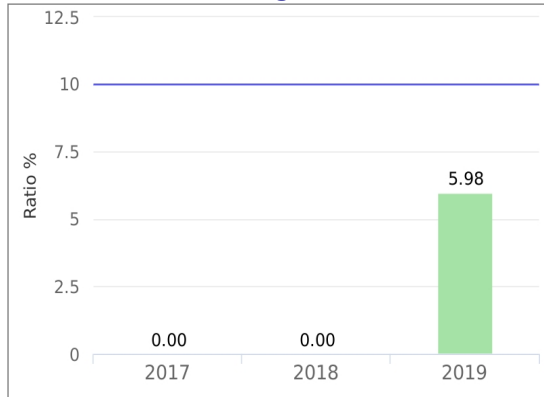
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 5.98%

Not applicable as Council has separate indicators including an annual water charges coverage ratio and annual water charges and interest and extra charges outstanding percentage.

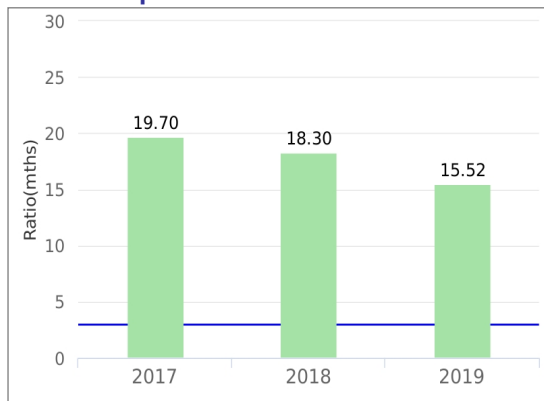
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 15.52 mths

This ratio indicates that Council Council's liquidity position is strong and can sustain its operations if short term revenue flows are disrupted.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial review

\$ '000	2019	2018	2017	2016	2015
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	1,523	1,490	1,225	1,216	1,205
User charges revenue	4,929	4,861	3,985	3,941	3,706
Interest and investment revenue (losses)	195	182	210	206	206
Grants income – operating and capital	11,565	–	55	56	57
Total income from continuing operations	18,861	7,028	5,984	5,903	5,454
Sale proceeds from I,PP&E	154	243	310	232	260
Outflows:					
Employee benefits and on-cost expenses	2,070	1,933	1,768	1,766	1,594
Borrowing costs	114	144	172	198	222
Materials and contracts expenses	1,037	971	927	769	998
Total expenses from continuing operations	6,894	5,958	5,445	5,371	5,380
Total cash purchases of I,PP&E	3,576	3,391	2,539	826	1,093
Total loan repayments (incl. finance leases)	466	437	409	383	359
Operating surplus/(deficit) (excl. capital income)	82	824	362	245	(130)
Financial position figures					
Current assets	7,245	7,580	8,000	8,611	7,081
Current liabilities	2,053	1,452	1,404	1,565	1,447
Net current assets	5,192	6,128	6,596	7,046	5,634
Available working capital (Unrestricted net current assets)	1,785	950	758	956	926
Cash and investments – unrestricted	500	501	500	500	500
Cash and investments – internal restrictions	5,628	6,316	6,865	7,373	5,904
Cash and investments – total	6,129	6,817	7,365	7,873	6,404
Total borrowings outstanding (Loans, advances and finance leases)	1,442	1,908	2,345	2,754	3,137
Total value of I,PP&E (excl. land and earthworks)	156,076	138,636	138,879	125,199	122,931
Total accumulated depreciation	75,360	71,398	73,247	71,251	68,592
Indicative remaining useful life (as a % of GBV)	52%	48%	47%	43%	44%

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Council information and contact details

Principal place of business:

30 Church Street
BLAYNEY NSW 2799

Contact details

Contact Details
Mailing Address
PO Box 61
BLAYNEY NSW 2799

Opening hours:

9.00am - 4.30pm
Monday to Friday

Telephone: 02 6391 7200

Internet: www.ctw.nsw.gov.au

Email: water@ctw.nsw.gov.au

Officers

General Manager
Gavin Rhodes

Responsible Accounting Officer
Peter McFarlane

Public Officer
Peter McFarlane

Auditors
Audit Office of NSW
Level 19
Tower 2 Darling Park
201 Sussex Street
NSW 2000

Elected members

CHAIRPERSON
Cllr David Somerville

DEPUTY CHAIRPERSON

Cllr Kevin Walker

Councillors

Cllr John Newstead
Cllr Anthony Durkin
Cllr Paul Best
Cllr Craig Bembrick

Other information

ABN: 43 721 523 632



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Tablelands County Council

To the Councillors of the Central Tablelands County Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY



Chairman
 Central Tablelands County Council
 PO Box 61
 BLAYNEY NSW 2799

Contact: Karen Taylor
 Phone no: 02 9275 7311
 Our ref:

30 October 2019

Dear Mr Chairman

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Central Tablelands County Council**

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

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

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

INCOME STATEMENT

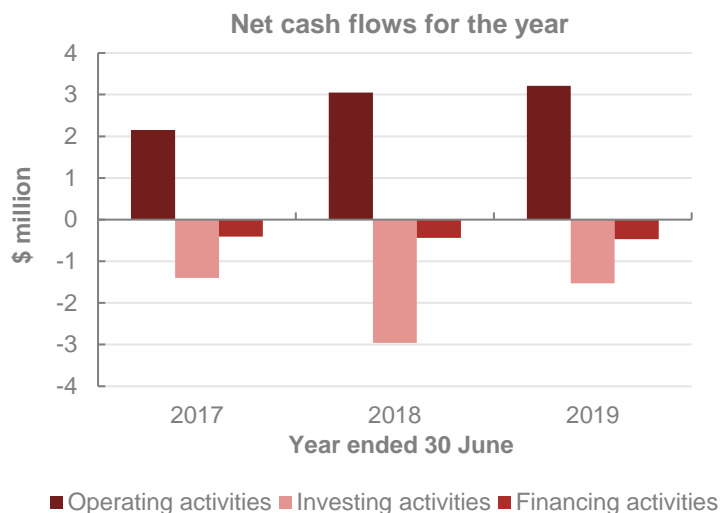
Operating result

	2019 \$m	2018 \$m	Variance %
Annual charges revenue	1.52	1.49	↑ 2.0
User charges revenue	4.93	4.86	↑ 1.4
Grants and contributions revenue	11.91	0.25	↑ 4664
Operating result for the year	11.97	1.07	↑ 1019
Net operating result before capital grants and contributions	(0.08)	(0.82)	↓ 90.2

Council's operating result (\$11.97 million including the effect of depreciation and amortisation expense of \$2.76 million) was \$10.9 million higher than the 2017–18 result. This was mainly due to an \$11.5 million capital grant for part of a pipeline from Lake Rowlands to Orange. Council is responsible for the operation and maintenance of the part of the pipeline within the council's boundary.

STATEMENT OF CASH FLOWS

Net redemption of \$1.9 million of investments was the main contributor to the increase in cash and cash equivalents. The overall level of cash and investments declined by \$0.7 million as can be seen below.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	--	--	Externally restricted balances include unexpended developer contributions and specific purpose grants.
Internal restrictions	5.6	6.3	Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	0.5	0.5	
Cash and investments	6.1	6.8	Unrestricted balances provide liquidity for day-to-day operations.

Debt

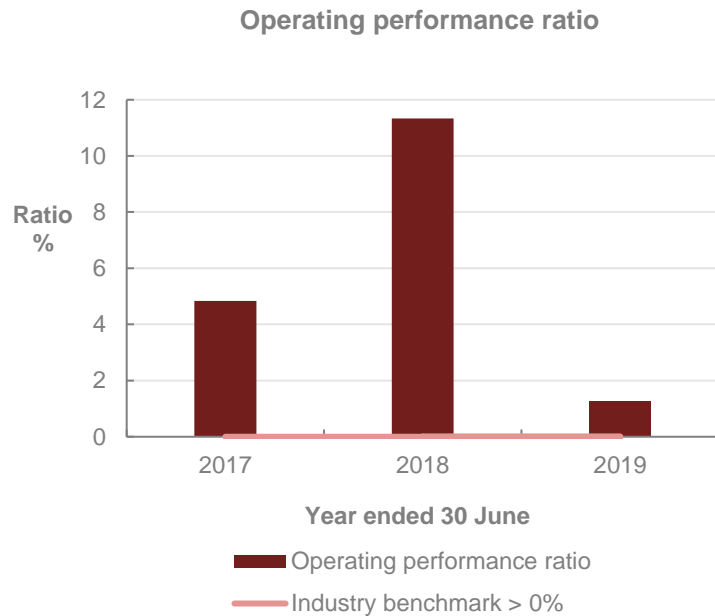
At 30 June 2019, Council had external borrowings of \$1.4 million (30 June 2018: \$1.9 million). The loans are secured over Council's general income.

PERFORMANCE

Operating performance ratio

Council has continued to perform above the benchmark.

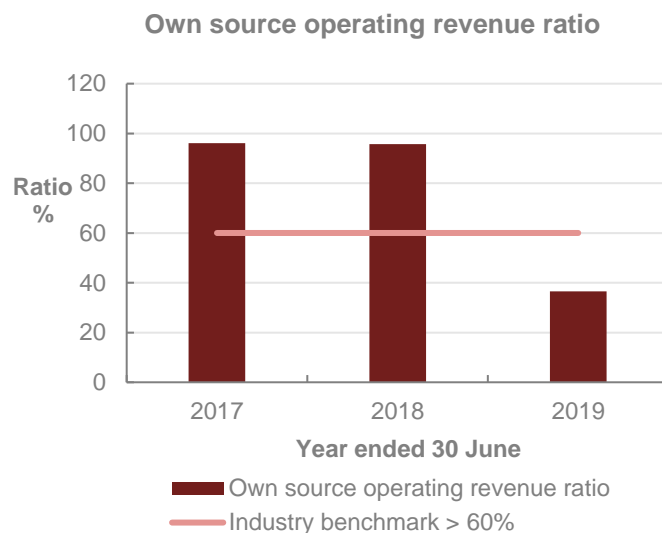
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

The disproportionately high level of capital contributions received by Council this year has seen this ratio drop below the benchmark. Council's own source operating revenue has remained consistent in terms of dollar value.

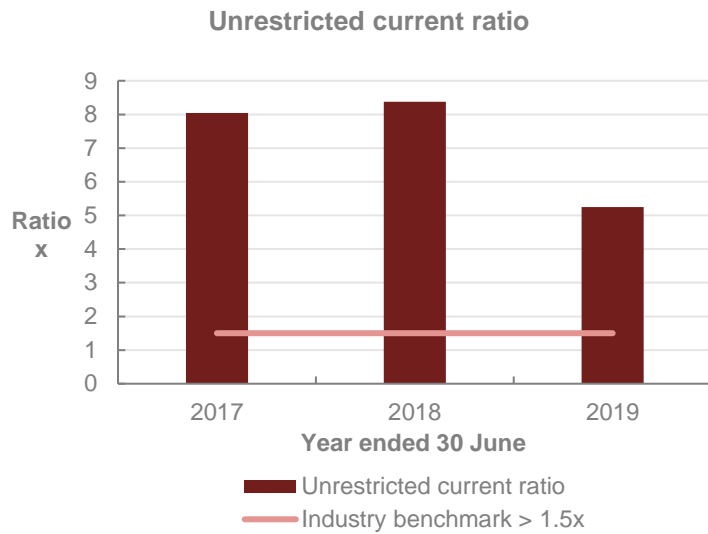
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio continues to exceed the benchmark

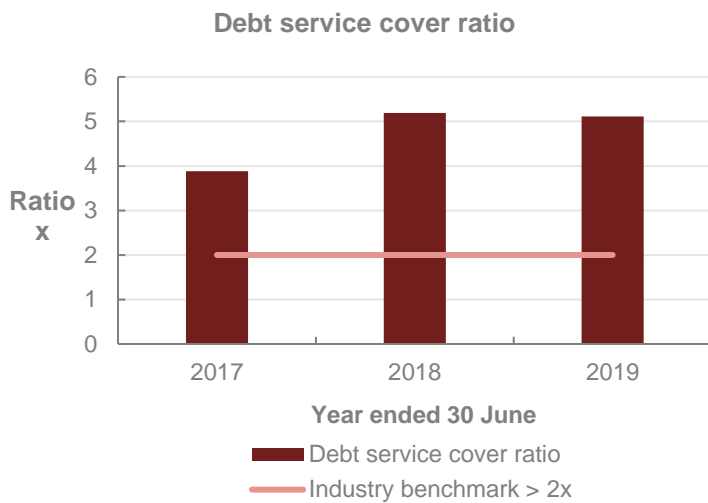
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

The increase in this ratio is mainly due to the decline in the loan balance outstanding at 30 June 2019.

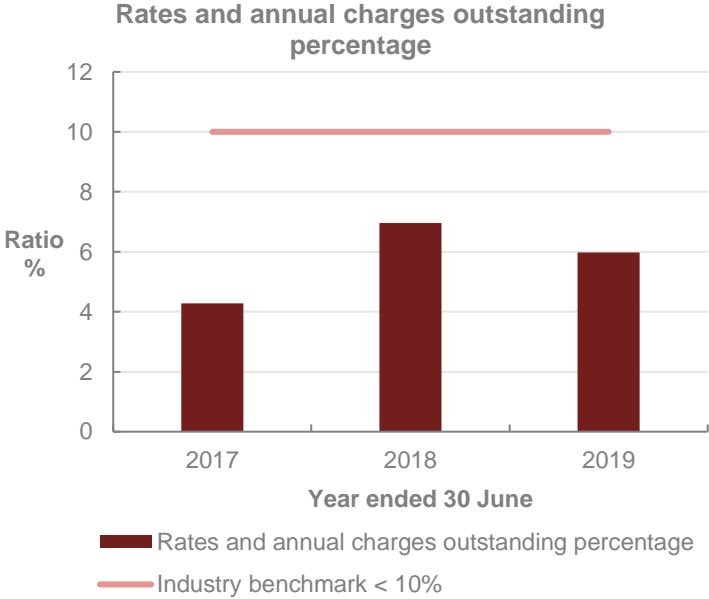
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Annual water charges, interest and extra charges outstanding percentage

The outcome of this ratio reflects Council's sustained effort to effectively manage annual and water charges recovery, despite drought conditions.

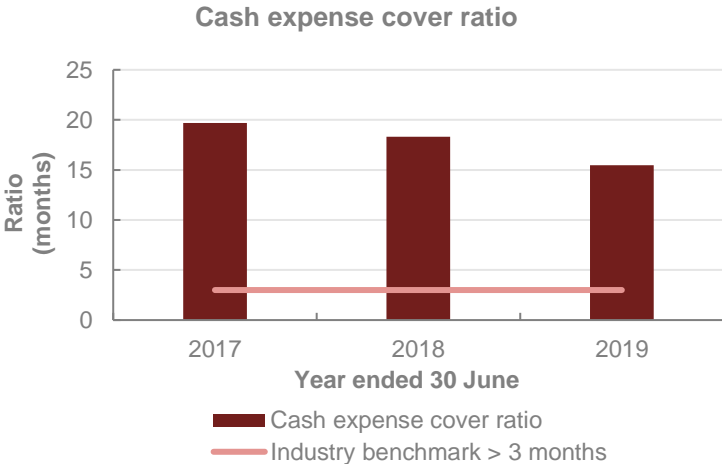
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for several years.

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



Infrastructure, property, plant and equipment renewals

Council has renewed \$4.35 million of assets in the 2018–19 financial year compared to \$0.15 million in the 2017–18 financial year. The increase is primarily due to the renewal of trunk main K.

OTHER MATTERS

New accounting standards implemented

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

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Central Tablelands Water

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Central Tablelands Water

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 09 October 2019.



Cllr David Somerville
Chairperson
09 October 2019



Cllr Kevin Walker
Deputy Chairperson
09 October 2019



Gavin Rhodes
General Manager
09 October 2019



Peter McFarlane
Responsible Accounting Officer
09 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,523	1,437
User charges	4,929	4,759
Fees	195	102
Interest	302	182
Grants and contributions provided for non-capital purposes	27	53
Profit from the sale of assets	(7)	63
Other income	–	186
Total income from continuing operations	6,969	6,782
Expenses from continuing operations		
Employee benefits and on-costs	2,070	1,933
Borrowing costs	114	144
Materials and contracts	1,037	971
Depreciation, amortisation and impairment	2,761	2,111
Other expenses	905	799
Total expenses from continuing operations	6,887	5,958
Surplus (deficit) from continuing operations before capital amounts	82	824
Grants and contributions provided for capital purposes	11,885	246
Surplus (deficit) from continuing operations after capital amounts	11,967	1,070
Surplus (deficit) from all operations before tax	11,967	1,070
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(23)	(227)
SURPLUS (DEFICIT) AFTER TAX	11,944	843
Plus accumulated surplus	34,172	33,102
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	23	227
Closing accumulated surplus	46,139	34,172
Return on capital %	0.2%	1.4%
Subsidy from Council	–	861
Calculation of dividend payable:		
Surplus (deficit) after tax	11,944	843
Less: capital grants and contributions (excluding developer contributions)	(11,885)	(246)
Surplus for dividend calculation purposes	59	597
Potential dividend calculated from surplus	30	299

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,029	817
Investments	4,100	6,000
Receivables	931	561
Inventories	179	194
Other	6	8
Total current assets	7,245	7,580
Non-current assets		
Receivables	7	7
Infrastructure, property, plant and equipment	83,022	69,544
Intangible assets	81	67
Total non-current assets	83,110	69,618
TOTAL ASSETS	90,355	77,198
LIABILITIES		
Current liabilities		
Payables	655	202
Income received in advance	87	90
Borrowings	497	466
Provisions	814	694
Total current liabilities	2,053	1,452
Non-current liabilities		
Borrowings	945	1,442
Provisions	17	13
Total non-current liabilities	962	1,455
TOTAL LIABILITIES	3,015	2,907
NET ASSETS	87,340	74,291
EQUITY		
Accumulated surplus	46,139	34,172
Revaluation reserves	41,201	40,119
TOTAL EQUITY	87,340	74,291

Central Tablelands Water

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)

Central Tablelands Water Supplies

Comprising the whole of the operations and net assets of the water supply systems servicing towns and villages within the Local Government Areas of Blayney, Cabonne, Cowra, Bland and Weddin.

Category 2

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

Council has no Category 2 Business Activities.

Monetary amounts

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

Central Tablelands Water

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 \$692,001 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 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 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.

Central Tablelands Water

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 businesses are permitted to pay an annual dividend from its water supply 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.

Central Tablelands Water does not pay dividends as funding is required for the large capital works program as outlined in its 30 Year Strategic Business Plan,



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Central Tablelands County Council

To the Councillors of the Central Tablelands County Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Central Tablelands County Council's (the Council) declared business activity, Water Supply, which comprise the Income Statement of the declared business activity for the year ended 30 June 2019, the Statement of Financial Position of the declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activity declared by Council, and the Statement by Councillors and Management.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY

Central Tablelands Water

SPECIAL SCHEDULES
for the year ended 30 June 2019

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Special Schedules

for the year ended 30 June 2019

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Special Schedules

Report on Infrastructure Assets - Values

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Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	220	147	131	129	1,837	2,835	58.0%	31.0%	0.0%	10.0%	1.0%
	Sub-total	220	147	131	129	1,837	2,835	58.0%	31.0%	0.0%	10.0%	1.0%
Water supply network	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Filtration Plants	1,916	1,192	589	582	9,709	15,457	51.0%	33.0%	1.0%	7.0%	8.0%
	Reticulation Mains	3,066	13	321	359	16,978	28,703	51.0%	35.0%	14.0%	0.0%	0.0%
	Trunk Mains	3,498	–	168	167	25,405	61,002	29.0%	63.0%	8.0%	0.0%	0.0%
	Bores	56	27	67	88	126	431	33.0%	50.0%	5.0%	12.0%	0.0%
	Reservoirs	2,031	499	87	54	5,761	13,931	7.0%	73.0%	12.0%	8.0%	0.0%
	Dams	11,436	153	176	163	10,436	19,573	19.0%	3.0%	76.0%	0.0%	2.0%
	Pump Stations	347	92	271	260	4,337	6,917	58.0%	35.0%	4.0%	3.0%	0.0%
	Telemetry	158	5	43	40	76	341	10.0%	28.0%	59.0%	3.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	22,508	1,981	1,722	1,713	72,828	146,355	33.5%	45.8%	17.8%	1.7%	1.2%
TOTAL - ALL ASSETS		22,728	2,128	1,853	1,842	74,665	149,190	34.0%	45.5%	17.5%	1.8%	1.2%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

- 1 **Excellent/very good** No work required (normal maintenance)
- 2 **Good** Only minor maintenance work required
- 3 **Satisfactory** Maintenance work required
- 4 **Poor** Renewal required
- 5 **Very poor** Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,635	192.40%	25.19%	112.00%	>=100.00%
Depreciation, amortisation and impairment	2,409				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	22,728	30.44%	36.64%	34.89%	<2.00%
Net carrying amount of infrastructure assets	74,665				
Asset maintenance ratio					
Actual asset maintenance	1,842	99.41%	108.77%	99.18%	>100.00%
Required asset maintenance	1,853				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,128	1.43%	1.63%	1.41%	
Gross replacement cost	149,190				

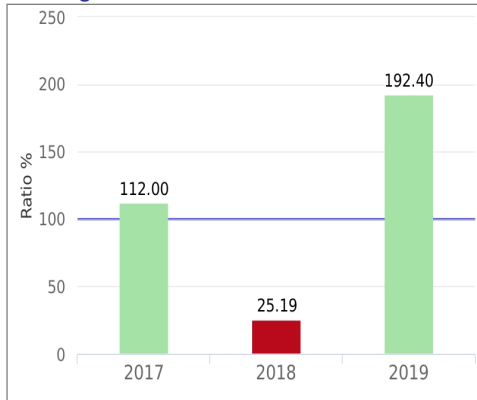
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



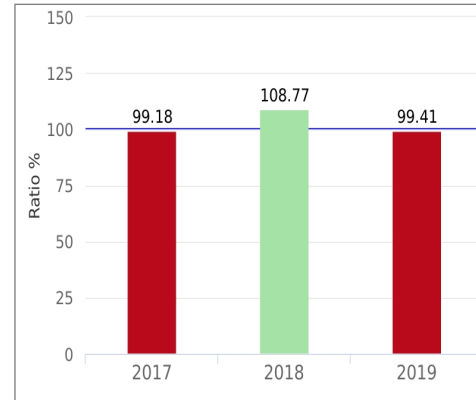
Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result	
18/19 ratio	192.40%
Council undertook renewal work on Trunk Mains, Pump Stations, Bores and the Carcoar Treatment Plant during the year	

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Asset maintenance ratio



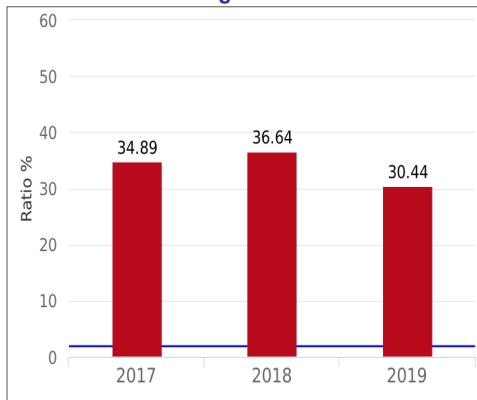
Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result	
18/19 ratio	99.41%
This indicates that Council is maintaining its assets in accordance with its Asset Management Plan to enable high levels of service to be continued. This ratio is consistent with the result in previous years.	

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Infrastructure backlog ratio



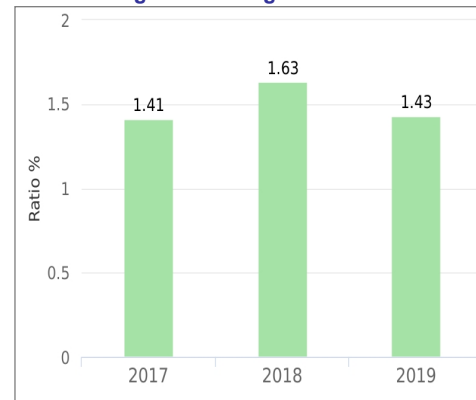
Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result	
18/19 ratio	30.44%
This ratio is consistent with past years and indicates a small reduction in the Infrastructure backlog. The backlog will be addressed in accord with the framework set in Council's Asset Management Plan.	

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result	
18/19 ratio	1.43%
Council's assets are currently meeting the level of service agreed with its consumers.	