



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

*A prosperous and progressive community
we proudly call home.*



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

86 Market Street
Mudgee NSW 2850

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

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2020

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 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

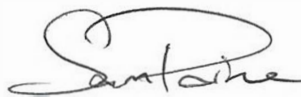
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 16 September 2020.



Des Kennedy
Mayor
~~16 September 2020~~
 9 October



Sam Paine
Deputy Mayor
~~16 September 2020~~
 12 October



Brad Cam
General Manager
~~16 September 2020~~
 1 October



Leonie Johnson
Chief Financial Officer
~~16 September 2020~~
 12 October

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Income from continuing operations				
40,481	Rates and annual charges	3a	39,281	31,043
11,717	User charges and fees	3b	16,442	15,018
1,413	Other revenues	3c	1,942	3,443
13,760	Grants and contributions provided for operating purposes	3d,3e	20,643	14,465
31,345	Grants and contributions provided for capital purposes	3d,3e	19,633	17,836
1,667	Interest and investment income	4	1,650	2,373
–	Fair value increment on investment properties	11	1,168	–
1,789	Rental income	14e	1,409	–
<u>102,172</u>	Total income from continuing operations		<u>102,168</u>	<u>84,178</u>
Expenses from continuing operations				
25,798	Employee benefits and on-costs	5a	25,321	23,759
867	Borrowing costs	5b	832	926
12,767	Materials and contracts	5c	16,631	12,723
15,243	Depreciation and amortisation	5d	17,480	16,514
7,035	Other expenses	5e	8,418	7,297
2,439	Net losses from the disposal of assets	6	8,525	3,980
<u>64,149</u>	Total expenses from continuing operations		<u>77,207</u>	<u>65,199</u>
<u>38,023</u>	Operating result from continuing operations		<u>24,961</u>	<u>18,979</u>
<u>38,023</u>	Net operating result for the year		<u>24,961</u>	<u>18,979</u>
38,023	Net operating result attributable to council		24,961	18,979
<u>6,678</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>5,328</u>	<u>1,143</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		24,961	18,979
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	40,113	6,010
Total items which will not be reclassified subsequently to the operating result		40,113	6,010
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Asset Remediation provision movements		(300)	(2,375)
Other movements		–	663
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(300)	(1,712)
Total other comprehensive income for the year		39,813	4,298
Total comprehensive income for the year		64,774	23,277
Total comprehensive income attributable to Council		64,774	23,277

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	6,029	5,121	6,481
Investments	7(b)	70,150	67,727	55,824
Receivables	8	8,468	8,606	6,435
Inventories	9a	1,372	1,314	1,197
Contract assets	13a	6,542	–	–
Other	9b	26	146	–
Total current assets		<u>92,587</u>	<u>82,914</u>	<u>69,937</u>
Non-current assets				
Investments	7(b)	10,800	5,000	10,000
Receivables	8	–	123	181
Infrastructure, property, plant and equipment	10(a)	1,002,780	951,854	934,483
Investment property	11	7,440	6,272	6,272
Intangible Assets	12	271	239	346
Right of use assets	14a	150	–	–
Total non-current assets		<u>1,021,441</u>	<u>963,488</u>	<u>951,282</u>
Total assets		<u>1,114,028</u>	<u>1,046,402</u>	<u>1,021,219</u>
LIABILITIES				
Current liabilities				
Payables	15	9,293	6,916	5,267
Income received in advance	15	68	8	950
Contract liabilities	13b	6,113	–	–
Lease liabilities	14b	38	–	–
Borrowings	15	1,482	2,009	1,693
Provisions	16	7,850	7,301	6,501
Total current liabilities		<u>24,844</u>	<u>16,234</u>	<u>14,411</u>
Non-current liabilities				
Lease liabilities	14b	111	–	–
Borrowings	15	10,441	10,971	12,976
Provisions	16	5,507	4,987	2,899
Total non-current liabilities		<u>16,059</u>	<u>15,958</u>	<u>15,875</u>
Total liabilities		<u>40,903</u>	<u>32,192</u>	<u>30,286</u>
Net assets		<u>1,073,125</u>	<u>1,014,210</u>	<u>990,933</u>
EQUITY				
Accumulated surplus	17	467,189	442,808	419,079
Revaluation reserves	17	605,936	571,402	571,854
Council equity interest		<u>1,073,125</u>	<u>1,014,210</u>	<u>990,933</u>
Total equity		<u>1,073,125</u>	<u>1,014,210</u>	<u>990,933</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Total equity
Opening balance		429,261	575,382	–	1,004,643	405,443	575,625	209	981,277
Correction of prior period errors ¹	17b	13,547	(3,980)	–	9,567	13,636	(3,980)	–	9,656
Changes due to AASB 9 adoption ²	17c	–	–	–	–	209	–	(209)	–
Changes due to AASB 1058 and AASB 15 adoption	17	(5,859)	–	–	(5,859)	–	–	–	–
Restated opening balance		436,949	571,402	–	1,008,351	419,288	571,645	–	990,933
Net operating result for the year		24,961	–	–	24,961	19,068	–	–	19,068
Correction of prior period errors ³	17b	–	–	–	–	(89)	–	–	(89)
Net operating result for the period		24,961	–	–	24,961	18,979	–	–	18,979
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	10(a)	–	40,113	–	40,113	–	6,010	–	6,010
– Other reserves movements (rounding)		–	–	–	–	(7)	(107)	–	(114)
– Other reserves movements (credit to retained earning)		–	–	–	–	777	–	–	777
– Other movements (Asset remediation provision movement)		–	(300)	–	(300)	–	(2,375)	–	(2,375)
Other comprehensive income		–	39,813	–	39,813	770	3,528	–	4,298
Total comprehensive income		24,961	39,813	–	64,774	19,749	3,528	–	23,277
Transfers between equity items		5,279	(5,279)	–	–	3,771	(3,771)	–	–
Equity – balance at end of the reporting period		467,189	605,936	–	1,073,125	442,808	571,402	–	1,014,210

(1) Found stormwater assets, less prior year revaluation movement for investment properties - see note 17.

(2) Initial application of AASB 9 Financial Instruments.

(3) Depreciation expense was adjusted for stormwater assets

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
40,131	Rates and annual charges		40,026	31,197
13,000	User charges and fees		16,853	14,825
1,880	Investment and interest revenue received		1,871	1,779
44,345	Grants and contributions		34,567	30,883
–	Bonds, deposits and retention amounts received		984	467
2,901	Other		8,121	6,505
Payments:				
(25,061)	Employee benefits and on-costs		(24,559)	(23,102)
(7,070)	Materials and contracts		(16,374)	(16,925)
(824)	Borrowing costs		(852)	(919)
–	Bonds, deposits and retention amounts refunded		(1,315)	(400)
(13,184)	Other		(13,157)	(8,630)
56,118	Net cash provided (or used in) operating activities	18b	46,165	35,680
Cash flows from investing activities				
Receipts:				
8,880	Sale of investment securities		69,614	63,200
563	Sale of infrastructure, property, plant and equipment		543	2,054
13	Deferred debtors receipts		–	–
Payments:				
(4,282)	Purchase of investment securities		(77,792)	(69,560)
–	Purchase of investment property		–	(6,272)
(61,359)	Purchase of infrastructure, property, plant and equipment		(36,392)	(24,768)
(73)	Purchase of intangible assets		(137)	(5)
(56,258)	Net cash provided (or used in) investing activities		(44,164)	(35,351)
Cash flows from financing activities				
Receipts:				
1,681	Proceeds from borrowings and advances		1,000	–
Payments:				
(2,053)	Repayment of borrowings and advances		(2,057)	(1,689)
–	Lease liabilities (principal repayments)		(36)	–
(372)	Net cash flow provided (used in) financing activities		(1,093)	(1,689)
(512)	Net increase/(decrease) in cash and cash equivalents		908	(1,360)
6,841	Plus: cash and cash equivalents – beginning of year	18a	5,121	6,481
6,329	Cash and cash equivalents – end of the year	18a	6,029	5,121
–	plus: Investments on hand – end of year	7(b)	80,950	72,727
6,329	Total cash, cash equivalents and investments		86,979	77,848

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 16 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 16
- (iii) employee benefit provisions – refer Note 16

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 8.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Waste management

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Mudgee Sports Council (s355)
- Gulgong Sports Council (s355)
- Rylstone Sports Council (s355)

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for the Community Transport program, and Meals on Wheels program. The estimated value of these services has been included in the financial statements with a value estimated at \$265,000, based on an average salary and on costs council would be required to pay if the services were not donated.

COVID-19 Impacts

Covid 19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Council has provided some rent relief to commercial lessee's to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities. Rate collections are marginally less than the previous year's, with an increase in rates receivable at year end of about \$575,000 and other receivables have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to Covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid.

For assets where fair value is determined by market value Council has no evidence of material changes to these values. With Covid emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

Bushfire Impacts

In December 2019, through to February 2020 three large bushfires burnt approximately 210,000 hectares in the Mid-Western Regional Local Government Area. Council continues to assist property owners impacted by the fire, but has also continued recovery works in these areas to make safe roadsides and Council reserves and assets.

Bushfire Impacts

Council received \$625,510 in Section 44 bushfire reimbursements for the initial bushfire response costs, \$2,765,354 in Natural Disaster funding for road reserve recovery works in the locations of Kerry's Ridge and Upper Turon and \$1,142,646 in Federal Relief funding which has been used in the recovery and resilience building for local communities including the temporary

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

employment of a bushfire liaison officer and the waiver of developer fees and charges, and some rating instalments. Fair value for the majority of Council's non-current assets is determined by replacement cost where there was no material change in value due to bushfire, and no recorded impairment at 30 June 2020.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Notes to the Financial Statements
for the year ended 30 June 2020

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).

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ '000										
				Restated		Restated				Restated
Functions or activities										
Looking after our community	8,704	6,320	14,547	13,356	(5,843)	(7,036)	6,785	3,926	90,668	87,053
Protecting our natural environment	21,490	19,531	21,627	20,671	(137)	(1,140)	1,774	1,373	202,758	205,951
Building a strong local economy	1,891	1,369	1,917	1,921	(26)	(552)	624	293	21,992	18,323
Connecting the region	27,219	23,784	26,234	19,210	985	4,574	11,796	10,209	652,924	600,872
Good government	42,864	33,174	12,882	10,041	29,982	23,133	4,392	4,136	145,686	134,203
Total functions and activities	102,168	84,178	77,207	65,199	24,961	18,979	25,371	19,937	1,114,028	1,046,402

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

Looking after our community

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

Protecting our natural environment

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

Building a strong local economy

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

Connecting the region

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

Good government

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	10,600	10,226
Farmland	1058 (1)	4,744	4,619
Mining ¹	1058 (1)	9,348	2,225
Business	1058 (1)	1,503	1,340
Less: pensioner rebates (mandatory)	1058 (1)	(332)	(336)
Rates levied to ratepayers		25,863	18,074
Pensioner rate subsidies received	1058 (1)	184	184
Total ordinary rates		26,047	18,258
Special rates			
Hunter Valley catchment special rate	1058 (1)	17	15
Rates levied to ratepayers		17	15
Total special rates		17	15
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	15 (1)	2,264	2,140
Water supply services	15 (1)	1,545	1,520
Sewerage services	15 (1)	6,430	6,212
Waste management services (non-domestic)	1058 (1)	3,150	3,069
Less: pensioner rebates (mandatory)	1058 (1)	(388)	(382)
Annual charges levied		13,001	12,559
Pensioner subsidies received:			
– Water	1058 (1)	67	65
– Sewerage	1058 (1)	61	60
– Domestic waste management	1058 (1)	88	86
Total annual charges		13,217	12,770
TOTAL RATES AND ANNUAL CHARGES		39,281	31,043

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

Council has used 01/07/2018 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019 accounting policy

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

(1) Mining rates increased by about \$7 million due to a material increase in land values

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	6,042	5,469
Sewerage services	15 (2)	683	723
Total specific user charges		6,725	6,192
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	824	747
Private works – section 67	15 (1)	110	221
Total fees and charges – statutory/regulatory		934	968
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (2)	93	113
Aged care	15 (2)	138	147
Cemeteries	15 (1)	250	258
Leaseback fees – Council vehicles (2019 Only)	15 (1)	–	93
Library and art gallery	1058 (1)	1	4
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	5,681	5,106
Saleyards	15 (1)	333	304
Swimming centres	1058 (1)	246	223
Water connection fees	15 (1)	195	81
Children services	15 (1)	100	114
Parks and sports grounds	15 (1)	183	183
Waste depot	1058 (1)	1,436	1,167
Waste water services	1058 (1)	127	65
Total fees and charges – other		8,783	7,858
TOTAL USER CHARGES AND FEES		16,442	15,018

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (1)	–	1,035
Fines	1058 (1)	94	83
Legal fees recovery – rates and charges (extra charges)	1058 (1)	93	132
Commissions and agency fees	1058 (1)	30	29
Diesel rebate	1058 (1)	202	240
Insurance claims recoveries	1058 (1)	116	240
Recycling income (non-domestic)	1058 (1)	374	478
Sales – general (Glen Willow)	1058 (1)	7	40
Sales – events	15 (1)	297	333
Sales – ironed out	1058 (1)	31	49
Sales – mudgee town hall cinema	15 (1)	39	49
Sales - library	1058 (1)	14	28
Litigation Settlement and Claimed Bank Guarantee	1058 (1)	100	483
Volunteer services income (Community Transport & Meals on Wheels)	1058 (1)	264	–
Other	1058 (1)	281	224
<u>TOTAL OTHER REVENUE</u>		<u>1,942</u>	<u>3,443</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

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1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000		Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,054	2,020	–	–
Financial assistance – local roads component	1058 (1)	1,232	1,245	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,175	2,126	–	–
Financial assistance – local roads component	1058 (1)	1,308	1,259	–	–
Total general purpose		6,769	6,650	–	–
Specific purpose					
Water supplies	15 (2)	–	–	696	640
Sewerage services	15 (2)	–	–	583	1
Aged care	1058 (1)	846	832	–	–
Bushfire and emergency services	1058 (1)	4,958	438	–	9
Heritage and cultural	1058 (1)	29	61	–	–
Library	1058 (1)	121	85	–	–
Library – special projects	15 (2)	–	–	119	25
LIRS subsidy	15 (1)	68	86	–	–
Noxious weeds	1058 (1)	169	185	–	–
Recreation and culture	15	–	13	3,452	1,916
Street lighting	15 (1)	37	36	–	–
Transport (roads to recovery)	15 (2)	2,387	1,717	–	–
Transport (other roads and bridges funding)	15	–	–	3,663	5,860
Children's services	1058 (1)	659	649	–	–
Environmental programs	15 (2)	–	–	42	–
Waste management	1058 (1)	–	57	–	–
Youth services	1058 (1)	2	3	–	–
Other	1058	184	56	587	618
Total specific purpose		9,460	4,218	9,142	9,069
Total grants		16,229	10,868	9,142	9,069
Grant revenue is attributable to:					
– Commonwealth funding		9,105	9,634	4,058	1,702
– State funding		7,122	1,228	5,084	7,292
– Other funding		2	6	–	75
		16,229	10,868	9,142	9,069

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	885	1,112
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	729	336
S 7.12 – fixed development consent levies		1058 (1)	–	–	43	95
S 64 – water supply contributions		1058 (1)	–	–	1,052	349
S 64 – sewerage service contributions		1058 (1)	–	–	314	164
Total developer contributions – cash			–	–	3,023	2,056
Total developer contributions	27		–	–	3,023	2,056
Other contributions:						
Cash contributions						
Community services		1058 (1)	–	–	12	4
Roads and bridges		15 (2)	655	655	5,152	5,158
RMS contributions (regional roads, block grant)		15 (2)	3,307	2,493	1,437	500
Occupational health and safety		15 (1)	77	166	–	–
Other		15	375	283	85	–
Total other contributions – cash			4,414	3,597	6,686	5,662
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	782	1,049
Total other contributions – non-cash			–	–	782	1,049
Total other contributions			4,414	3,597	7,468	6,711
Total contributions			4,414	3,597	10,491	8,767
TOTAL GRANTS AND CONTRIBUTIONS			20,643	14,465	19,633	17,836

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The performance obligations are varied based on the agreement but can include performance obligations such as events, completion of a project or delivery of specified program. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

Unexpended at the close of the previous reporting period	4,035	3,773
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	474
Add: operating grants received for the provision of goods and services in a future period	1,843	3,385
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(3,597)
Less: operating grants received in a previous reporting period now spent and recognised as income	(3,783)	–

Operating grants unspent at 30 June 2020 include bushfire recovery grants and youth services grant. These grants relate to ongoing projects that will be completed in future years.

Capital grants

Unexpended at the close of the previous reporting period	1,862	462
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	4,792	1,689
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(289)
Less: capital grants received in a previous reporting period now spent and recognised as income	(1,220)	–

Unspent capital grants at 30 June 2020, include amounts for:

- Art gallery facility;
- Ulan Road Strategy funding;
- Victoria Park Gulgong lighting;
- Rural Customer Water Filling Stations
- Ulan Wollar Road upgrade; and
- Other minor works.

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

Contributions

Unexpended at the close of the previous reporting period	16,557	16,368
Add: contributions recognised as income in the current period but not yet spent	3,192	2,986
Less: contributions recognised in a previous reporting period now spent	(2,367)	(2,797)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	102	91
– Cash and investments	1,499	1,734
– Other	4	5
Fair value adjustments		
– Movements in investments at fair value through profit and loss	45	543
Total Interest and investment income	1,650	2,373

Accounting policy for interest and investment revenue

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

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	21,446	19,529
Employee termination costs	141	14
Employee leave entitlements (ELE)	4,624	4,527
Superannuation – defined contribution plans	2,123	1,925
Superannuation – defined benefit plans	331	359
Workers' compensation insurance	477	404
Fringe benefit tax (FBT)	199	169
Payroll tax	100	122
Protective clothing	118	126
Other	18	14
Total employee costs	29,577	27,189
Less: capitalised costs	(4,256)	(3,430)
TOTAL EMPLOYEE COSTS EXPENSED	25,321	23,759
Number of 'full-time equivalent' employees (FTE) at year end	344	330
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	357	337

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 21 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		14	–
Interest on loans		804	900
Other debts		3	–
Total interest bearing liability costs		821	900
Total interest bearing liability costs expensed		821	900
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	16	11	26
Total other borrowing costs		11	26
TOTAL BORROWING COSTS EXPENSED		832	926

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.

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	4,119	4,428
Contractor and consultancy costs	8,236	5,245
– Labour contracts	306	368
– Plant hire wet	1,990	938
– Road sealing contract	495	336
– Tourism contract	509	454
– Consultancy	217	145
Auditors remuneration ²	76	98
Legal expenses:		
– Legal expenses: planning and development	133	125
– Legal expenses: debt recovery	95	140
– Legal expenses: other	156	105
Expenses from leases of low value assets (2020 only)	299	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	341
Total materials and contracts	16,631	12,723
TOTAL MATERIALS AND CONTRACTS	16,631	12,723

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	70	63
Remuneration for audit and other assurance services	70	63
Total Auditor-General remuneration	70	63
Non NSW Auditor-General audit firms		
(i) Non-assurance services		
Other services	6	35
Remuneration for non-assurance services	6	35
Total remuneration of non NSW Auditor-General audit firms	6	35
Total Auditor remuneration	76	98

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		3,027	2,670
Office equipment		115	114
Furniture and fittings		41	40
Land improvements (depreciable)		20	14
Infrastructure:	10(a)		
– Buildings – non-specialised		729	511
– Buildings – specialised		610	316
– Other structures		336	308
– Roads		5,912	5,602
– Bridges		1,117	1,100
– Footpaths		142	138
– Stormwater drainage		325	323
– Water supply network		1,870	1,803
– Sewerage network		1,548	1,556
– Swimming pools		225	222
– Other open space/recreational assets		508	413
Right of use assets	14	35	–
Other assets:			
– Library books		69	79
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	16,10(a)	743	1,150
– Quarry assets	16,10(a)	13	43
Intangible assets	12	95	112
Total depreciation and amortisation costs		17,480	16,514

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS

	17,480	16,514
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Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets, and Note 14 for right of use assets.

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

Impairment of non-financial assets

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

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

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	105	120
Bad and doubtful debts	20	5
Bank charges	125	120
Computer software charges	1,114	785
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	39	33
– NSW fire brigade levy	61	56
– NSW rural fire service levy	693	551
– Other contributions/levies	168	145
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	182	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	27	24
Donations, contributions and assistance	691	283
– Pelican Airline air service	71	58
– Housing plus crisis accommodation	85	85
Electricity and heating	1,309	1,411
Family day care centre	477	524
Recruitment costs	37	37
Insurance	1,331	1,226
Travel expenses (employee)	18	23
Postage	125	122

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
Printing and stationery	150	171
Street lighting	375	483
Subscriptions and publications	183	139
Telephone and communications	422	345
Training expenses (employee)	302	330
Volunteer services expenses (Community Transport & Meals on Wheels)	264	–
TOTAL OTHER EXPENSES	8,418	7,297

Accounting policy for other expenses

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	884
Less: carrying amount of property assets sold/written off		(1)	(1,114)
Net gain/(loss) on disposal		(1)	(230)
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		543	1,170
Less: carrying amount of plant and equipment assets sold/written off		(1,186)	(1,026)
Net gain/(loss) on disposal		(643)	144
Infrastructure			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(7,871)	(3,894)
Net gain/(loss) on disposal		(7,871)	(3,894)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		69,614	63,200
Less: carrying amount of investments sold/redeemed/matured		(69,614)	(63,200)
Net gain/(loss) on disposal		–	–
Intangible assets			
	12		
Less: carrying amount of intangible assets sold/written off		(10)	–
Net gain/(loss) on disposal		(10)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(8,525)	(3,980)

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 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	–	12
Cash-equivalent assets		
– Deposits at call	3,777	3,379
– Managed funds (TCorp Cash Management Funds)	2,252	1,730
Total cash and cash equivalents	6,029	5,121

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit or loss'	8,150	–	8,127	–
b. 'Financial assets at amortised cost'	62,000	10,800	59,600	5,000
Total Investments	70,150	10,800	67,727	5,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	76,179	10,800	72,848	5,000
Financial assets at fair value through the profit or loss				
Managed funds	8,150	–	8,127	–
Total	8,150	–	8,127	–
Financial assets at amortised cost				
Long term deposits	62,000	10,800	59,600	5,000
Total	62,000	10,800	59,600	5,000

Accounting policy for investments

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	76,179	10,800	72,848	5,000
attributable to:				
External restrictions	45,726	6,483	48,337	3,318
Internal restrictions	17,890	2,536	15,560	1,068
Unrestricted	12,563	1,781	8,951	614
	76,179	10,800	72,848	5,000

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020	2019
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund (2020 only)	5,613	–
Trust deposits	703	1,034
Specific purpose unexpended grants – water fund (2020 only)	270	–
External restrictions – included in liabilities	6,586	1,034
External restrictions – other		
Developer contributions – general	8,115	7,614
Developer contributions – water fund	5,746	5,119
Developer contributions – sewer fund	3,369	3,022
Specific purpose unexpended grants (recognised as revenue) – general fund	1,645	5,783
Specific purpose unexpended grants (recognised as revenue) – water fund	1	114
Water supplies	9,476	9,334
Sewerage services	10,474	9,598
Domestic waste management	5,016	4,577
Bequest – Simpkins park	101	100
Community services	316	297
Community tenancy scheme	175	154
Family day care	176	124
Ulan road strategy	–	3,158
Other contributions	153	767
Public Road Closure Compensation	860	860
External restrictions – other	45,623	50,621
Total external restrictions	52,209	51,655
Internal restrictions		
Plant and vehicle replacement	5,467	4,343
Employees leave entitlement	2,895	2,795
Asset replacement	2,718	2,369
Capital program	667	693
Council elections	220	203
Future fund	520	500
Land development	1,044	4,162
Mudgee bicentenary	–	20
Saleyards	40	45
State roads warranty	400	305
Seal Extension Program	2,972	1,193
Financial Assistance Grant Received in Advance	3,483	–
Total internal restrictions	20,426	16,628
TOTAL RESTRICTIONS	72,635	68,283

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,594	–	1,019	–
Interest and extra charges	206	–	218	–
User charges and fees	4,101	–	4,209	–
Accrued revenues				
– Interest on investments	455	–	710	–
Government grants and subsidies	1,077	–	1,886	–
Loans to non-profit organisations	–	–	14	123
Net GST receivable	824	–	610	–
Other debtors	291	–	9	–
Total	8,548	–	8,675	123
Less: provision of impairment				
Rates and annual charges	(20)	–	(21)	–
Interest and extra charges	–	–	(1)	–
User charges and fees	(60)	–	(47)	–
Total provision for impairment – receivables	(80)	–	(69)	–
TOTAL NET RECEIVABLES	8,468	–	8,606	123

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	69	101
+ new provisions recognised during the year	26	7
– amounts already provided for and written off this year	(15)	(39)
Balance at the end of the year	80	69

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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 proceedings for the recovery of the debt have been unsuccessful.

None of the receivables that have been written off are subject to enforcement 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.

Rates and annual charges outstanding are secured against the property.

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	664	–	745	–
Gravel stockpile	708	–	569	–
Total inventories at cost	1,372	–	1,314	–
TOTAL INVENTORIES	1,372	–	1,314	–
(b) Other assets				
Prepayments	26	–	146	–
TOTAL OTHER ASSETS	26	–	146	–

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	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	6,915	–	6,915	2,937	–	–	–	(4,765)	(1)	–	–	5,086	–	5,086
Plant and equipment	33,558	(13,701)	19,857	2,795	1,370	(1,150)	(3,027)	–	–	–	–	32,691	(12,846)	19,845
Office equipment	3,599	(3,241)	358	–	200	(19)	(115)	–	1	–	–	3,563	(3,138)	425
Furniture and fittings	913	(682)	231	17	24	(17)	(41)	–	–	–	–	878	(664)	214
Land:														
– Operational land	41,772	–	41,772	–	1,726	(1)	–	34	(100)	–	–	43,431	–	43,431
– Community land	7,142	–	7,142	–	39	–	–	–	100	–	–	7,281	–	7,281
– Crown land	11,162	–	11,162	–	175	–	–	–	–	–	–	11,337	–	11,337
– Land under roads (post 30/6/08)	2,634	–	2,634	–	–	–	–	38	(17)	–	–	2,655	–	2,655
Land improvements – non-depreciable	1,619	–	1,619	–	175	–	–	5	1	–	–	1,800	–	1,800
Land improvements – depreciable	617	(272)	345	7	23	–	(20)	11	1	–	–	628	(261)	367
Infrastructure:														
– Buildings – non-specialised	45,614	(15,682)	29,932	295	605	–	(729)	–	(47)	–	–	46,467	(16,411)	30,056
– Buildings – specialised	44,427	(9,876)	34,551	111	2,294	–	(610)	19	45	–	–	46,897	(10,487)	36,410
– Other structures	11,406	(3,043)	8,363	333	1,732	(124)	(336)	427	417	–	–	14,136	(3,324)	10,812
– Roads	378,963	(146,574)	232,389	9,871	1,438	(4,966)	(5,912)	1,133	(1,664)	–	16,885	380,460	(131,286)	249,174
– Bridges	105,878	(47,877)	58,001	–	715	(374)	(1,117)	18	1,981	–	3,594	115,499	(52,681)	62,818
– Footpaths	9,445	(3,953)	5,492	–	859	(24)	(142)	–	–	–	1,183	12,663	(5,295)	7,368
– Bulk earthworks (non-depreciable)	285,024	–	285,024	3,174	518	(1,714)	–	1,064	726	–	19,403	308,195	–	308,195
– Stormwater drainage	39,488	(11,806)	27,682	153	359	(461)	(325)	59	(1,038)	(2,796)	–	32,810	(9,177)	23,633
– Water supply network	114,716	(43,062)	71,654	2,099	292	(84)	(1,870)	1,665	(443)	–	697	119,083	(45,073)	74,010
– Sewerage network	114,530	(28,452)	86,078	40	1,639	–	(1,548)	123	(49)	–	846	117,430	(30,301)	87,129
– Swimming pools	9,652	(5,396)	4,256	25	19	(6)	(225)	–	–	–	–	9,625	(5,556)	4,069
– Other open space/recreational assets	16,111	(4,121)	11,990	77	1,026	(127)	(508)	169	72	–	–	17,170	(4,471)	12,699
Other assets:														
– Library books	1,415	(749)	666	–	83	–	(69)	–	–	–	–	1,498	(818)	680
Reinstatement, rehabilitation and restoration assets (refer Note 16):														
– Tip assets	5,092	(1,644)	3,448	–	–	–	(743)	–	–	–	267	5,359	(2,387)	2,972
– Quarry assets	515	(222)	293	–	–	–	(13)	–	–	–	34	549	(235)	314
Total Infrastructure, property, plant and equipment	1,292,207	(340,353)	951,854	21,934	15,311	(9,067)	(17,350)	–	(15)	(2,796)	42,909	1,337,191	(334,411)	1,002,780

(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 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated
\$ '000													
Capital work in progress	12,728	–	12,728	4,752	–	–	–	(10,543)	(22)	–	6,915	–	6,915
Plant and equipment	31,715	(12,937)	18,778	3,844	931	(1,026)	(2,670)	–	–	–	33,558	(13,701)	19,857
Office equipment	3,582	(3,127)	455	13	4	–	(114)	–	–	–	3,599	(3,241)	358
Furniture and fittings	908	(643)	265	–	5	–	(40)	–	1	–	913	(682)	231
Land:													
– Operational land	40,766	–	40,766	–	1,006	–	–	–	–	–	41,772	–	41,772
– Community land	17,798	–	17,798	–	9	–	–	–	(10,665)	–	7,142	–	7,142
– Crown land	–	–	–	–	148	(91)	–	–	11,105	–	11,162	–	11,162
– Land under roads (post 30/6/08)	1,605	–	1,605	–	–	–	–	–	–	1,029	2,634	–	2,634
Land improvements – non-depreciable	1,602	–	1,602	13	–	–	–	4	–	–	1,619	–	1,619
Land improvements – depreciable	602	(257)	345	15	–	–	(14)	–	(1)	–	617	(272)	345
Infrastructure:													
– Buildings – non-specialised	45,001	(15,243)	29,758	121	711	(189)	(511)	43	(1)	–	45,614	(15,682)	29,932
– Buildings – specialised	44,306	(9,749)	34,557	342	23	(58)	(316)	–	3	–	44,427	(9,876)	34,551
– Other structures	11,427	(2,735)	8,692	119	59	–	(308)	5	(204)	–	11,406	(3,043)	8,363
– Roads	367,085	(146,306)	220,779	11,758	1,206	(2,669)	(5,602)	6,918	(1)	–	378,963	(146,574)	232,389
– Bridges	103,971	(47,158)	56,813	888	955	(157)	(1,100)	650	(48)	–	105,878	(47,877)	58,001
– Footpaths	9,151	(3,816)	5,335	125	169	–	(138)	–	1	–	9,445	(3,953)	5,492
– Bulk earthworks (non-depreciable)	282,824	–	282,824	837	–	(1,347)	–	2,710	–	–	285,024	–	285,024
– Stormwater drainage	39,448	(11,483)	27,965	8	–	–	(323)	33	(1)	–	39,488	(11,806)	27,682
– Water supply network	111,478	(40,715)	70,763	478	976	(29)	(1,803)	131	35	1,103	114,716	(43,062)	71,654
– Sewerage network	112,311	(26,838)	85,473	753	–	(371)	(1,556)	–	446	1,333	114,530	(28,452)	86,078
– Swimming pools	9,564	(5,174)	4,390	76	11	–	(222)	–	1	–	9,652	(5,396)	4,256
– Other open space/recreational assets	13,579	(3,830)	9,749	583	2,118	(97)	(413)	49	1	–	16,111	(4,121)	11,990
Other assets:													
– Library books	1,323	(670)	653	92	–	–	(79)	–	–	–	1,415	(749)	666
Reinstatement, rehabilitation and restoration assets (refer Note 16):													
– Tip assets	2,641	(494)	2,147	–	–	–	(1,150)	–	(1)	2,452	5,092	(1,644)	3,448
– Quarry assets	422	(179)	243	–	–	–	(43)	–	–	93	515	(222)	293
Total Infrastructure, property, plant and equipment	1,265,837	(331,354)	934,483	24,817	8,331	(6,034)	(16,402)	–	649	6,010	1,292,207	(340,353)	951,854

(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 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the relevant below threshold, provided that the estimated useful life is longer than one year. An exception to this is where an item below the relevant threshold forms part of a larger asset.

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

Depreciation

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

Plant and equipment	Years	Building	Years
Office equipment	5 to 20	Buildings	5 to 195
Office furniture	5 to 20		
Computer equipment	5 to 10	Stormwater assets	
Vehicles	3 to 10	Drains	120
Heavy plant/road making equipment	8 to 12	Culverts	120
Other plant and equipment	5 to 15		

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Water network assets		Wastewater network assets	
Dams and reservoirs	20 to 200	Pump stations	10 to 70
Bores	10 to 50	Reticulation mains	40 to 300
Reticulation pipes and mains delivery	80	Rising mains	40 to 300
Treatment plants	5 to 100	Treatment plants	5 to 100
Pumps and telemetry	20 to 80		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 25	Bulk earthworks	infinite
Sealed roads: structure	60 to 250	Swimming pools	8 to 100
Unsealed roads	9 to 25	Other open space/recreational assets	7 to 100
Bridge: concrete	80 to 130	Other	4 to 150
Bridge: other	80 to 130		
Kerb, gutter and footpaths	30 to 75		

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

Land under roads

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

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

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

During 2018/19, Council revalued land under roads based on Valuer General's valuation of land in our council area as of 1 July 2018 and discounted 90 percent as undeveloped/Englobo land.

Crown reserves

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

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

Rural Fire Service assets

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

Council has assessed during 2019/20 that it does not have control over Rural Fire Service plant and vehicles, and as such, they are no longer recognised in the financial statements. Council does have a level of control over Rural Fire Service land and buildings and continues to recognise these in the financial statements.

Note 10(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(iii) Impairment losses recognised direct to equity (ARR):			
– Flood damage to Roads		745	–
Total impairment losses		745	–
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		745	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property - Building	3,528	3,797
Investment Property - Land	3,912	2,475
Total owned investment property	<u>7,440</u>	<u>6,272</u>

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	6,272	6,272
– Net gain/(loss) from fair value adjustments	1,168	–
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	<u>7,440</u>	<u>6,272</u>

(b) Valuation basis

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by NSW Council. Changes in fair values are recorded in the Income Statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Valuation Basis

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

The 2020 revaluations were based on independent assessments by Aspect Property Consultants Pty Ltd, Certified Practising Valuers.

Prior period error

A \$3.98 million prior year revaluation movement for investment properties was incorrectly allocated to the Asset Revaluation Reserve instead of the Income Statement in the 2018/19 financial year. For details see Note 17.

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	1,524	1,519
Accumulated amortisation	(1,285)	(1,173)
Net book value – opening balance	<u>239</u>	<u>346</u>
Movements for the year		
– Other movements	(9)	–
– Purchases	136	5

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets (continued)

\$ '000	2020	2019
– Amortisation charges	(95)	(112)
Closing values at 30 June		
Gross book value	1,649	1,524
Accumulated amortisation	(1,378)	(1,285)
Total software – net book value	271	239
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	271	239

Accounting policy for intangible assets

IT development and software

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

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

Note 13. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Grants and Contributions	6,542	–
Total Contract assets	6,542	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	5,353	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	530	–
Total grants received in advance		5,883	–
User fees and charges received in advance:			
Other		230	–
Total user fees and charges received in advance		230	–
Total contract liabilities		6,113	–

Notes

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

(i) Council has received funding to construct assets including roads, footpaths, sporting and recreational facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Significant changes in contract assets and liabilities

The contract assets have arisen on adoption of AASB 15 and AASB 1058 where Council has achieved a performance obligation as set out in the agreement, however Council must perform other obligations before being entitled to payment of a claim. These other obligations include but are not limited to documents such as acquittal reports, progress claims and evidence of project progress. In contrast a receivable represents a right to payment that is unconditional, except for the passage of time.

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Note 14. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Council has leases over a range of assets including Buildings and IT equipments. Information relating to the leases in place and associated balances and transactions is provided below.

(i) Council as a lessee

Buildings

Council leases buildings for their corporate offices and other buildings; the leases are generally between 1 and 3 years and some of them include a renewal option to allow Council to renew for the noncancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets. The leases are for between 1 and 3 years with no renewal option, the payments are fixed.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

\$ '000	Land & Buildings	Total
(a) Right of use assets		
Opening balance at 30 June 2019	185	185
Depreciation charge	(35)	(35)
<u>RIGHT OF USE ASSETS</u>	<u>150</u>	<u>150</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	38	111
<u>TOTAL LEASE LIABILITIES</u>	<u>38</u>	<u>111</u>

(i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	38	111	–	149	149

\$ '000	2020
(c) Income Statement	

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Interest on lease liabilities	14
Depreciation of right of use assets	35
Expenses relating to low-value leases	299
	<u>348</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020
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(d) Statement of Cash Flows

Total cash outflow for leases	348
	348

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- visitor centre
- preschools
- community centres
- recreational reserves & facilities

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 11) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	386
Other lease income	
Room/Facility Hire	893
Leaseback fees - council vehicles	130
Total income relating to operating leases	1,409

(ii) Operating lease expenses

Investment properties

Direct operating expenses that generated rental income	2
Direct operating expenses that did not generate rental income	2
Other leased assets	
Other	372
Total expenses relating to operating leases	376

(iii) Maturity analysis of lease receivable

Maturity analysis of lease receivable showing the undiscounted lease payments to be received after reporting date for finance leases:

< 1 year	551
1–2 years	470
2–3 years	117
3–4 years	43
4–5 years	43
> 5 years	43
Total lease payments receivable	1,267

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	2,701	–	2,386	–
Goods and services – capital expenditure	3,402	–	2,273	–
Accrued expenses:				
– Borrowings	124	–	144	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Prepaid rates	2,363	–	1,042	–
Security bonds, deposits and retentions	703	–	1,034	–
Other	–	–	37	–
Total payables	9,293	–	6,916	–
Income received in advance				
Payments received in advance	68	–	8	–
Total income received in advance	68	–	8	–
Borrowings				
Loans – secured ¹	1,482	10,441	2,009	10,971
Total borrowings	1,482	10,441	2,009	10,971
TOTAL PAYABLES AND BORROWINGS	10,843	10,441	8,933	10,971

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 22.

(a) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	12,980	(1,057)	–	–	–	–	11,923
Lease liabilities	–	149	–	–	–	–	149
TOTAL	12,980	(908)	–	–	–	–	12,072

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	14,669	(1,689)	–	–	–	12,980
TOTAL	14,669	(1,689)	–	–	–	12,980

\$ '000	2020	2019
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(b) Financing arrangements

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

Bank overdraft facilities ¹	700	700
Credit cards/purchase cards	200	200
Operating lease facility	615	660
Total financing arrangements	1,515	1,560

Drawn facilities as at balance date:

– Credit cards/purchase cards	43	43
– Operating lease facility	271	606

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020	2019
Total drawn financing arrangements	314	649
Undrawn facilities as at balance date:		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	157	157
– Operating lease facility	344	54
Total undrawn financing arrangements	1,201	911

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,922	–	1,640	–
Sick leave	1,378	–	1,304	–
Long service leave	4,427	560	4,168	483
Other leave (LIL)	70	–	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Sub-total – aggregate employee benefits	7,797	560	7,112	483
Asset remediation/restoration:				
Asset remediation/restoration (future works)	53	4,947	189	4,504
Sub-total – asset remediation/restoration	53	4,947	189	4,504
<u>TOTAL PROVISIONS</u>	<u>7,850</u>	<u>5,507</u>	<u>7,301</u>	<u>4,987</u>

\$ '000	2020	2019
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Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	5,721	5,310
	<u>5,721</u>	<u>5,310</u>

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

The asset remediation provision represents the present value estimate of future costs NSW Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

On-costs

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

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

A comprehensive internal revaluation of Stormwater assets was completed in the 2019/20 financial year. The revaluation identified a number of previously unrecorded Stormwater assets with a net carrying amount of \$9.478 million as at 30 June 2020 (\$10.68 million cost less \$1.202 million accumulated depreciation). The net carrying value of these assets was \$9.656 million at 1 July 2018. Associated depreciation expenses of \$89k in 2018/19 has also been amended.

In addition to this, a \$3.98 million prior year revaluation movement for investment properties was incorrectly allocated to the Asset Revaluation Reserve instead of the Income Statement in the 2018/19 financial year. Prior to 2018/19, investment property was reported under Infrastructure, property, plant and equipment. These properties were always investment property by nature and should have been classified as such in the Statement of Financial Position. These properties have been transferred from Infrastructure, Property, Plant and Equipment to Investment Property at 1 July 2018. The cumulative effect as at 30 June 2018 revaluation reflects a \$3.98 million increase in their fair value since the acquisition of these three properties. Council concluded that the fair value movement in the 2018/19 financial year was immaterial. As such, no adjustment has been allocated to 2019 and a re-allocation between ARR and accumulated surplus is shown below.

Comparatives have only been updated for the prior period error relating to Stormwater assets.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to asset revaluation reserve or accumulated surplus (respectively) at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	931,099	3,384	934,483
Investment property	–	6,272	6,272
Total assets	1,011,563	9,656	1,021,219
Net Assets	981,277	9,656	990,933
Accumulated Surplus	405,443	13,636	419,079
Revaluation Reserves	575,834	(3,980)	571,854
Total equity	981,277	9,656	990,933

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	942,287	9,567	951,854
Total assets	1,036,835	9,567	1,046,402
Net assets	1,004,643	9,567	1,014,210
Accumulated surplus	429,261	13,547	442,808
Revaluation reserves	575,382	(3,980)	571,402
Total equity	1,004,643	9,567	1,014,210

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Depreciation and Amortisation	16,425	89	16,514
Total expenses from continuing operations	65,110	89	65,199
Net operating result for the year	19,068	(89)	18,979

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year	19,068	(89)	18,979
Total comprehensive income for the year	23,366	(89)	23,277

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Council is required to outline the nature of any changes in accounting policies resulting from the adoption of AASB 15 and AASB 1058.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, and contract liabilities have been created.

Opening contract balances at 1 July 2019

	Balance at 1 July 2019 \$'000
Contract assets	
- Under AASB 15	-
- Under AASB 1058	1,829
Total contract assets	1,829
Contract liabilities	
- Under AASB 15	42
- Under AASB 1058	5,817
Total contract liabilities	5,859

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	6,029	–	–	6,029
Investments	70,150	–	–	70,150
Receivables	8,468	6,542	–	15,010
Inventories	1,372	–	–	1,372
Contract assets	6,542	(6,542)	–	–
Other	26	–	–	26
Total current assets	92,587	–	–	92,587
Current liabilities				
Payables	9,293	–	–	9,293
Income received in advance	68	–	–	68
Contract liabilities	6,113	–	(6,113)	–
Lease liabilities	38	–	–	38
Borrowings	1,482	–	–	1,482
Provisions	7,850	–	–	7,850
Total current liabilities	24,844	–	(6,113)	18,731
Non-current assets				
Investments	10,800	–	–	10,800
Infrastructure, property, plant and equipment	1,002,780	–	–	1,002,780
Investment property	7,440	–	–	7,440
Intangible assets	271	–	–	271
Right of use assets	150	–	–	150
Total non-current assets	1,021,441	–	–	1,021,441
Non-current liabilities				
Lease liabilities	111	–	–	111
Borrowings	10,441	–	–	10,441
Provisions	5,507	–	–	5,507
Total Non-current liabilities	16,059	–	–	16,059
Net assets	1,073,125	–	6,113	1,079,238
Equity				
Accumulated surplus	467,189	–	(6,113)	461,076
Revaluation reserves	605,936	–	–	605,936
Council equity interest	1,073,125	–	(6,113)	1,067,012
Total equity	1,073,125	–	(6,113)	1,067,012

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	39,281	–	–	39,281	
User charges and fees	16,442	–	221	16,663	
Other revenues	1,942	–	9	1,951	
Grants and contributions provided for operating purposes	20,643	–	530	21,173	
Grants and contributions provided for capital purposes	19,633	–	5,353	24,986	
Interest and investment income	1,650	–	–	1,650	
Fair value increment on investment properties	1,168	–	–	1,168	
Rental income	1,409	–	–	1,409	
Total Income from continuing operations	102,168	–	6,113	108,281	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	25,321	–	–	25,321	
Borrowing costs	832	–	–	832	
Materials and contracts	16,631	–	–	16,631	
Depreciation and amortisation	17,480	–	–	17,480	
Other expenses	8,418	–	–	8,418	
Net losses from the disposal of assets	8,525	–	–	8,525	
Total Expenses from continuing operations	77,207	–	–	77,207	
Total Operating result from continuing operations	24,961	–	6,113	31,074	
Net operating result for the year	24,961	–	6,113	31,074	
Total comprehensive income	64,774	–	–	64,774	

(iii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,029	5,121
Balance as per the Statement of Cash Flows		6,029	5,121
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		24,961	18,979
Adjust for non-cash items:			
Depreciation and amortisation		17,480	16,514
Net losses/(gains) on disposal of assets		8,525	3,980
Non-cash capital grants and contributions		–	(1,049)
Adoption of AASB 15/1058		(5,859)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(45)	(543)
– Investment property		(1,168)	–
Unwinding of discount rates on reinstatement provisions		–	25
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		250	(2,081)
Increase/(decrease) in provision for impairment of receivables		11	(32)
Decrease/(increase) in inventories		(58)	(117)
Decrease/(increase) in other current assets		120	(146)
Decrease/(increase) in contract assets		(6,542)	–
Increase/(decrease) in payables		315	(479)
Increase/(decrease) in accrued interest payable		(20)	(18)
Increase/(decrease) in other liabilities		1,013	159
Increase/(decrease) in contract liabilities		6,113	–
Increase/(decrease) in provision for employee benefits		762	728
Increase/(decrease) in other provisions		307	(240)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		46,165	35,680

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information (continued)

\$ '000	2020	2019
(c) Non-cash investing and financing activities		
Other dedications	–	1,049
Total non-cash investing and financing activities	–	1,049

Note 19. Interests in other entities

(a) Joint arrangements**(i) Joint ventures**

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

Measurement basis	Name of joint venture	
	Orana water Utilities Alliance	
	equity method 2020 \$'000	equity method 2019 \$'000
Summarised Statement of Financial Position		
Cash and cash equivalents	32	29
Net assets	32	29
Summarised Statement of Income and Other Comprehensive Income		
Revenue	123	152
Profit (/loss) from continuing operations	3	29
Summarised Statement of Cash Flows		
Cash flows from operating activities	3	29
Net increase (/decrease) in cash and cash equivalents	3	29
Council's share of % of net assets	9%	9%
Council's share of \$ of net assets	3	3

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

(ii) Joint operations

\$ '000	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2020	2019	2020	2019
(a) Council is involved in the following joint operations (JO's)						
Name of joint operation:						
Orana Joint Organisation	Regional local government services	124 Dandaloo Street, Narromine, NSW 2821	17%	17%	17%	17%

Accounting policy for joint arrangements

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

Joint operations:

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

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

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

Joint ventures:

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

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

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

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

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

(b) Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2020	2019
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Mudgee Region Tourism Inc

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

\$ '000	2020	2019
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Nature of risks relating to the Unconsolidated Structured Entity

Council and MRT held a four year contract, from 1 July 2017 to 30 June 2021, which was recently extended to 30 June 2022, whereby Council will contribute a set monthly amount. Members of MRT also provide financial support through membership payments. Losses of the entity would be borne by the entity or its members, with no set agreement in place for Council to fund losses.

Expenses incurred by Council relating to the Structured Entity		
- Tourism services contract	509	454
Income received by Council relating to the Structured Entity		
- IT support Income	3	2

Non-contractual financial support provided

MRT were provided \$100,000 in contributions, additional to the contractual arrangement. This funding was provided to contribute to additional promotional activities.

Current intention to provide financial support

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

\$ '000	2020	2019
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Fly Pelican

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

Nature of risks relating to the Unconsolidated Structured Entity

Council has a contract in place to provide support to Fly Pelican in order to establish an airline service from Mudgee to Sydney. This contract includes waiver of landing fees for the year.

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

Expenses incurred by Council relating to the Structured Entity	71	58
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Non-contractual financial support provided

Council endorsed additional support for Fly Pelican this year, due to the impact of COVID-19 on the airline. Council has provided financial assistance in order to secure a minimum level of flight continuation per week. The value of this additional support was \$34,635.

Current intention to provide financial support

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	71	60
Plant and equipment	86	1,064
Drainage	24	81
Other assets	260	768
Recreational facilities	677	57
Roads and transport	1,222	459
Sewerage network	9	–
Water supply network	262	1,544
Land development	44	116
Waste assets	96	80
Total commitments	2,751	4,229
These expenditures are payable as follows:		
Within the next year	2,751	4,229
Total payable	2,751	4,229

Details of capital commitments

Capital commitments include:

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

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	279
Later than one year and not later than 5 years	–	423
Total non-cancellable operating lease commitments	–	702

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

Refer to Note 14 for information relating to leases for 2020.

Office Equipment is leased over 2 - 3 years.

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

Conditions relating to finance and operating leases:

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities..

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 280,339. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$285,454.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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

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

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

* Plus promotional increases

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

(ii) StateCover Limited

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

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

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

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

(iii) Other guarantees

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

ASSETS NOT RECOGNISED

Bank Guarantees

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

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

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

Note 22. Financial risk management

Risk management

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

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,029	5,121	6,029	5,121
Receivables	8,468	8,729	14,932	8,729
Investments				
– 'Financial assets at amortised cost'	72,800	64,600	72,800	64,600
Fair value through profit and loss				
Investments				
– 'Held for trading'	8,150	8,127	8,150	8,127
Total financial assets	95,447	86,577	101,911	86,577
Financial liabilities				
Payables	9,293	6,916	6,976	5,874
Loans/advances	11,923	12,980	11,923	12,980
Lease liabilities	149	–	149	–
Total financial liabilities	21,365	19,896	19,048	18,854

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

- Financial assets classified (i) 'at fair value through profit and loss' or (ii) 'available-for-sale' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and 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.
- Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	815	815	(815)	(815)
Possible impact of a 1% movement in interest rates	728	728	(728)	(728)
2019				
Possible impact of a 10% movement in market values	813	813	(813)	(813)
Possible impact of a 1% movement in interest rates	646	646	(646)	(646)

(b) Credit risk

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	1,318	165	70	41	1,594
2019						
Gross carrying amount	813	48	79	79	–	1,019

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 2020 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
2020						
Gross carrying amount	4,365	1,151	1,047	13	378	6,954
Expected loss rate (%)	0.37%	1.50%	1.50%	1.50%	1.50%	0.79%
ECL provision	16	17	16	–	6	55
2019						
Gross carrying amount	5,851	1,559	32	7	330	7,779
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

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:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	703	6,228	–	–	6,931	6,930
Loans and advances	6.47%	–	2,069	5,639	6,308	14,016	11,923
Total financial liabilities		703	8,297	5,639	6,308	20,947	18,853
2019							
Trade/other payables	0.00%	1,034	4,840	–	–	5,874	5,874
Loans and advances	6.47%	–	2,826	6,790	8,830	18,446	12,980
Total financial liabilities		1,034	7,666	6,790	8,830	24,320	18,854

Loan agreement breaches

There were no Loan breaches during the reporting financial year

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 06/05/2019 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	2020	2020	2020	
	Budget	Actual	----- Variance -----	
REVENUES				
User charges and fees	11,717	16,442	4,725	40% F
<ul style="list-style-type: none"> \$1.3 million of unexpected RMS funded work on the state highway for extensive bushfire recovery and accidents \$2.3 million in additional RMS funded works on the state highway Water usage charges exceed budget by almost \$400,000 mostly due to bulk water usage due to drought conditions Waste facility tipping fees exceeded budget by \$352,000 				
Other revenues	1,413	1,942	529	37% F
<ul style="list-style-type: none"> Due to a change in accounting policy the value of volunteer services has been recognised at \$264,000. This was not included in the original budget. 				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
				<ul style="list-style-type: none"> Insurance claims received to the value of \$116,000 were not forecast in the original budget.
Operating grants and contributions	13,760	20,643	6,883	50% F
				<ul style="list-style-type: none"> Bushfire fighting and bushfire recovery grants and contribution revenue \$2.2 million Roads to Recovery drought relief supplementary grant received of \$762,000 and Council's allocation from the program exceeded initial estimates by \$523,000 Grant received for Tree Lopping local roads \$300,000 Unsealed Roads Natural Disaster Flood recovery claim \$450,000
Capital grants and contributions	31,345	19,633	(11,712)	(37)% U
				<ul style="list-style-type: none"> Glen Willow Stage 2 Project capital grant was under the original budget by \$11.5 million. This is due to the project works being carried out over multiple financial years
Fair value increment on investment property	–	1,168	1,168	∞ F
				<ul style="list-style-type: none"> This amount is due to a change in accounting policy and represents the fair value change in Investment Property owned by Council
Rental income	1,789	1,409	(380)	(21)% U
				<ul style="list-style-type: none"> Unfavourable variance of \$381,000 mainly due to a delay in purchase of the new caravan park. The park was only operated for 7 months rather than the original budget of 10 months.
EXPENSES				
Materials and contracts	12,767	16,631	(3,864)	(30)% U
				<ul style="list-style-type: none"> Bushfire fighting and bushfire recovery materials and contract payments exceed \$3.2 million Additional State Highway works undertaken including bushfire related works \$2.3 million Natural Disaster flood recovery materials and contracts \$377,000 The above additional expenditure is offset by savings in other projects including plant and equipment operations \$300,000 and reclassification of budgeted costs for caravan park operations from contracts to employee benefits and other expenses \$461,000.
Depreciation and amortisation	15,243	17,480	(2,237)	(15)% U
				<ul style="list-style-type: none"> Depreciation was higher on the following asset classes: <ul style="list-style-type: none"> Tip site restoration asset \$756,000 Buildings \$497,000 Plant and Equipment \$385,000 Roads \$282,000
Other expenses	7,035	8,418	(1,383)	(20)% U
				<p>Expenditure exceeded budget in the following areas:</p> <ul style="list-style-type: none"> Donations and contributions exceeded budget due to Covid19 business booster program \$213,000, Bushfire recovery wwaives of rates, fees and charges \$131,000, waiver of loan to Gulgong Holtermann Museum \$123,000 Software \$287,000 RFS Emergency Services Levy additional \$127,000, however this was reimbursed shown in Operating Grants.
Net losses from disposal of assets	2,439	8,525	(6,086)	(250)% U
				<ul style="list-style-type: none"> The variance is due to the write off of infrastructure replaced. The major variances are: <ul style="list-style-type: none"> Transport network assets of Roads, Bulk Earthworks and Drainage \$4.2 million. The increased write off of assets is largely due to realignment of a road for mining purposes \$1.5 million, resheeting on unsealed roads \$743,000. Plant & Equipment disposal value exceeded budget by \$786,000, mainly due to the write off of \$553,000 of Rural Fire Service plant assets following a change in accounting policy. This policy change resulted in the derecognition of RFS plant and equipment assets from Council's asset register as these assets are not under Council's control.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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STATEMENT OF CASH FLOWS

Cash flows from operating activities	56,118	46,165	(9,953)	(18)%	U
<ul style="list-style-type: none"> Capital grants are under the original budget by \$11.7 million. This is due to capital project works being carried out over multiple financial years 					
Cash flows from investing activities	(56,258)	(44,164)	12,094	(21)%	F
<ul style="list-style-type: none"> Cash payments for infrastructure, property plant and equipment were less than budget by \$26 million due to projects being deferred or works being carried out over multiple years such as Glen Willow Sportsground Stage 2 (\$11.2M), Sewer Augmentation Rylstone & Kandos (\$4M). 					
Cash flows from financing activities	(372)	(1,093)	(721)	194%	U
In the original budget Council was due to refinance the Mudgee Showground loan facility. In March 2020 it was instead determined that due to surplus cash Council would repay the remaining balance of \$681,000.					

Note 24. Fair Value Measurement

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

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

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

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

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

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

The table below shows the assigned level for each asset and liability held at fair value by Council:

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments – 'Held for trading'	30/6/20	–	8,150	–	8,150
Total financial assets		–	8,150	–	8,150
Investment property					
Buildings	30/06/20	–	3,528	–	3,528
Land	30/06/20	–	3,912	–	3,912
Total investment property		–	7,440	–	7,440
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	19,845	19,845
Office equipment	30/06/16	–	–	425	425

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Furniture and fittings	30/06/16	–	–	214	214
Operational land	30/06/18	–	43,431	–	43,431
Community land (including crown land)	30/06/16	–	–	18,618	18,618
Land under roads	30/06/19	–	–	2,655	2,655
Land improvements – non-depreciable	30/06/16	–	–	1,800	1,800
Land improvements – depreciable	30/06/16	–	–	367	367
Buildings – market value/income approach	30/06/18	–	270	–	270
Buildings – replacement cost	30/06/18	–	–	66,196	66,196
Other structures	30/06/16	–	–	10,812	10,812
Roads	30/06/20	–	–	249,174	249,174
Bridges	30/06/20	–	–	62,818	62,818
Footpaths	30/06/20	–	–	7,368	7,368
Bulk earthworks	30/06/20	–	–	308,195	308,195
Stormwater drainage	30/06/20	–	–	23,633	23,633
Water supply network	30/06/17	–	–	74,010	74,010
Sewerage network	30/06/17	–	–	87,129	87,129
Swimming pools	30/06/16	–	–	4,069	4,069
Other open space/recreational assets	30/06/16	–	–	12,699	12,699
Library books	30/06/16	–	–	680	680
Tip assets	30/06/20	–	–	2,972	2,972
Quarry assets	30/06/20	–	–	314	314
Total infrastructure, property, plant and equipment		–	43,701	953,993	997,694

2019	Date of latest valuation	Fair value measurement hierarchy			Total Restated
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	

Recurring fair value measurements

Financial assets

Investments – ‘Held for trading’	30/06/19	–	8,127	–	8,127
Total financial assets		–	8,127	–	8,127

Investment property

Buildings	30/06/18	–	3,797	–	3,797
Land	30/06/18	–	2,475	–	2,475
Total investment property		–	6,272	–	6,272

Infrastructure, property, plant and equipment

Plant and equipment	30/06/18	–	–	19,857	19,857
Office equipment	30/06/16	–	–	358	358
Furniture and fittings	30/06/16	–	–	231	231
Operational land	30/06/18	–	41,772	–	41,772
Community land (including crown land)	30/06/16	–	–	18,304	18,304
Land under roads	30/06/19	–	–	2,634	2,634
Land improvements – non-depreciable	30/06/16	–	–	1,619	1,619
Land improvements – depreciable	30/06/16	–	–	345	345
Buildings – market value/income approach	30/06/18	–	288	–	288
Buildings – replacement cost	30/06/18	–	–	63,746	63,746
Other structures	30/06/16	–	–	8,353	8,353
Roads	30/06/15	–	–	232,381	232,381

Notes to the Financial Statements for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	Total Restated
Bridges	30/06/15	–	–	58,001	58,001
Footpaths	30/06/15	–	–	5,492	5,492
Bulk earthworks	30/06/15	–	–	285,024	285,024
Stormwater drainage	30/06/15	–	–	27,682	27,682
Water supply network	30/06/17	–	–	71,654	71,654
Sewerage network	30/06/17	–	–	86,078	86,078
Swimming pools	30/06/16	–	–	4,256	4,256
Other open space/recreational assets	30/06/16	–	–	11,990	11,990
Library books	30/06/16	–	–	666	666
Tip assets	30/06/19	–	–	3,448	3,448
Quarry assets	30/06/19	–	–	293	293
Total infrastructure, property, plant and equipment		–	42,060	902,412	944,472

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

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

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

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

Financial assets

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

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

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

Investment property

Operational land – Level 2

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

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

Buildings market value/income approach – Level 2

Valuation Techniques – Market Value. This method involves the analysis of sales evidence and comparison with the subject taking into account matters such as method of construction, size, condition, age, land area and location. Aspect Property Consultants Pty Ltd, Certified Practising Valuers revalued investment properties.

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

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

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

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

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

Unobservable inputs - Estimates of useful life and residual value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Community land and land under roads – Level 3

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

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

Operational land – Level 2

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

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

Land improvements - Level 3

Valuation Techniques – Depreciated historic cost.

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

Unobservable inputs - Estimates of useful life and residual value.

Buildings market value/income approach – Level 2

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

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

Buildings replacement costs – Level 3

Valuation Techniques – Cost approach.

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

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

To determine the Fair Value we applied the following process –

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

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

Unobservable inputs - Estimates of useful life, and condition

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

Valuation Techniques – Cost Approach Method.

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

- The fair value is a reflection of gross value less accumulated depreciation. Published project and cost data applied to the asset's attributes is used to determine the gross value (replacement cost)
- Age and asset condition is applied to determine the level of depreciation.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

- Major assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives).

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

Unobservable inputs - Estimates of useful life, and condition.

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

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Roads and deemed level 3 and were last valued at 30 June 2020. This involves the following process:

- The fair value is a reflection of gross value (replacement cost) less accumulated depreciation.
- Actual construction cost data was used to establish unit rates and applied to the asset's attributes to determine the gross value
- A sample of roads were inspected to arrive at a condition score. This is applied along with the road age to determine the remaining useful life.
- Roads were categorised into appropriate groupings such as:
 - *Sealed/Unsealed
 - * Urban/Local/Regional
 - * Urban major/Urban minor/Collector
- The network was broken into segments linked to defining geographical features
- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. seal, pavement, subbase, earthworks.

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

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

Water supply network and sewerage network – Level 3

Valuation Techniques – Cost Approach Method.

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

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

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

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

Library books – Level 3

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

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

Unobservable inputs - Estimates of useful life and residual value.

Tip and quarry assets – reinstatement, rehabilitation and restoration

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

\$ '000	Work in progress	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Land under Roads	Land improvements non-depreciable	Land improvements depreciable	Buildings replacement cost
2019									
Opening balance	12,719	18,778	455	265	17,798	1,605	1,602	345	64,485
Transfers from/(to) another asset class	(10,543)	–	–	–	–	–	4	–	43
Purchases (GBV)	4,761	4,775	17	5	157	–	13	15	748
Disposals (WDV)	–	(1,026)	–	–	(91)	–	–	–	(247)
Depreciation and impairment	–	(2,670)	(114)	(40)	–	–	–	(14)	(827)
FV gains – other comprehensive income	–	–	–	–	–	1,029	–	–	–
Other movement (rounding)	(1)	–	–	1	–	–	–	(1)	(7)
Other movement (had not commissioned)	(21)	–	–	–	440	–	–	–	–
Closing balance	6,915	19,857	358	231	18,304	2,634	1,619	345	64,195
2020									
Opening balance	6,915	19,857	358	231	18,304	2,634	1,619	345	64,195
Transfers from/(to) another asset class	(4,765)	–	–	–	100	21	5	11	35
Purchases (GBV)	2,937	4,165	200	41	214	–	175	30	3,305
Disposals (WDV)	–	(1,150)	(19)	(17)	–	–	–	–	–
Depreciation and impairment	–	(3,027)	(115)	(41)	–	–	–	(20)	(1,339)
Other movement (rounding)	(1)	–	1	–	–	–	1	1	–
Closing balance	5,086	19,845	425	214	18,618	2,655	1,800	367	66,196

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Other structures	Roads	Bulk earthworks	Stormwater drainage Restated	Water supply network	Sewerage network	Bridges	Library books	Tip reinstatement asset
2019									
Opening balance	8,692	220,779	282,824	27,965	70,763	85,473	56,813	653	2,147
Transfers from/(to) another asset class	(199)	6,918	2,710	33	166	446	650	–	–
Purchases (GBV)	168	12,956	837	8	1,454	753	1,843	92	–
Disposals (WDV)	–	(2,669)	(1,347)	–	(29)	(371)	(157)	–	–
Depreciation and impairment	(308)	(5,602)	–	(324)	(1,803)	(1,556)	(1,100)	(79)	(1,150)
FV gains – other comprehensive income	–	–	–	–	1,103	1,333	–	–	2,452
Other movement (rounding)	–	(1)	–	–	–	–	(1)	–	(1)
Other movement (had not commissioned)	–	–	–	–	–	–	(47)	–	–
Closing balance	8,353	232,381	285,024	27,682	71,654	86,078	58,001	666	3,448
2020									
Opening balance	8,353	232,381	285,024	27,682	71,654	86,078	58,001	666	3,448
Transfers from/(to) another asset class	844	(467)	1,790	(979)	1,222	74	1,999	–	–
Purchases (GBV)	2,065	11,309	3,692	512	2,391	1,679	715	83	–
Disposals (WDV)	(124)	(4,966)	(1,714)	(461)	(84)	–	(374)	–	–
Depreciation and impairment	(336)	(5,912)	–	(325)	(1,870)	(1,548)	(1,117)	(69)	(743)
FV gains – other comprehensive income	–	16,821	19,403	(2,796)	697	846	3,594	–	267
Other movement (rounding)	10	8	–	–	–	–	–	–	–
Closing balance	10,812	249,174	308,195	23,633	74,010	87,129	62,818	680	2,972

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Quarry reinstatement asset	Footpaths	Swimming pools	Other open space/ recreational	Total
2019					
Opening balance	243	5,335	4,390	9,749	893,878
Transfers from/(to) another asset class	–	–	–	49	277
Purchases (GBV)	–	294	87	2,701	31,684
Disposals (WDV)	–	–	–	(97)	(6,034)
Depreciation and impairment	(43)	(138)	(222)	(413)	(16,403)
FV gains – other comprehensive income	93	–	–	–	6,010
Other movement (rounding)	–	1	1	1	(8)
Other movement (had not commissioned)	–	–	–	–	372
Closing balance	293	5,492	4,256	11,990	909,776
2020					
Opening balance	293	5,492	4,256	11,990	909,776
Transfers from/(to) another asset class	–	–	–	241	131
Purchases (GBV)	–	859	44	1,103	35,519
Disposals (WDV)	–	(24)	(6)	(127)	(9,066)
Depreciation and impairment	(13)	(142)	(225)	(508)	(17,350)
FV gains – other comprehensive income	34	1,183	–	–	40,049
Other movement (rounding)	–	–	–	–	20
Closing balance	314	7,368	4,069	12,699	959,079

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Depreciated historic cost	Estimated useful life and residual value
Office equipment	Depreciated historic cost	Estimated useful life and residual value
Furniture and fittings	Depreciated historic cost	Estimated useful life and residual value
Community land	Market Approach & VG Valuation	Factors relevant to a market participants and/or embodied with the assets
Land under roads	Market Approach & VG Valuation	Factors relevant to a market participants and/or embodied with the assets
Land improvements – non depreciable	Cost Approach	Estimated useful life, cost, and condition
Land improvements – depreciable	Depreciated historic cost	Estimated useful life, cost, and condition
Buildings – replacement cost	Cost Approach	Estimated useful life and condition
Other structures	Cost Approach	Estimated useful life, condition and residual value
Roads, bridges, footpaths	Cost Approach	Estimated useful life, condition and residual value
Bulk earthworks	Cost Approach	Estimated useful life, condition and residual value
Stormwater drainage	Cost Approach	Estimated useful life, condition and residual value
Water supply network	Cost Approach	Estimated useful life, condition and residual value
Sewerage network	Cost Approach	Estimated useful life, condition and residual value
Swimming pools	Cost Approach	Estimated useful life, cost, and condition
Other open space/recreational assets	Cost Approach	Estimated useful life and condition
Library books	Cost Approach	Estimated useful life and condition
Tip and quarry reinstatement assets	Cost estimate of future liability	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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 2020

Note 25. Related party disclosures

(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	2020	2019
Compensation:		
Short-term benefits	1,436	1,425
Other long-term benefits	24	23
Total	1,460	1,448

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed. Transactions will not be disclosed where a KMP has declared their interest and removed themselves from the decision making process.

Note 26. Events occurring after the reporting date

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

- Council is currently involved in several ongoing court proceedings surrounding the impounding of livestock, which has been escalated to the Supreme Court of NSW. The plaintiff is seeking damages and costs, estimated at less than \$10,000.
- At the time of completing Council's financial statements, the COVID-19 pandemic was still an ongoing event. Council has allocated about \$400,000 in funds to the 2020/21 budget to allow for any sudden or ongoing costs required to manage pandemic requirements (eg staff paid pandemic leave). Council is not aware of any costs outstanding for the COVID-19 pandemic that are not previously disclosed in the statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	129	26	–	2	–	–	157	–
Open space	1,488	408	–	15	(474)	–	1,437	–
Community facilities	633	61	–	7	(29)	–	672	–
Transport management	702	159	–	7	(130)	–	738	–
Car parking	258	–	–	3	–	–	261	–
Administration	372	68	–	4	(40)	–	404	–
Civic improvements	14	7	–	–	–	–	21	–
S7.11 contributions – under a plan	3,596	729	–	38	(673)	–	3,690	–
S7.12 levies – under a plan	765	43	–	6	(190)	–	624	–
Total S7.11 and S7.12 revenue under plans	4,361	772	–	44	(863)	–	4,314	–
S7.4 planning agreements	3,253	885	–	35	(373)	–	3,800	–
S64 contributions	8,141	1,366	–	87	(478)	–	9,116	–
Total contributions	15,755	3,023	–	166	(1,714)	–	17,230	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021								
Drainage	129	26	–	2	–	–	157	–
Open space	1,488	408	–	15	(474)	–	1,437	–
Community facilities	633	61	–	7	(29)	–	672	–
Transport management	702	159	–	7	(130)	–	738	–
Car parking	258	–	–	3	–	–	261	–
Administration	372	68	–	4	(40)	–	404	–
Civic improvements	14	7	–	–	–	–	21	–
Total	3,596	729	–	38	(673)	–	3,690	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

94A	765	43	–	6	(190)	–	624	–
Total	765	43	–	6	(190)	–	624	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	31,299	1,578	6,404
User charges and fees	9,277	6,563	602
Interest and investment revenue	1,099	285	266
Other revenues	1,902	1	39
Grants and contributions provided for operating purposes	20,643	–	–
Grants and contributions provided for capital purposes	16,790	1,783	1,060
Fair value increment on investment property	1,168	–	–
Rental income	1,409	–	–
Total income from continuing operations	83,587	10,210	8,371
Expenses from continuing operations			
Employee benefits and on-costs	22,102	1,775	1,444
Borrowing costs	205	105	522
Materials and contracts	14,652	1,215	764
Depreciation and amortisation	14,058	1,871	1,551
Other expenses	4,055	2,457	1,906
Net losses from the disposal of assets	8,437	87	1
Total expenses from continuing operations	63,509	7,510	6,188
Operating result from continuing operations	20,078	2,700	2,183
Net operating result for the year	20,078	2,700	2,183
Net operating result attributable to each council fund	20,078	2,700	2,183
Net operating result for the year before grants and contributions provided for capital purposes	3,288	917	1,123

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

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

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,180	1,041	808
Investments	46,330	12,524	11,296
Receivables	5,520	1,904	1,044
Inventories	1,150	202	20
Contract assets	6,542	–	–
Other	26	–	–
Total current assets	63,748	15,671	13,168
Non-current assets			
Investments	7,133	1,928	1,739

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Infrastructure, property, plant and equipment	831,763	80,414	90,603
Investment property	7,440	–	–
Intangible assets	271	–	–
Right of use assets	150	–	–
Total non-current assets	846,757	82,342	92,342
TOTAL ASSETS	910,505	98,013	105,510
LIABILITIES			
Current liabilities			
Payables	8,153	970	170
Income received in advance	68	–	–
Contract liabilities	5,843	270	–
Lease liabilities	38	–	–
Borrowings	833	314	335
Provisions	7,850	–	–
Total current liabilities	22,785	1,554	505
Non-current liabilities			
Lease liabilities	111	–	–
Borrowings	1,803	1,145	7,493
Provisions	5,507	–	–
Total non-current liabilities	7,421	1,145	7,493
TOTAL LIABILITIES	30,206	2,699	7,998
Net assets	880,299	95,314	97,512
EQUITY			
Accumulated surplus	353,204	61,426	52,559
Revaluation reserves	527,095	33,888	44,953
Council equity interest	880,299	95,314	97,512
Total equity	880,299	95,314	97,512

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(a). Statement of performance measures – consolidated results

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
\$ '000			Restated		
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	12,640	15.54%	6.96%	11.69%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	81,322				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	60,679	60.10%	61.38%	63.29%	>60.00%
Total continuing operating revenue ¹	100,955				
3. Unrestricted current ratio					
Current assets less all external restrictions	36,204	3.47x	4.31x	4.02x	>1.50x
Current liabilities less specific purpose liabilities	10,447				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	30,952	10.58x	8.42x	9.36x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,925				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,780	4.37%	3.76%	3.52%	<10.00%
Rates, annual and extra charges collectible	40,691				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	78,829	16.21	16.19	15.60	>3.00
Monthly payments from cash flow of operating and financing activities	4,862	mths	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	16.03%	5.82%	11.91%	8.10%	15.37%	13.53%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	54.56%	53.83%	82.54%	87.29%	87.34%	97.81%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.47x	4.31x	7.19x	6.37x	18.25x	19.46x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	14.68x	15.71x	7.47x	4.25x	3.82x	2.89x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.31%	3.92%	4.90%	3.52%	4.57%	3.19%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.38	12.40	40.56	33.01	42.25	44.99	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

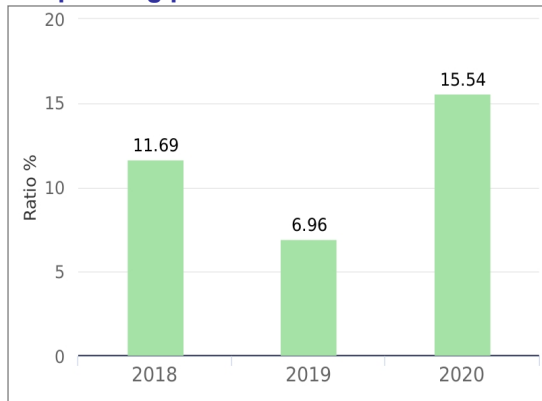
(1) - (2) Refer to Notes at Note 26a above.

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 29(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 15.54%

Council's operating revenue has increased by a larger amount than operating expenditure. The main variances to the previous year are:

- Rates and annual charges revenue has increased in the Mining category
- Some grants revenue received for the bushfire recovery response remained unspent at the end of financial year
- Roads to Recovery program provided additional grant for drought assistance

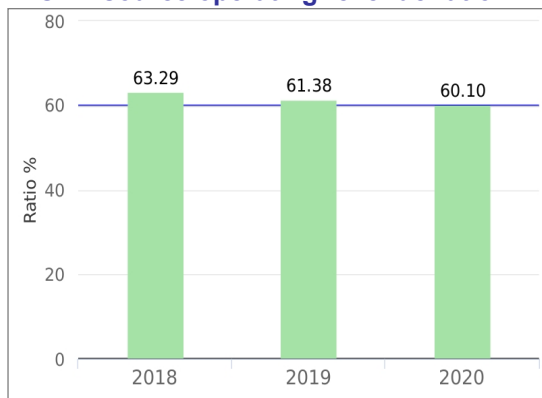
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 60.10%

Whilst Council's own source revenue from Rates and annual charges increased by more than \$8 million on the prior year, other external funding also increased. The largest increase in external revenue is due to funding received for natural disaster events of drought, bushfires and flood damage to roads. Council also secured some large capital grants to upgrade roads, footpaths and sporting infrastructure.

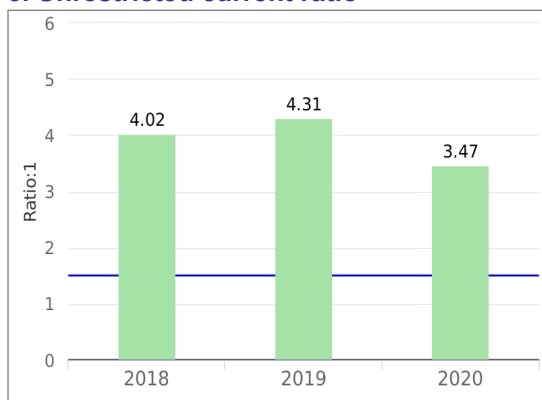
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 3.47x

Total cash, cash equivalents and investments increased by \$9.1 million on the previous year, however \$5.8 million of this is recorded as a non-current asset and therefore excluded in this ratio. Despite this increase in cash, Council's unrestricted current Payables also increased due to high capital expenditure. Payments received in advance are also higher for rates received in advance.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

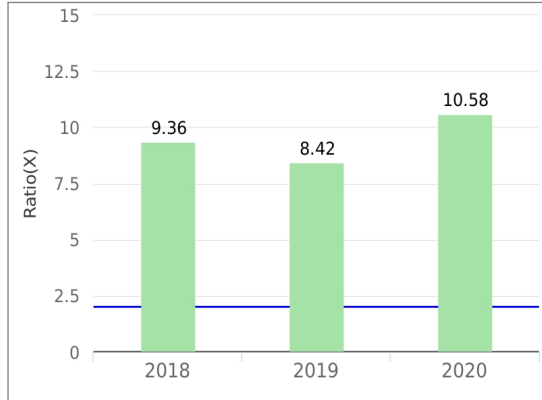
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2020

Note 29(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 10.58x

Debt servicing costs remain stable across the recent years. The increase in this ratio is due to an improvement in the operating result.

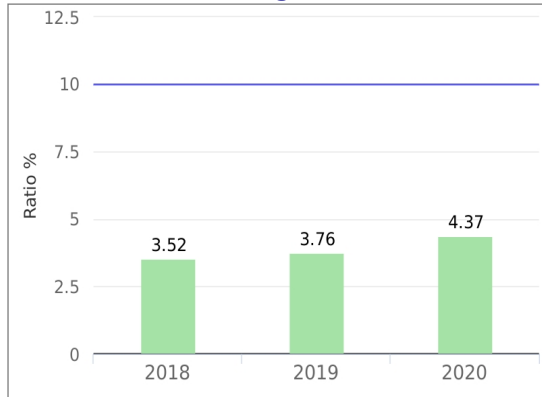
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 4.37%

The increase in the ratio is mainly due to outstanding rates and annual charges increasing by \$575,000. Council's response to the Covid-19 pandemic was to cease debt recovery action in the last quarter of the financial year.

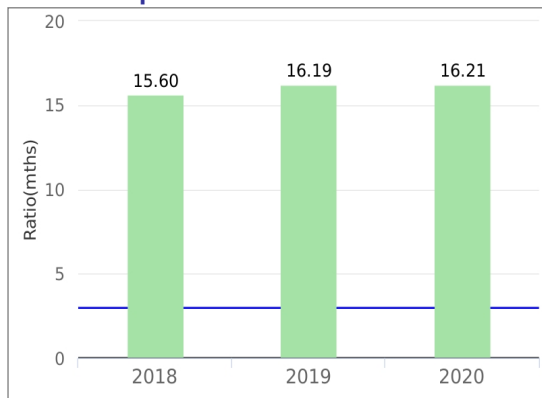
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 16.21 mths

Council's cash, cash equivalents and term deposits increased by \$9.1 million, whilst cash payments from operating and financing activities increased by almost \$4.38 million.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Financial review

\$ '000	2020	2019	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	39,281	31,043	29,196	27,749	26,724
User charges revenue	16,442	15,018	18,629	13,256	15,634
Interest and investment revenue (losses)	1,650	2,373	1,693	1,698	1,735
Grants income – operating and capital	25,371	19,937	20,165	22,037	20,313
Total income from continuing operations	102,168	84,178	81,944	82,344	76,742
Sale proceeds from I,PP&E	543	2,054	1,810	758	611
New loan borrowings and advances	1,000	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	25,321	23,759	22,521	21,227	20,454
Borrowing costs	832	926	1,064	1,108	1,204
Materials and contracts expenses	16,631	12,723	14,181	12,860	11,772
Total expenses from continuing operations	77,207	65,199	65,579	62,694	66,306
Total cash purchases of I,PP&E	36,392	24,768	33,985	25,102	30,693
Total loan repayments (incl. finance leases)	2,091	1,689	1,589	1,502	1,409
Operating surplus/(deficit) (excl. capital income)	5,328	1,143	2,171	843	(4,427)
Financial position figures					
Current assets	92,737	82,914	69,937	75,795	63,013
Current liabilities	24,844	16,234	14,411	15,418	14,793
Net current assets	67,893	66,680	55,526	60,377	48,220
Available working capital (Unrestricted net current assets)	11,574	12,883	9,716	8,388	12,559
Cash and investments – unrestricted	14,344	9,565	10,614	7,583	12,453
Cash and investments – internal restrictions	20,426	16,628	14,816	14,921	8,980
Cash and investments – total	86,979	77,848	72,305	65,531	54,843
Total borrowings outstanding (Loans, advances and finance leases)	11,923	12,980	14,669	16,258	17,760
Total value of I,PP&E (excl. land and earthworks)	973,829	954,016	914,358	891,830	857,718
Total accumulated depreciation	334,411	340,353	330,330	339,421	353,941
Indicative remaining useful life (as a % of GBV)	66%	64%	64%	62%	59%

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Council information and contact details

Principal place of business:

86 Market Street
Mudgee NSW 2850

Contact details**Mailing Address:**

PO Box 156
Mudgee NSW 2850

Telephone: 02 6378 2850

Facsimile: 02 6378 2815

Opening hours:

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

Internet: www.midwestern.nsw.gov.au

Email: council@midwestern.nsw.gov.au

Officers**General Manager**

Brad Cam

Chief Financial Officer

Leonie Johnson

Public Officer

Mr Tim Johnston

Auditors

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

Elected members**Mayor**

Des Kennedy

Councillors

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

Other information

ABN: 96 149 391 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Opinion

I have audited the accompanying financial statements of Mid-Western Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2020, 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 (including Independence Standards)' (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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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.

The scope of my audit does not include, nor 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 23 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.



Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

6 November 2020
SYDNEY



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

Contact: Unaib Jeffrey
Phone no: 02 9275 7450
Our ref: D2025093/1760

6 November 2020

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2020 Mid-Western Regional Council

I have audited the general purpose financial statements (GPFS) of Mid-Western Regional Council (the Council) for the year ended 30 June 2020 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 2020 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Correction of prior period misstatements

In 2019-20, Council completed comprehensive revaluation of Stormwater assets. As a result of the valuation process, Council identified found assets with a fair value of \$9.5 million as at 30 June 2020.

In 2017-18, Council incorrectly classified three investment properties of \$6.3 million to Infrastructure, Property, Plant and Equipment (IPPE) assets and also recognised valuation increment of \$3.9 million in the asset revaluation reserve which was not in accordance with the requirements of AASB 140. The increment should have been recognised in the Income Statement.

The impact of the misstatement of found assets was an understatement in IPPE pertaining to stormwater asset class at 1 July 2018 of \$9.6 million and for the year 30 June 2019 of \$9.5 million.





The impact of incorrect classification of investment properties as IPPE assets resulted in following misstatements at 1 July 2018 and for the year 30 June 2019:

- an overstatement in IPPE and understatement in investment properties of \$6.3 million
- an overstatement in asset revaluation reserves and corresponding understatement in accumulated surplus of \$3.9 million.

The misstatements were corrected by restating the prior year's IPPE balance, accumulated surplus and the asset revaluation reserve. The correction of above errors is disclosed in Note 17 of the financial statements.

INCOME STATEMENT

Operating result

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	39.3	31.0	 26.8
Grants and contributions revenue	40.3	32.3	 24.8
Operating result for the year	25.0	18.9	 32.3
Net operating result before capital grants and contributions	5.3	1.1	 381.8

* The 2019 comparatives have been restated to correct a prior period error in the Infrastructure, Property, Plant and Equipment. Note 17 of the financial statements provides details of the prior period error.

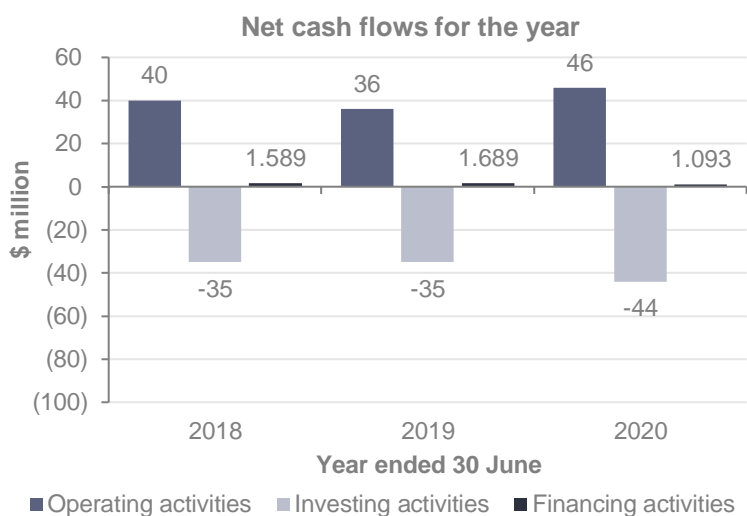
Council's operating result of \$25.0 million (including the effect of depreciation and amortisation expense of \$17.5 million) was \$6.1 million higher than the 2018–19 result. This increase was mainly attributable to:

- increase in rates and annual charges of \$8.2 million due to a material increase in the land values for the mining category
- increase in operating grants and contributions of \$6.2 million, mainly due to increased operating grants for bushfire and emergency services of \$4.5 million
- increase in capital grants and contributions of \$1.8 million mainly due to increased RMS contributions of \$1.7 million relating to regional roads and block grant
- the above increase was partially offset by an increase in total expenses \$12.1 million mainly attributable to materials and contracts and depreciation expense.

The net operating result before capital grants and contributions (\$5.3 million) was \$4.2 million higher than the 2018–19 result. This movement was primarily due to the increase in rates and annual charges of \$ 8.2 million outlined above.

STATEMENT OF CASH FLOWS

- The Council reported an increase in cash and cash equivalents from \$5.1 million at 30 June 2019 to \$6.0 million at 30 June 2020.
- Cash inflows from operating activities increased from 2018-19 as a result of higher cash receipts from rates and annual charges and grants and contributions.
- Cash flows used in investment activities have increased from \$35.3 million in 2019 to \$44.2 million in 2020, which was mainly attributable to increase in purchase of investment securities and IPPE.
- Cash flows from financing activities remained fairly consistent over the last three years.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	52.2	51.7	<ul style="list-style-type: none"> External restrictions primarily include developer contributions, water supply and sewerage services, domestic waste management charges and specific purpose unexpended grants.
Internal restrictions	20.4	16.6	
Unrestricted	14.3	9.5	
Cash and investments	86.9	77.8	<ul style="list-style-type: none"> Internal restrictions are due to Council policy or decisions for forward plans including the capital works program. These include funds for plant and vehicle replacement, land development, and Seal Extension Program etc. Unrestricted balances provide liquidity for day-to-day operations.

Debt

Council has total approved bank overdraft facilities with a maximum value of \$0.7 million. Council did not utilise its overdraft facilities in the 2020 financial year.

PERFORMANCE

Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

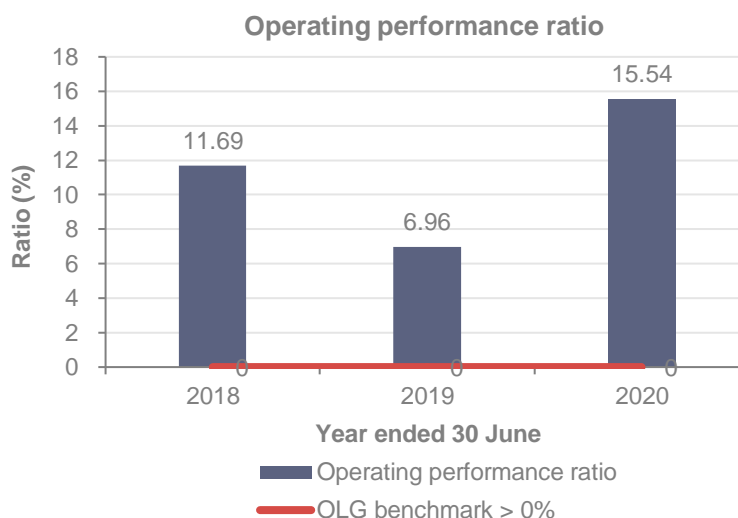
Operating performance ratio

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 OLG is greater than zero per cent.

Council's operating performance ratio exceeded the industry benchmark for the past three years.

The ratio increased in 2019-20 in line with the increase in Council's net operating result before capital grants and contributions, as noted above.

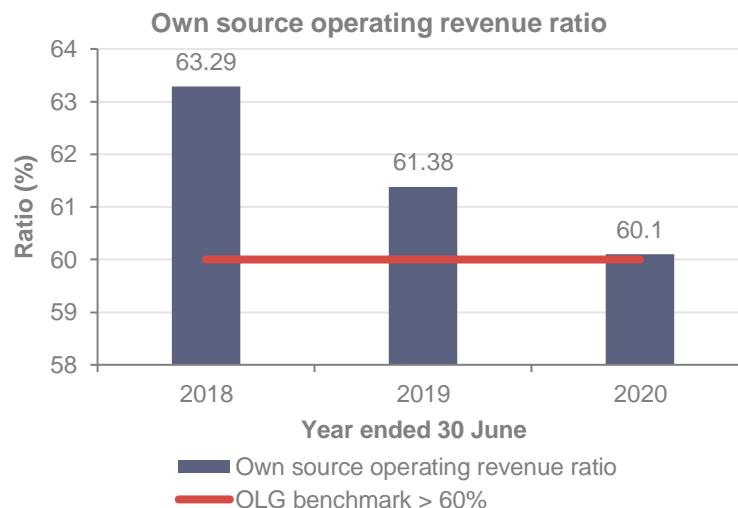
The 2019 ratio (7.10%) was restated (6.96%) to correct a prior period error.



Own source operating revenue ratio

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 OLG is greater than 60 per cent.

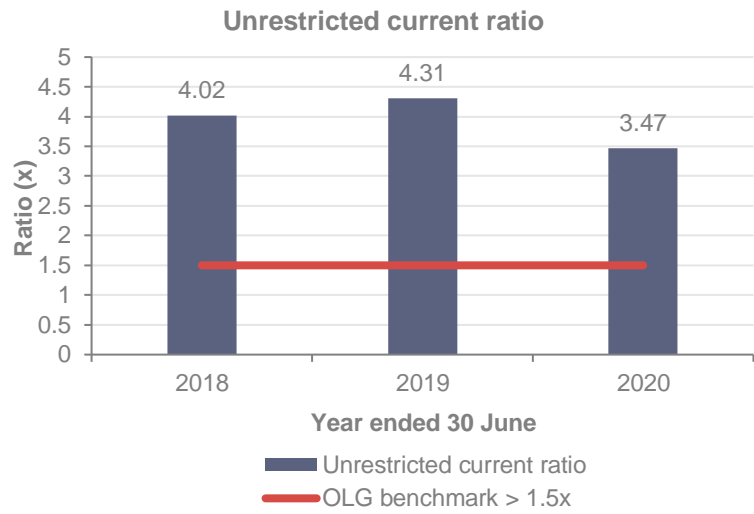
The Council met the OLG benchmark for the current reporting period.



Unrestricted current ratio

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 OLG is greater than 1.5 times.

Council's unrestricted current ratio exceeded the industry benchmark for the past three years. This ratio indicates that Council currently has \$3.47 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

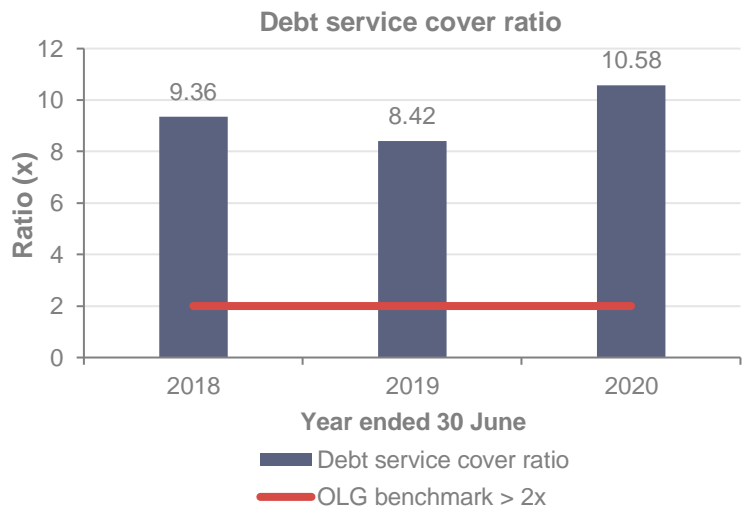


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.

Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

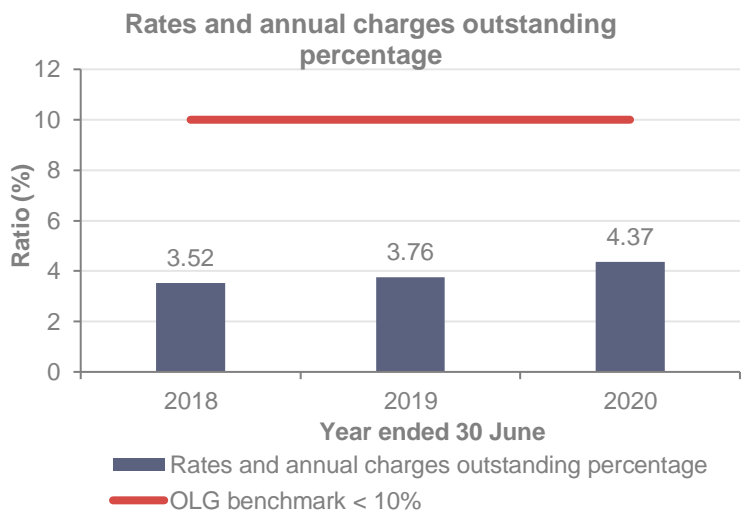


Rates and annual charges outstanding percentage

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 OLG is less than 10 per cent for regional and rural councils.

The Council met the OLG benchmark for the current reporting period.

The percentage increased due to the impact of COVID-19 pandemic and the natural disasters events during the year 2019-20.

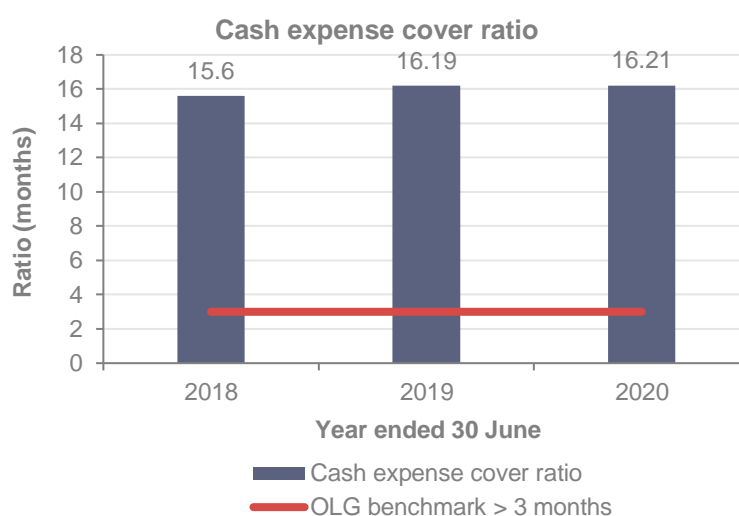


Cash expense cover ratio

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 OLG is greater than three months.

The Council exceeded the OLG benchmark for the current reporting period.

This indicates that Council had the capacity to cover over 16 months of cash expenditure without additional cash inflows at 30 June 2020.



Infrastructure, property, plant and equipment renewals

Council spent \$21.9 million on asset renewals in 2019-20 compared to \$24.8 million in 2018-19. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2019-20, asset renewals of \$21.9 million represented 125 per cent of Council's \$17.5 million depreciation expense. This result was lower than the 2018-19 result of 152 per cent.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program and primarily related to road and plant and equipment assets.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019-20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$5.8 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019-20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$0.19million and lease liabilities of \$0.19 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 14 and Note 17.

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.



Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

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

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

*A prosperous and progressive community
we proudly call home.*



Special Purpose Financial Statements

for the year ended 30 June 2020

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

Background

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

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

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

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

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

Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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 16 September 2020.



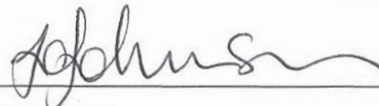
Des Kennedy
Mayor
~~16 September 2020~~
9 October



Sam Paine
Deputy Mayor
~~16 September 2020~~
12 October



Brad Cam
General Manager
~~16 September 2020~~
1 October



Leonie Johnson
Chief Financial Officer
~~16 September 2020~~
12 October

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Access charges	1,578	1,462
User charges	6,563	5,893
Interest	285	462
Grants and contributions provided for non-capital purposes	–	152
Other income	1	11
Total income from continuing operations	8,427	7,980
Employee benefits and on-costs	1,775	1,709
Borrowing costs	105	131
Materials and contracts	1,215	1,413
Depreciation, amortisation and impairment	1,871	1,803
Loss on sale of assets	87	29
Other expenses	2,457	2,278
Total expenses from continuing operations	7,510	7,363
Surplus (deficit) from continuing operations before capital amounts	917	617
Grants and contributions provided for capital purposes	1,783	988
Surplus (deficit) from continuing operations after capital amounts	2,700	1,605
Surplus (deficit) from all operations before tax	2,700	1,605
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(252)	(170)
SURPLUS (DEFICIT) AFTER TAX	2,448	1,435
Plus accumulated surplus	58,755	57,137
Plus/less: Transfer to retained earnings for asset disposals	(29)	13
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	252	170
Return on capital %	1.3%	0.9%
Subsidy from Council	–	293
Calculation of dividend payable:		
Surplus (deficit) after tax	2,448	1,435
Less: capital grants and contributions (excluding developer contributions)	(1,783)	(639)
Surplus for dividend calculation purposes	665	796
Potential dividend calculated from surplus	332	398

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Access charges	6,404	6,133
User charges	602	787
Liquid trade waste charges	–	22
Interest	266	391
Other income	39	38
Total income from continuing operations	7,311	7,371
Employee benefits and on-costs	1,444	1,370
Borrowing costs	522	550
Materials and contracts	764	790
Depreciation, amortisation and impairment	1,551	1,559
Loss on sale of assets	1	371
Other expenses	1,906	2,105
Total expenses from continuing operations	6,188	6,745
Surplus (deficit) from continuing operations before capital amounts	1,123	626
Grants and contributions provided for capital purposes	1,060	165
Surplus (deficit) from continuing operations after capital amounts	2,183	791
Surplus (deficit) from all operations before tax	2,183	791
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(309)	(172)
SURPLUS (DEFICIT) AFTER TAX	1,874	619
Plus accumulated surplus	50,376	49,029
Plus/less: prior period adjustments	–	338
Plus/less: Transfer to retained earnings for asset disposals	–	217
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	309	172
Return on capital %	1.8%	1.3%
Subsidy from Council	–	9
Calculation of dividend payable:		
Surplus (deficit) after tax	1,874	619
Less: capital grants and contributions (excluding developer contributions)	(1,060)	(1)
Surplus for dividend calculation purposes	814	618
Potential dividend calculated from surplus	407	309

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,041	958
Investments	12,524	12,673
Receivables	1,904	1,371
Inventories	202	202
Total current assets	15,671	15,204
Non-current assets		
Investments	1,928	936
Infrastructure, property, plant and equipment	80,414	78,870
Intangible assets	–	3
Total non-current assets	82,342	79,809
TOTAL ASSETS	98,013	95,013
LIABILITIES		
Current liabilities		
Contract liabilities	270	–
Payables	970	1,271
Borrowings	314	294
Total current liabilities	1,554	1,565
Non-current liabilities		
Borrowings	1,145	1,458
Total non-current liabilities	1,145	1,458
TOTAL LIABILITIES	2,699	3,023
NET ASSETS	95,314	91,990
EQUITY		
Accumulated surplus	61,426	58,755
Revaluation reserves	33,888	33,235
TOTAL EQUITY	95,314	91,990

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	808	830
Investments	11,296	10,979
Receivables	1,044	379
Inventories	20	20
Total current assets	13,168	12,208
Non-current assets		
Investments	1,739	811
Infrastructure, property, plant and equipment	90,603	89,766
Total non-current assets	92,342	90,577
TOTAL ASSETS	105,510	102,785
LIABILITIES		
Current liabilities		
Payables	170	159
Borrowings	335	313
Total current liabilities	505	472
Non-current liabilities		
Borrowings	7,493	7,831
Total non-current liabilities	7,493	7,831
TOTAL LIABILITIES	7,998	8,303
NET ASSETS	97,512	94,482
EQUITY		
Accumulated surplus	52,559	50,375
Revaluation reserves	44,953	44,107
TOTAL EQUITY	97,512	94,482

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Mid-Western Regional Council Water Supply

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

b. Mid-Western Regional Council Waste Water Services

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

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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 0.88% at 30/6/20.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of Mid-Western Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Mid-Western Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Sewerage Business Activity
- Water Supply Business Activity

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 Schedule' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to 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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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.

The scope of my audit does not include, nor 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.

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping flourish extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

6 November 2020

SYDNEY

Mid-Western Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*A prosperous and progressive community
we proudly call home.*



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	27,731	18,495
Plus or minus adjustments ²	b	137	8,508
Notional general income	c = a + b	27,868	27,003
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	725	729
Sub-total	k = (c + g + h + i + j)	28,593	27,732
Less valuation objections claimed in the previous year	m	(1)	(2)
Sub-total	n = (l + m)	(1)	(2)
Total permissible income	o = k + n	28,592	27,730
Less notional general income yield	p	30,041	27,731
Catch-up or (excess) result	q = o - p	(1,449)	(1)
Plus income lost due to valuation objections claimed ⁴	r	1,483	1
Carry forward to next year ⁶	t = q + r + s	34	-

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Mid-Western Regional Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping flourish extending to the right.

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

6 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 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					2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	1	2	3
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values														
Buildings	Other	–	–	–	–	(4)	–	0.0%	0.0%	0.0%	0.0%	0.0%		
	Art Gallery	–	–	13	2	445	449	0.0%	0.0%	100.0%	0.0%	0.0%		
	Councils Offices / Admin Centres	71	71	327	396	8,095	12,272	0.1%	0.0%	98.0%	1.9%	0.0%		
	Councils Works Depot	48	48	56	61	11,842	15,811	0.0%	1.4%	97.6%	0.9%	0.1%		
	Council Halls	202	202	55	68	7,285	13,783	0.0%	0.8%	94.8%	3.5%	0.9%		
	Council Houses	47	47	33	15	2,982	4,502	0.0%	0.8%	95.7%	3.5%	0.0%		
	Museum	–	–	20	16	787	846	0.0%	0.0%	100.0%	0.0%	0.0%		
	Library	–	–	65	71	4,876	7,577	0.0%	0.0%	100.0%	0.0%	0.0%		
	Childcare Centre(s)	–	–	5	2	2,726	3,375	16.0%	2.7%	81.3%	0.0%	0.0%		
	Amenities/Toilets	219	219	406	409	24,569	31,087	6.3%	0.1%	91.8%	0.9%	0.9%		
	Rural Fire Service	8	8	–	–	2,863	3,662	0.0%	0.0%	99.3%	0.7%	0.0%		
	Sub-total	595	595	980	1,040	66,466	93,364	2.7%	0.5%	94.9%	1.4%	0.4%		
Other structures	Other structures	340	340	674	761	10,812	14,136	43.4%	18.2%	31.1%	6.7%	0.6%		
	Sub-total	340	340	674	761	10,812	14,136	43.4%	18.2%	31.1%	6.7%	0.6%		
Roads	Sealed roads	4,117	4,117	1,485	1,437	129,030	187,686	29.5%	33.3%	24.0%	10.6%	2.6%		
	Unsealed roads	5,299	5,299	1,495	1,740	32,185	59,447	15.9%	30.8%	19.8%	21.1%	12.4%		
	Bridges	366	366	48	28	37,917	66,368	12.5%	25.8%	57.7%	4.0%	0.0%		
	Footpaths and Cycleways	153	153	59	61	7,368	12,663	41.0%	26.9%	22.3%	9.6%	0.2%		
	Kerb and Gutter	2,420	2,420	12	15	13,287	26,419	13.0%	21.4%	9.4%	41.5%	14.7%		
	Bulk Earthworks	–	–	–	–	308,195	308,195	0.0%	100.0%	0.0%	0.0%	0.0%		
	Parking Areas	103	103	13	10	1,609	2,316	2.0%	38.9%	24.1%	27.9%	7.1%		
	Culverts and Causeways	854	854	180	169	5,389	11,735	23.3%	15.2%	33.7%	13.9%	13.9%		
	RMS Regional Roads	5,541	5,541	516	461	67,674	92,857	34.9%	22.7%	18.2%	19.3%	4.9%		
	Regional Bridges	265	265	39	3	24,901	49,131	2.8%	23.5%	69.9%	3.8%	0.0%		
	Sub-total	19,118	19,118	3,847	3,924	627,555	816,817	14.5%	55.2%	19.1%	8.5%	2.8%		

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 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
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Water supply network	Dams and Weirs	396	396	–	–	8,523	12,746	2.5%	80.6%	6.5%	10.4%	0.0%
	Reservoirs	286	286	67	75	10,013	15,968	20.8%	57.1%	16.2%	5.9%	0.0%
	Pumping Stations	151	151	68	48	3,469	5,631	12.3%	56.9%	21.9%	8.9%	0.0%
	Treatment	1,015	1,015	557	538	13,541	23,828	13.8%	38.8%	33.8%	13.6%	0.0%
	Bores	111	111	106	104	710	1,147	0.0%	22.0%	45.7%	32.3%	0.0%
	Reticulation Mains	4,078	4,078	609	648	24,476	40,912	32.1%	18.2%	27.3%	6.3%	16.1%
	Mains Delivery	737	737	–	–	13,278	18,851	30.1%	45.4%	11.5%	13.0%	0.0%
	Sub-total	6,774	6,774	1,407	1,413	74,010	119,083	22.2%	40.4%	22.3%	9.6%	5.5%
Sewerage network	Pump Stations	99	99	151	148	6,938	10,288	36.5%	22.9%	37.4%	3.2%	0.0%
	Treatment	366	366	562	619	20,148	29,716	16.7%	56.2%	23.2%	3.9%	0.0%
	Reticulation Mains	3,247	3,247	268	322	57,450	74,146	32.3%	21.3%	7.0%	33.2%	6.2%
	Rising Mains	59	59	–	–	2,593	3,280	69.7%	2.0%	15.7%	12.6%	0.0%
		Sub-total	3,771	3,771	981	1,089	87,129	117,430	29.8%	29.7%	14.0%	22.6%
Stormwater drainage	Stormwater drainage	118	118	392	466	23,633	32,810	22.6%	1.4%	75.2%	0.0%	0.8%
	Sub-total	118	118	392	466	23,633	32,810	22.6%	1.4%	75.2%	0.0%	0.8%
Open space / recreational assets	Swimming pools	118	118	512	379	4,068	9,624	28.1%	43.8%	24.0%	4.1%	0.0%
	Open Space and Recreational Assets	407	407	1,853	1,699	12,700	17,170	44.8%	32.6%	14.9%	7.4%	0.3%
	Sub-total	525	525	2,365	2,078	16,768	26,794	38.8%	36.6%	18.2%	6.2%	0.2%
TOTAL - ALL ASSETS		31,241	31,241	10,646	10,771	906,373	1,220,434	16.9%	44.8%	26.4%	9.1%	2.8%

(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 2020

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
\$ '000			Restated		
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	15,923	119.52%	174.13%	156.22%	>=100.00%
Depreciation, amortisation and impairment	13,322				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	31,241	5.22%	7.45%	6.70%	<2.00%
Net carrying amount of infrastructure assets	598,178				
Asset maintenance ratio					
Actual asset maintenance	10,771	101.17%	105.70%	100.70%	>100.00%
Required asset maintenance	10,646				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	31,241	2.56%	3.65%	3.21%	
Gross replacement cost	1,220,434				

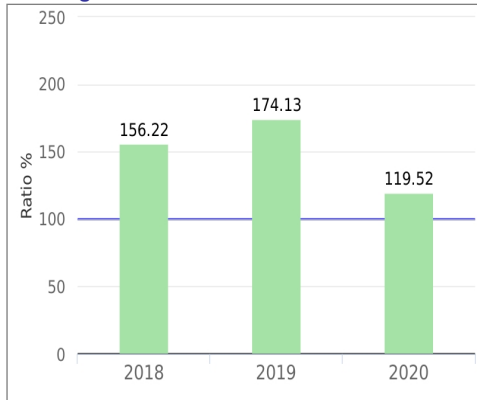
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2020

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	
19/20 ratio	119.52%

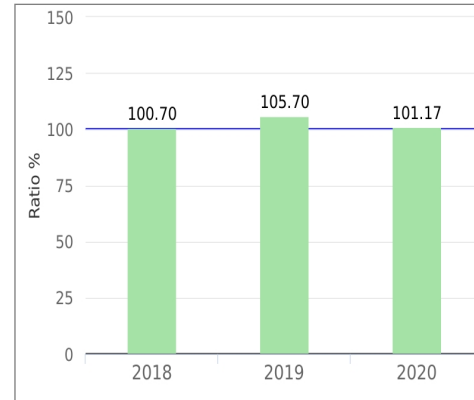
Benchmark: — $\geq 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

■ 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	
19/20 ratio	101.17%

Council's current asset maintenance ratio is 101.17% which is above the industry benchmark of greater than 100%.

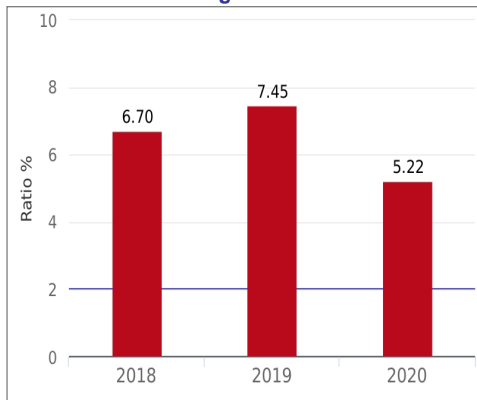
Benchmark: — $> 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

■ 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	
19/20 ratio	5.22%

Condition assessment is the main factor that results in changes in this ratio. The backlog amount increased for Other Structures, Sewerage Network, Water Assets and Open Space/Recreational Assets, while it decreased for the remaining infrastructure groups.

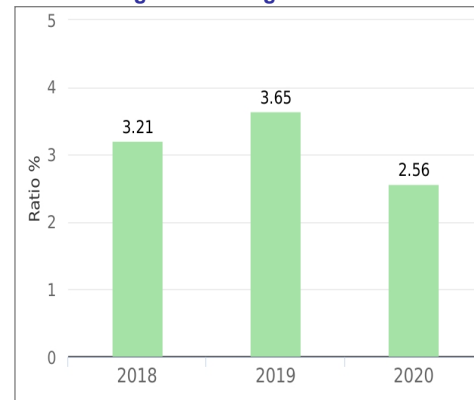
Benchmark: — $< 2.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

■ 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	
19/20 ratio	2.56%

This ratio has reduced in 2020, as the Council is adequately renewing its existing assets.

Report on Infrastructure Assets (continued)
as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	121.12%	225.14%	8.72%	29.89%	243.15%	48.39%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.78%	4.95%	9.15%	9.50%	4.33%	1.37%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.13%	106.44%	100.43%	99.79%	111.01%	108.70%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.10%	3.69%	5.69%	5.93%	3.21%	1.06%	

(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.