

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

POST OFFICE AND  
TELEGRAPH OFFICE  
RYLSTONE 2849



# Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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



# Mid-Western Regional Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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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 B1-2.

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

# Mid-Western Regional Council

## General Purpose Financial Statements

for the year ended 30 June 2021

## Understanding Council's Financial Statements

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### Introduction

Each year NSW local governments are required to present 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 2021.

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 2021

### Statement by Councillors and Management

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

The attached general purpose financial statements have been prepared in accordance with:

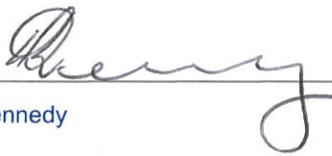
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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 04 August 2021.



Des Kennedy  
Mayor  
12 August 2021



Sam Paine  
Deputy Mayor  
12 August 2021



Brad Cam  
General Manager  
12 August 2021



Leonie Johnson  
Chief Financial Officer  
12 August 2021

# Mid-Western Regional Council

## Income Statement

for the year ended 30 June 2021

| Original<br>unaudited<br>budget<br>2021<br>\$ '000 |  | Notes | Actual<br>2021<br>\$ '000 | Actual<br>2020<br>\$ '000 |
|--|--|-------|---------------------------|---------------------------|
|  | <b>Income from continuing operations</b>   |       |                           |                           |
| 43,639   | Rates and annual charges   | B2-1  | <b>43,720</b>             | 39,281                    |
| 12,891   | User charges and fees  | B2-2  | <b>19,108</b>             | 16,919                    |
| 3,534  | Other revenue  | B2-3  | <b>1,856</b>              | 1,942                     |
| 18,033   | Grants and contributions provided for operating purposes   | B2-4  | <b>14,344</b>             | 20,643                    |
| 32,390   | Grants and contributions provided for capital purposes   | B2-4  | <b>33,370</b>             | 19,633                    |
| 2,097  | Interest and investment income   | B2-5  | <b>2,153</b>              | 1,650                     |
| —  | Other income   | B2-6  | <b>1,111</b>              | 2,100                     |
| <b>112,584</b>                                     | <b>Total income from continuing operations</b>   |       | <b>115,662</b>            | 102,168                   |
|  | <b>Expenses from continuing operations</b>   |       |                           |                           |
| 28,984   | Employee benefits and on-costs   | B3-1  | <b>26,524</b>             | 25,321                    |
| 16,053   | Materials and services   | B3-2  | <b>22,945</b>             | 23,221                    |
| 777  | Borrowing costs  | B3-3  | <b>691</b>                | 832                       |
| 15,931   | Depreciation, amortisation and impairment for non-financial assets                                     | B3-4  | <b>19,511</b>             | 17,480                    |
| 8,572  | Other expenses   | B3-5  | <b>1,788</b>              | 1,828                     |
| 654  | Net losses from the disposal of assets   | B4-1  | <b>2,792</b>              | 8,525                     |
| <b>70,971</b>                                      | <b>Total expenses from continuing operations</b>   |       | <b>74,251</b>             | 77,207                    |
| <b>41,613</b>                                      | <b>Operating result from continuing operations</b>   |       | <b>41,411</b>             | 24,961                    |
| <b>41,613</b>                                      | <b>Net operating result for the year attributable to Council</b>                                       |       | <b>41,411</b>             | 24,961                    |
| <b>9,223</b>                                       | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>8,041</b>              | 5,328                     |

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

# Mid-Western Regional Council

## Statement of Comprehensive Income

for the year ended 30 June 2021

|   | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-------|-----------------|-----------------|
| <b>Net operating result for the year – from Income Statement</b>  |       | <b>41,411</b>   | <b>24,961</b>   |
| <b>Other comprehensive income:</b>  |       |                 |                 |
| Amounts which will not be reclassified subsequently to the operating result   |       |                 |                 |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment   | C1-8  | 4,365           | 40,113          |
| Adjustment to correct prior period errors   |       | 1,749           | –               |
| Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment      | C1-8  | 725             | –               |
| <b>Total items which will not be reclassified subsequently to the operating result</b>                              |       | <b>6,839</b>    | <b>40,113</b>   |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met            |       |                 |                 |
| Asset Remediation provision movements   |       | 112             | (300)           |
| <b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b> |       | <b>112</b>      | <b>(300)</b>    |
| <b>Total other comprehensive income for the year</b>  |       | <b>6,951</b>    | <b>39,813</b>   |
| <b>Total comprehensive income for the year attributable to Council</b>  |       | <b>48,362</b>   | <b>64,774</b>   |

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

## Mid-Western Regional Council

### Statement of Financial Position

as at 30 June 2021

|   | Notes | 2021<br>\$ '000  | 2020<br>\$ '000  |
|---|-------|------------------|------------------|
| <b>ASSETS</b>                                 |       |                  |                  |
| <b>Current assets</b>                         |       |                  |                  |
| Cash and cash equivalents                     | C1-1  | 6,807            | 6,029            |
| Investments                                   | C1-2  | 71,712           | 70,150           |
| Receivables                                   | C1-4  | 7,656            | 8,468            |
| Inventories                                   | C1-5  | 1,917            | 1,372            |
| Contract assets and contract cost assets      | C1-6  | 8,281            | 6,542            |
| Current assets classified as 'held for sale'  | C1-7  | 653              | —                |
| Other   | C1-11 | 94               | 26               |
| <b>Total current assets</b>                   |       | <b>97,120</b>    | <b>92,587</b>    |
| <b>Non-current assets</b>                     |       |                  |                  |
| Investments                                   | C1-2  | 25,114           | 10,800           |
| Infrastructure, property, plant and equipment | C1-8  | 1,036,303        | 1,002,780        |
| Investment property                           | C1-9  | 7,934            | 7,440            |
| Intangible Assets                             | C1-10 | 413              | 271              |
| Right of use assets                           | C2-1  | 594              | 150              |
| <b>Total non-current assets</b>               |       | <b>1,070,358</b> | <b>1,021,441</b> |
| <b>Total assets</b>                           |       | <b>1,167,478</b> | <b>1,114,028</b> |
| <b>LIABILITIES</b>                            |       |                  |                  |
| <b>Current liabilities</b>                    |       |                  |                  |
| Payables                                      | C3-1  | 8,285            | 9,293            |
| Contract liabilities                          | C3-2  | 12,841           | 6,181            |
| Lease liabilities                             | C2-1  | 87               | 38               |
| Borrowings                                    | C3-3  | 1,568            | 1,482            |
| Employee benefit provisions                   | C3-4  | 8,312            | 7,797            |
| Provisions                                    | C3-5  | 56               | 53               |
| <b>Total current liabilities</b>              |       | <b>31,149</b>    | <b>24,844</b>    |
| <b>Non-current liabilities</b>                |       |                  |                  |
| Lease liabilities                             | C2-1  | 514              | 111              |
| Borrowings                                    | C3-3  | 8,873            | 10,441           |
| Employee benefit provisions                   | C3-4  | 597              | 560              |
| Provisions                                    | C3-5  | 4,858            | 4,947            |
| <b>Total non-current liabilities</b>          |       | <b>14,842</b>    | <b>16,059</b>    |
| <b>Total liabilities</b>                      |       | <b>45,991</b>    | <b>40,903</b>    |
| <b>Net assets</b>                             |       | <b>1,121,487</b> | <b>1,073,125</b> |
| <b>EQUITY</b>                                 |       |                  |                  |
| Accumulated surplus                           | C4-1  | 513,803          | 467,189          |
| IPPE revaluation reserve                      | C4-1  | 607,684          | 605,936          |
| <b>Council equity interest</b>                |       | <b>1,121,487</b> | <b>1,073,125</b> |
| <b>Total equity</b>                           |       | <b>1,121,487</b> | <b>1,073,125</b> |

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



## Mid-Western Regional Council

## Statement of Changes in Equity

for the year ended 30 June 2021

|   | Notes | as at 30/06/21                 |  |                         | as at 30/06/20 <sup>1</sup>    |  |                         |
|---|-------|--------------------------------|--|-------------------------|--------------------------------|--|-------------------------|
|   |       | Accumulated surplus<br>\$ '000 | IPPE<br>revaluation reserve<br>\$ '000 | Total equity<br>\$ '000 | Accumulated surplus<br>\$ '000 | IPPE<br>revaluation reserve<br>\$ '000 | Total equity<br>\$ '000 |
| Opening balance at 1 July   |       | 467,189                        | 605,936                                | 1,073,125               | 429,261                        | 575,382                                | 1,004,643               |
| Correction of prior period errors   | G4-1  | –                              | –                                      | –                       | 13,547                         | (3,980)                                | 9,567                   |
| Changes due to AASB 1058 and AASB 15 adoption                               |       | –                              | –                                      | –                       | (5,859)                        | –                                      | (5,859)                 |
| <b>Restated opening balance</b>   |       | <b>467,189</b>                 | <b>605,936</b>                         | <b>1,073,125</b>        | <b>436,949</b>                 | <b>571,402</b>                         | <b>1,008,351</b>        |
| Net operating result for the year   |       | 41,411                         | –                                      | 41,411                  | 24,961                         | –                                      | 24,961                  |
| <b>Net operating result for the period</b>                                  |       | <b>41,411</b>                  | <b>–</b>                               | <b>41,411</b>           | <b>24,961</b>                  | <b>–</b>                               | <b>24,961</b>           |
| <b>Other comprehensive income</b>   |       |                                |  |                         |                                |  |                         |
| Correction of prior period errors   | G4-1  | 1,990                          | (241)                                  | 1,749                   | –                              | –                                      | –                       |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-8  | –                              | 4,365                                  | 4,365                   | –                              | 40,113                                 | 40,113                  |
| – Impairment (loss) reversal relating to IPP&E                              | C1-8  | –                              | 725                                    | 725                     | –                              | –                                      | –                       |
| – Other movements (Asset remediation provision movement)                    |       | –                              | 112                                    | 112                     | –                              | (300)                                  | (300)                   |
| <b>Other comprehensive income</b>   |       | <b>1,990</b>                   | <b>4,961</b>                           | <b>6,951</b>            | <b>–</b>                       | <b>39,813</b>                          | <b>39,813</b>           |
| <b>Total comprehensive income</b>   |       | <b>43,401</b>                  | <b>4,961</b>                           | <b>48,362</b>           | <b>24,961</b>                  | <b>39,813</b>                          | <b>64,774</b>           |
| Transfers between equity items  |       | 3,213                          | (3,213)                                | –                       | 5,279                          | (5,279)                                | –                       |
| <b>Closing balance at 30 June</b>   |       | <b>513,803</b>                 | <b>607,684</b>                         | <b>1,121,487</b>        | <b>467,189</b>                 | <b>605,936</b>                         | <b>1,073,125</b>        |

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

## Mid-Western Regional Council

## Statement of Cash Flows

for the year ended 30 June 2021

| Original<br>unaudited<br>budget<br>2021<br>\$ '000 |   | Notes | Actual<br>2021<br>\$ '000 | Actual<br>2020<br>\$ '000 |
|--|---|-------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>        |   |       |                           |                           |
| <i>Receipts:</i>                                   |   |       |                           |                           |
| 43,159   | Rates and annual charges                                  |       | 43,074                    | 40,026                    |
| 14,211   | User charges and fees                                     |       | 18,928                    | 16,853                    |
| 2,126  | Investment and interest revenue received                  |       | 1,151                     | 1,871                     |
| 50,139   | Grants and contributions                                  |       | 51,176                    | 34,567                    |
| –  | Bonds, deposits and retention amounts received            |       | 752                       | 984                       |
| 3,216  | Other   |       | 8,816                     | 8,121                     |
| <i>Payments:</i>                                   |   |       |                           |                           |
| (28,729)   | Employee benefits and on-costs                            |       | (26,032)                  | (24,559)                  |
| (10,057)   | Materials and services                                    |       | (29,405)                  | (16,374)                  |
| (790)  | Borrowing costs   |       | (706)                     | (852)                     |
| –  | Bonds, deposits and retention amounts refunded            |       | (627)                     | (1,315)                   |
| (14,655)   | Other   |       | (2,934)                   | (13,157)                  |
| 58,620   | <b>Net cash flows from operating activities</b>           | G1-1a | 64,193                    | 46,165                    |
| <b>Cash flows from investing activities</b>        |   |       |                           |                           |
| <i>Receipts:</i>                                   |   |       |                           |                           |
| –  | Sale of investment securities                             |       | –                         | 69,614                    |
| 13,732   | Redemption of term deposits                               |       | 121,000                   | –                         |
| 1,656  | Sale of infrastructure, property, plant and equipment     |       | 3,087                     | 543                       |
| <i>Payments:</i>                                   |   |       |                           |                           |
| –  | Purchase of investment securities                         |       | (1,283)                   | (77,792)                  |
| –  | Acquisition of term deposits                              |       | (134,414)                 | –                         |
| –  | Purchase of investment property                           |       | (494)                     | –                         |
| (75,948)   | Purchase of infrastructure, property, plant and equipment |       | (49,529)                  | (36,392)                  |
| (45)   | Purchase of intangible assets                             |       | (247)                     | (137)                     |
| (60,605)   | <b>Net cash flows from investing activities</b>           |       | (61,880)                  | (44,164)                  |
| <b>Cash flows from financing activities</b>        |   |       |                           |                           |
| <i>Receipts:</i>                                   |   |       |                           |                           |
| 2,000  | Proceeds from borrowings                                  |       | –                         | 1,000                     |
| <i>Payments:</i>                                   |   |       |                           |                           |
| (1,571)  | Repayment of borrowings                                   |       | (1,482)                   | (2,057)                   |
| –  | Principal component of lease payments                     |       | (53)                      | (36)                      |
| 429  | <b>Net cash flows from financing activities</b>           |       | (1,535)                   | (1,093)                   |
| (1,556)  | <b>Net change in cash and cash equivalents</b>            |       | 778                       | 908                       |
| 8,008  | Cash and cash equivalents at beginning of year            |       | 6,029                     | 5,121                     |
| 6,452  | <b>Cash and cash equivalents at end of year</b>           | C1-1  | 6,807                     | 6,029                     |
| 58,072   | plus: Investments on hand at end of year                  | C1-2  | 96,826                    | 80,950                    |
| 64,524   | <b>Total cash, cash equivalents and investments</b>       |       | 103,633                   | 86,979                    |

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

# Mid-Western Regional Council

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# Mid-Western Regional Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 04 August 2021. 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 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, 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.

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain infrastructure, property, plant and equipment and investment property. Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

#### 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 investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. estimated tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

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

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

### Monies and other assets received by Council

#### The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993*, 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.

The Consolidated Fund has been included in the financial statements of the Council.

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

## A1-1 Basis of preparation

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

### The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, 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 \$296,348 based on an average salary and on costs council would be required to pay if the services were not donated.

### COVID-19 Impacts

Operations for the year ended 30 June 2021 have been impacted by the COVID 19 pandemic. The following steps were taken in response during the year:

#### Increased Operating Grants

COVID-19 economic stimulus approved operating grants for:  
 Emergency Services Levy in 2020/21, \$313,193 to cover the cost increase  
 Mid-Western Regional Family Day Care Scheme transition \$37,181  
 Emergency Support Meals on Wheels \$21,329  
 Regenerate Regional Event Initiative Fermenta Festival \$10,000  
 Regional Events Acceleration Fund NRL Match \$150,000

#### Increased Capital Grants

COVID-19 economic stimulus approved grants for capital works:  
 Mudgee Showground \$119,090  
 Rylstone Showground \$66,363  
 Glen Willow/Putta Bucca Road Link \$1,681,057  
 Footpath Walkers Oval \$225,000  
 Mudgee Dog Park \$100,000  
 Pedestrian Access and Mobility Plan Footpath Upgrades \$500,000  
 Kandos Stormwater Upgrade \$700,932

#### Outstanding Rate and Charges

Rate collections have improved over the 2020/21 financial year, with a decrease in rates receivable. Other receivables have not been impacted.

#### Temporary cessation of formal debt recovery

Formal debt recovery action did not recommence until December 2020. The financial impact is approximately \$20,000 of lost revenue.

## A1-1 Basis of preparation

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### Extension of time to pay rates

The Rates Deferral program allowed ratepayers to defer payment of their 4th quarter instalment for 2019/20 and 1st quarter instalment of 2020/21 to 30 September 2020. Council provided 52 properties with this relief.

### Temporary Relief from Interest on Overdue Amounts

No interest was charged on overdue amounts from 1 July 2020 to 31 December 2020.

### Financial Support to Sporting and Community Organisations

Sports Council Fees for winter sports were waived due to the inability to operate or reduced season. This reduction in revenue was approximately \$43,000.

### Financial Support to Regional Airline

\$71,000 was provided in 2020/21 for a regional airline service subsidy agreement related to the pandemic.

### Fee Relief to Local Business

In August 2020 the Council resolved to waive fees and charges for business use of footpaths and saleyards canteen hire to provide business hardship relief. The financial impact to Council was minimal.

### Reduced hours/capacity in facilities

Council's swimming pools were closed 5 weeks premature in the 2019/20 season due to the COVID-19 public health order. In 2020/21 a partial refund of season pass holders was approved. The financial impact was minimal.

### Cancellation of events

The Flavours of Mudgee event proposed to be held in September 2020 was cancelled resulting in savings of approximately \$25,000.

### Mudgee Region Tourism (MRT) Contract

In June 2020 Council endorsed the MRT contract amount for 1 July 2020 - 30 June 2021 be paid as a lump sum in July 2020 as opposed to in monthly instalments. This was requested in order to assist with cash flow and the ability to provide extensions of payment to members impacted by the COVID-19 pandemic.

### Interim COVID-19 Local Preference Policy

Local Service Providers were given an increased discount when evaluating the price component of procurement decisions until 31 December 2020.

### Remote work

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.

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.

## **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1.

## B Financial Performance

### B1 Functions or activities

#### B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

|                                       | Income          |                 | Expenses        |                 | Operating result |                 | Grants and contributions |                 | Carrying amount of assets |                  |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|--------------------------|-----------------|---------------------------|------------------|
|                                       | 2021<br>\$ '000 | 2020<br>\$ '000 | 2021<br>\$ '000 | 2020<br>\$ '000 | 2021<br>\$ '000  | 2020<br>\$ '000 | 2021<br>\$ '000          | 2020<br>\$ '000 | 2021<br>\$ '000           | 2020<br>\$ '000  |
| <b>Functions or activities</b>        |                 |                 |                 |                 |                  |                 |                          |                 |                           |                  |
| Looking after our community           | 19,792          | 8,704           | 15,526          | 14,547          | 4,266            | (5,843)         | 18,468                   | 7,248           | 117,232                   | 90,668           |
| Protecting our natural environment    | 21,976          | 21,490          | 20,485          | 21,627          | 1,491            | (137)           | 2,294                    | 2,202           | 208,595                   | 202,758          |
| Building a strong local economy       | 2,282           | 1,891           | 1,881           | 1,917           | 401              | (26)            | 407                      | 709             | 24,199                    | 21,992           |
| Connecting the region                 | 25,094          | 27,219          | 24,495          | 26,234          | 599              | 985             | 18,572                   | 22,484          | 653,020                   | 652,924          |
| Good government                       | 46,518          | 42,864          | 11,864          | 12,882          | 34,654           | 29,982          | 7,973                    | 7,633           | 163,876                   | 145,686          |
| Other                                 | –               | –               | –               | –               | –                | –               | –                        | –               | 556                       | –                |
| <b>Total functions and activities</b> | <b>115,662</b>  | <b>102,168</b>  | <b>74,251</b>   | <b>77,207</b>   | <b>41,411</b>    | <b>24,961</b>   | <b>47,714</b>            | <b>40,276</b>   | <b>1,167,478</b>          | <b>1,114,028</b> |



## B1-2 Components of functions or activities

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### Details relating to the Council's functions or activities as reported in B1-1 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).

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, asset management, plant operations, private works, general purpose revenue, developer contributions.

## B2 Sources of income

### B2-1 Rates and annual charges

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Ordinary rates</b>                              |                 |                 |
| Residential  | 11,045          | 10,600          |
| Farmland   | 4,882           | 4,744           |
| Mining <sup>1</sup>                                | 12,464          | 9,348           |
| Business   | 1,516           | 1,503           |
| Less: pensioner rebates (mandatory)                | (332)           | (332)           |
| <b>Rates levied to ratepayers</b>                  | <b>29,575</b>   | <b>25,863</b>   |
| Pensioner rate subsidies received                  | 181             | 184             |
| <b>Total ordinary rates</b>                        | <b>29,756</b>   | <b>26,047</b>   |
| <b>Special rates</b>                               |                 |                 |
| Hunter Valley catchment special rate               | 66              | 17              |
| <b>Rates levied to ratepayers</b>                  | <b>66</b>       | <b>17</b>       |
| <b>Total special rates</b>                         | <b>66</b>       | <b>17</b>       |
| <b>Annual charges</b>                              |                 |                 |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |                 |                 |
| Domestic waste management services                 | 2,375           | 2,264           |
| Water supply services                              | 1,615           | 1,545           |
| Sewerage services                                  | 6,776           | 6,430           |
| Waste management services (non-domestic)           | 3,309           | 3,150           |
| Less: pensioner rebates (mandatory)                | (394)           | (388)           |
| <b>Annual charges levied</b>                       | <b>13,681</b>   | <b>13,001</b>   |
| Pensioner subsidies received:                      |                 |                 |
| – Water  | 62              | 67              |
| – Sewerage   | 67              | 61              |
| – Domestic waste management                        | 88              | 88              |
| <b>Total annual charges</b>                        | <b>13,898</b>   | <b>13,217</b>   |
| <b>Total rates and annual charges</b>              | <b>43,720</b>   | <b>39,281</b>   |

Council has used 01/07/2019 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

Rates and annual charges are recognised as revenue at 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 recognised within the underlying revenue item based on their substance.

(1) Mining rates increased by about \$3 million due to the catchup of revenue from valuation objections in the prior year

## B2-2 User charges and fees

|   | Timing | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|--------|-----------------|-----------------|
| <b>Specific user charges</b>  |        |                 |                 |
| (per s.502 - specific 'actual use' charges)                                   |        |                 |                 |
| Water supply services   | 1      | 5,059           | 6,042           |
| Sewerage services   | 1      | 731             | 683             |
| <b>Total specific user charges</b>  |        | <b>5,790</b>    | <b>6,725</b>    |
| <b>Other user charges and fees</b>  |        |                 |                 |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |        |                 |                 |
| Planning and building regulation  | 2      | 1,132           | 824             |
| Private works – section 67  | 2      | 106             | 110             |
| <b>Total fees and charges – statutory/regulatory</b>                          |        | <b>1,238</b>    | <b>934</b>      |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |        |                 |                 |
| Aerodrome   | 2      | 55              | 93              |
| Aged care   | 2      | 135             | 138             |
| Caravan park  | 2      | 1,238           | 413             |
| Cemeteries  | 2      | 261             | 250             |
| Community facility hire   | 2      | 137             | 64              |
| Library and art gallery   | 2      | –               | 1               |
| Transport for NSW works (state roads not controlled by Council)               | 1      | 7,771           | 5,681           |
| Saleyards   | 2      | 259             | 333             |
| Swimming centres  | 2      | 223             | 246             |
| Water connection fees   | 2      | 201             | 195             |
| Children services   | 2      | 101             | 100             |
| Parks and sports grounds  | 2      | 190             | 183             |
| Waste depot   | 2      | 1,407           | 1,436           |
| Waste water services  | 2      | 102             | 127             |
| <b>Total fees and charges – other</b>   |        | <b>12,080</b>   | <b>9,260</b>    |
| <b>Total user charges and fees</b>  |        | <b>19,108</b>   | <b>16,919</b>   |
| <b>Timing of revenue recognition for user charges and fees</b>                |        |                 |                 |
| User charges and fees recognised over time (1)                                |        | 13,253          | 12,406          |
| User charges and fees recognised at a point in time (2)                       |        | 5,855           | 4,513           |
| <b>Total user charges and fees</b>  |        | <b>19,108</b>   | <b>16,919</b>   |

### Accounting policy

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 swimming centres, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

In the case of Private Works where a fee is charged in advance, the revenue is not recognised until the works are completed.

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 over the term of the licence.

## B2-3 Other revenue

|   | Timing | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|--------|-----------------|-----------------|
| Fines   | 2      | 98              | 94              |
| Legal fees recovery – rates and charges (extra charges)           | 2      | 111             | 93              |
| Commissions and agency fees                                       | 2      | 43              | 30              |
| Diesel rebate   | 2      | 216             | 202             |
| Insurance claims recoveries                                       | 2      | 7               | 116             |
| Recycling income (non-domestic)                                   | 2      | 444             | 374             |
| Sales – events  | 2      | 254             | 304             |
| Sales – ironed out  | 2      | 32              | 31              |
| Sales – mudgee town hall cinema                                   | 2      | 15              | 39              |
| Sales - library   | 2      | 21              | 14              |
| Litigation Settlement and Claimed Bank Guarantee                  | 2      | –               | 100             |
| Volunteer services income (Community Transport & Meals on Wheels) | 2      | 296             | 264             |
| Other   | 2      | 319             | 281             |
| <b>Total other revenue</b>  |        | <b>1,856</b>    | <b>1,942</b>    |

### Timing of revenue recognition for other revenue

|   |              |              |
|---|--------------|--------------|
| Other revenue recognised over time (1)          | –            | –            |
| Other revenue recognised at a point in time (2) | 1,856        | 1,942        |
| <b>Total other revenue</b>                      | <b>1,856</b> | <b>1,942</b> |

### Accounting policy for other revenue

Where the revenue is earned by the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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



## B2-4 Grants and contributions

|  |        | Operating<br>2021<br>\$ '000 | Operating<br>2020<br>\$ '000 | Capital<br>2021<br>\$ '000 | Capital<br>2020<br>\$ '000 |
|--|--------|------------------------------|------------------------------|----------------------------|----------------------------|
|  | Timing |                              |                              |                            |                            |
| <b>General purpose grants and non-developer contributions (untied)</b>               |        |                              |                              |                            |                            |
| <b>General purpose (untied)</b>  |        |                              |                              |                            |                            |
| <b>Current year allocation</b>   |        |                              |                              |                            |                            |
| Financial assistance – general component   | 2      | 2,049                        | 2,054                        | –                          | –                          |
| Financial assistance – local roads component   | 2      | 1,220                        | 1,232                        | –                          | –                          |
| <b>Payment in advance - future year allocation</b>                                   |        |                              |                              |                            |                            |
| Financial assistance – general component   | 2      | 2,192                        | 2,175                        | –                          | –                          |
| Financial assistance – local roads component   | 2      | 1,309                        | 1,308                        | –                          | –                          |
| <b>Amount recognised as income during current year</b>                               |        | <b>6,770</b>                 | <b>6,769</b>                 | <b>–</b>                   | <b>–</b>                   |
| <b>Special purpose grants and non-developer contributions (tied)</b>                 |        |                              |                              |                            |                            |
| <b>Cash contributions</b>  |        |                              |                              |                            |                            |
| <b>Previously specific grants:</b>   |        |                              |                              |                            |                            |
| <b>Pensioners' rates subsidies:</b>  |        |                              |                              |                            |                            |
| Water supplies   | 1      | –                            | –                            | 243                        | 696                        |
| Sewerage services  | 1      | 74                           | –                            | –                          | 583                        |
| Aged care  | 2      | 896                          | 846                          | –                          | –                          |
| Bushfire and emergency services  | 2      | 660                          | 4,958                        | 218                        | –                          |
| Employment and training programs   | 2      | 6                            | –                            | –                          | –                          |
| Heritage and cultural  | 2      | 17                           | 29                           | –                          | –                          |
| Library  | 2      | 108                          | 121                          | –                          | –                          |
| Library – special projects   | 1      | –                            | –                            | –                          | 119                        |
| LIRS subsidy   | 2      | 48                           | 68                           | –                          | –                          |
| Noxious weeds  | 2      | 192                          | 169                          | –                          | –                          |
| Recreation and culture   | 1      | 5                            | –                            | 11,369                     | 3,452                      |
| Aerodromes   | 2      | 3                            | –                            | 348                        | –                          |
| Transport (other roads and bridges funding)  | 1      | –                            | –                            | 4,610                      | 3,663                      |
| Children's services  | 2      | 565                          | 659                          | –                          | –                          |
| Environmental programs   | 1      | 11                           | –                            | 1                          | 42                         |
| Youth services   | 2      | 162                          | 2                            | –                          | –                          |
| Street lighting  | 2      | 457                          | 37                           | –                          | –                          |
| Transport (roads to recovery)  | 1      | 2,190                        | 2,387                        | –                          | –                          |
| Other specific grants  | 1      | 702                          | 184                          | 4,406                      | 587                        |
| <b>Previously contributions:</b>   |        |                              |                              |                            |                            |
| Community services   | 2      | –                            | –                            | –                          | 12                         |
| Occupational health and safety   | 2      | 84                           | 77                           | –                          | –                          |
| Roads and bridges  | 1      | 210                          | 655                          | 922                        | 5,152                      |
| Transport for NSW contributions (regional roads, block grant)                        | 1      | 1,066                        | 3,307                        | 2,942                      | 1,437                      |
| Other contributions  | 1      | 118                          | 375                          | 2,020                      | 85                         |
| <b>Total special purpose grants and non-developer contributions – cash</b>           |        | <b>7,574</b>                 | <b>13,874</b>                | <b>27,079</b>              | <b>15,828</b>              |
| <b>Non-cash contributions</b>  |        |                              |                              |                            |                            |
| Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA) | 2      | –                            | –                            | 2,918                      | 782                        |
| <b>Total other contributions – non-cash</b>  |        | <b>–</b>                     | <b>–</b>                     | <b>2,918</b>               | <b>782</b>                 |
| <b>Total special purpose grants and non-developer contributions (tied)</b>           |        | <b>7,574</b>                 | <b>13,874</b>                | <b>29,997</b>              | <b>16,610</b>              |
| <b>Total grants and non-developer contributions</b>                                  |        | <b>14,344</b>                | <b>20,643</b>                | <b>29,997</b>              | <b>16,610</b>              |

## B2-4 Grants and contributions

|                        | <b>Operating<br/>2021<br/>\$ '000</b> | Operating<br>2020<br>\$ '000 | <b>Capital<br/>2021<br/>\$ '000</b> | Capital<br>2020<br>\$ '000 |
|------------------------|---------------------------------------|------------------------------|-------------------------------------|----------------------------|
| Timing                 |                                       |                              |                                     |                            |
| <b>Comprising:</b>     |                                       |                              |                                     |                            |
| – Commonwealth funding | <b>3,197</b>                          | 9,105                        | <b>10,143</b>                       | 4,058                      |
| – State funding        | <b>10,858</b>                         | 10,429                       | <b>13,227</b>                       | 6,521                      |
| – Other funding        | <b>289</b>                            | 1,109                        | <b>6,627</b>                        | 6,031                      |
|                        | <b>14,344</b>                         | <b>20,643</b>                | <b>29,997</b>                       | <b>16,610</b>              |

## B2-4 Grants and contributions

### Developer contributions

|   | Notes | Timing | Operating<br>2021<br>\$ '000 | Operating<br>2020<br>\$ '000 | Capital<br>2021<br>\$ '000 | Capital<br>2020<br>\$ '000 |
|---|-------|--------|------------------------------|------------------------------|----------------------------|----------------------------|
| <b>Developer contributions:</b>                                   |       |        |                              |                              |                            |                            |
| (s7.4 & s7.11 - EP&A Act, s64 of the LGA):                        |       |        |                              |                              |                            |                            |
| <b>Cash contributions</b>   |       |        |                              |                              |                            |                            |
| S 7.4 – contributions using planning agreements                   |       | 2      | –                            | –                            | 1,218                      | 885                        |
| S 7.11 – contributions towards amenities/services                 |       | 2      | –                            | –                            | 793                        | 729                        |
| S 7.12 – fixed development consent levies                         |       | 2      | –                            | –                            | 34                         | 43                         |
| S 64 – water supply contributions                                 |       | 2      | –                            | –                            | 999                        | 1,052                      |
| S 64 – sewerage service contributions                             |       | 2      | –                            | –                            | 329                        | 314                        |
| <b>Total developer contributions – cash</b>                       |       |        | <b>–</b>                     | <b>–</b>                     | <b>3,373</b>               | <b>3,023</b>               |
| <b>Total developer contributions</b>                              |       |        | <b>–</b>                     | <b>–</b>                     | <b>3,373</b>               | <b>3,023</b>               |
| <b>Total contributions</b>  |       |        | <b>–</b>                     | <b>–</b>                     | <b>3,373</b>               | <b>3,023</b>               |
| <b>Total grants and contributions</b>                             |       |        | <b>14,344</b>                | <b>20,643</b>                | <b>33,370</b>              | <b>19,633</b>              |
| <b>Timing of revenue recognition for grants and contributions</b> |       |        |                              |                              |                            |                            |
| Grants and contributions recognised over time (1)                 |       |        | 4,376                        | –                            | 26,513                     | –                          |
| Grants and contributions recognised at a point in time (2)        |       |        | 9,968                        | 20,643                       | 6,857                      | 19,633                     |
| <b>Total grants and contributions</b>                             |       |        | <b>14,344</b>                | <b>20,643</b>                | <b>33,370</b>              | <b>19,633</b>              |

## B2-4 Grants and contributions

### Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

|   | Operating<br>2021<br>\$ '000 | Operating<br>2020<br>\$ '000 | Capital<br>2021<br>\$ '000 | Capital<br>2020<br>\$ '000 |
|---|------------------------------|------------------------------|----------------------------|----------------------------|
| <b>Unspent grants and contributions</b>   |                              |                              |                            |                            |
| Unspent funds at 1 July   | 2,095                        | 4,035                        | 5,434                      | 1,862                      |
| <b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | —                            | —                            | 257                        | 4,792                      |
| <b>Add:</b> Funds received and not recognised as revenue in the current year                                      | 170                          | 1,843                        | 12,041                     | —                          |
| <b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year         | (642)                        | —                            | (196)                      | —                          |
| <b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year                  | (262)                        | (3,783)                      | (5,144)                    | (1,220)                    |
| <b>Unspent funds at 30 June</b>   | <b>1,361</b>                 | <b>2,095</b>                 | <b>12,392</b>              | <b>5,434</b>               |

Unspent Operating grants at 30 June 2021, include bushfire recovery grants and youth services grants.

Unspent capital grants at 30 June 2021, include amounts for:

- Ulan Road Strategy funding;
- Fixing local roads program;
- Dixon's Long Point upgrade;
- Mudgee Showground;
- Local Roads and Community Infrastructure Program;
- Ulan Wollar Road upgrade; and
- Other minor works.

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

### Contributions

|   |               |               |          |          |
|---|---------------|---------------|----------|----------|
| Unspent funds at 1 July   | 17,382        | 16,557        | —        | —        |
| <b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 3,564         | 3,192         | —        | —        |
| <b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year         | (2,499)       | (2,367)       | —        | —        |
| <b>Unspent contributions at 30 June</b>   | <b>18,447</b> | <b>17,382</b> | <b>—</b> | <b>—</b> |

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

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

## B2-4 Grants and contributions

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The performance obligations vary according to the agreement but include milestone events, percentage of completion or delivery of an outcome. 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.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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.

### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion 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.

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

### Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council 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.



**B2-5 Interest and investment income**

|  | <b>2021</b><br><b>\$ '000</b> | <b>2020</b><br><b>\$ '000</b> |
|--|-------------------------------|-------------------------------|
| <b>Interest on financial assets measured at amortised cost</b>   |                               |                               |
| – Overdue rates and annual charges (incl. special purpose rates) | <b>62</b>                     | 102                           |
| – Cash and investments   | <b>911</b>                    | 1,499                         |
| – Other  | <b>1</b>                      | 4                             |
| <b>Fair value adjustments</b>                                    |                               |                               |
| – Movements in investments at fair value through profit and loss | <b>1,143</b>                  | 45                            |
| – Movements in fair value of interest in insurance mutual        | <b>36</b>                     | –                             |
| <b>Total interest and investment income (losses)</b>             | <b>2,153</b>                  | <b>1,650</b>                  |

**Accounting policy**

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

**B2-6 Other income**

|  | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>Fair value increment on investment properties</b>                               |       |                 |                 |
| Fair value increment on investment properties                                      |       | —               | 1,168           |
| <b>Total fair value increment on investment properties</b>                         | C1-9  | <b>—</b>        | <b>1,168</b>    |
| <b>Rental income</b>   |       |                 |                 |
| <b>Investment properties</b>   |       |                 |                 |
| Lease income (excluding variable lease payments not dependent on an index or rate) |       | 529             | 386             |
| <b>Total Investment properties</b>   |       | <b>529</b>      | <b>386</b>      |
| <b>Other lease income</b>  |       |                 |                 |
| Buildings and other structures lease income  |       | 487             | 416             |
| Leaseback fees - council vehicles  |       | 95              | 130             |
| <b>Total Other lease income</b>  |       | <b>582</b>      | <b>546</b>      |
| <b>Total rental income</b>   | C2-2  | <b>1,111</b>    | <b>932</b>      |
| <b>Total other income</b>  |       | <b>1,111</b>    | <b>2,100</b>    |

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| Salaries and wages   | 22,678          | 21,446          |
| Employee termination costs   | 21              | 141             |
| Employee leave entitlements (ELE)  | 4,467           | 4,624           |
| Superannuation – defined contribution plans                                    | 2,272           | 2,123           |
| Superannuation – defined benefit plans   | 317             | 331             |
| Workers' compensation insurance  | 608             | 477             |
| Fringe benefit tax (FBT)   | 188             | 199             |
| Payroll tax  | 112             | 100             |
| Protective clothing  | 129             | 118             |
| Other  | 24              | 18              |
| <b>Total employee costs</b>  | <b>30,816</b>   | <b>29,577</b>   |
| Less: capitalised costs  | (4,292)         | (4,256)         |
| <b>Total employee costs expensed</b>   | <b>26,524</b>   | <b>25,321</b>   |
| Number of 'full-time equivalent' employees (FTE) at year end                   | 364             | 344             |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 394             | 357             |

#### Accounting policy

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

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.

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 E3-1 for more information.

## B3-2 Materials and services

|   | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-------|-----------------|-----------------|
| Raw materials and consumables                                       |       | 4,458           | 4,119           |
| Contractor and consultancy costs                                    |       | 8,371           | 8,236           |
| – Labour contracts  |       | 256             | 306             |
| – Plant hire wet  |       | 1,283           | 1,990           |
| – Road sealing contract   |       | 555             | 495             |
| – Tourism contract  |       | 618             | 509             |
| – Consultancy   |       | 556             | 217             |
| Audit Fees  | F2-1  | 76              | 76              |
| <b>Previously other expenses:</b>                                   |       |                 |                 |
| Councillor and Mayoral fees and associated expenses                 | F1-2  | 287             | 253             |
| Advertising   |       | 99              | 105             |
| Bank charges  |       | 129             | 125             |
| Computer software charges   |       | 1,076           | 1,114           |
| Electricity and heating   |       | 1,283           | 1,309           |
| Insurance   |       | 981             | 1,331           |
| Postage   |       | 114             | 125             |
| Printing and stationery   |       | 162             | 150             |
| Street lighting   |       | 358             | 375             |
| Subscriptions and publications                                      |       | 108             | 183             |
| Telephone and communications  |       | 328             | 422             |
| Family day care centre  |       | 459             | 477             |
| Recruitment costs   |       | 29              | 37              |
| Travel expenses (employee)  |       | 11              | 18              |
| Training expenses (employee)  |       | 372             | 302             |
| Volunteer services expenses (Community Transport & Meals on Wheels) |       | 296             | 264             |
| <b>Legal expenses:</b>  |       |                 |                 |
| – Legal expenses: planning and development                          |       | 44              | 133             |
| – Legal expenses: debt recovery                                     |       | 168             | 95              |
| – Legal expenses: other   |       | 157             | 156             |
| Expenses from leases of low value assets                            |       | 311             | 299             |
| <b>Total materials and services</b>                                 |       | <b>22,945</b>   | <b>23,221</b>   |
| <b>Total materials and services</b>                                 |       | <b>22,945</b>   | <b>23,221</b>   |

### Accounting policy

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

### B3-3 Borrowing costs

|  | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>(i) Interest bearing liability costs</b>            |       |                 |                 |
| Interest on leases                                     |       | 7               | 14              |
| Interest on loans                                      |       | 684             | 804             |
| Other debts  |       | –               | 3               |
| <b>Total interest bearing liability costs</b>          |       | <b>691</b>      | <b>821</b>      |
| <b>Total interest bearing liability costs expensed</b> |       | <b>691</b>      | <b>821</b>      |
| <b>(ii) Other borrowing costs</b>                      |       |                 |                 |
| Amortisation of discounts and premiums                 |       |                 |                 |
| – Remediation liabilities                              | C3-5  | –               | 11              |
| <b>Total other borrowing costs</b>                     |       | <b>–</b>        | <b>11</b>       |
| <b>Total borrowing costs expensed</b>                  |       | <b>691</b>      | <b>832</b>      |

#### Accounting policy

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.

## B3-4 Depreciation, amortisation and impairment of non-financial assets

|   | Notes     | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------|-----------------|-----------------|
| <b>Depreciation and amortisation</b>  |           |                 |                 |
| Equipment, furniture and fittings   | C1-8      | 3,175           | 3,183           |
| Land improvements (depreciable)   |           | 14              | 20              |
| Right of use assets   | C2-1      | 61              | 35              |
| Buildings and other structures  |           | 1,356           | 1,339           |
| Buildings Council as lessor   |           | 96              | —               |
| Roads, bridges and footpaths  |           | 8,126           | 7,171           |
| Other road assets   |           | 1,113           | —               |
| Stormwater drainage   |           | 274             | 325             |
| Water supply network  |           | 1,905           | 1,870           |
| Sewerage network  |           | 1,591           | 1,548           |
| Open space/recreational assets  |           | 739             | 733             |
| Other infrastructure assets   |           | 304             | 336             |
| Other assets  |           | 67              | 69              |
| Tip and quarry assets   | C3-5,C1-8 | 585             | 756             |
| Intangible assets   | C1-10     | 105             | 95              |
| <b>Total depreciation and amortisation costs</b>                                |           | <b>19,511</b>   | <b>17,480</b>   |
| <b>Total depreciation, amortisation and impairment for non-financial assets</b> |           | <b>19,511</b>   | <b>17,480</b>   |

### Accounting policy

#### 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.

#### 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 not tested for impairment since 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 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 non-financial 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).

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.



## B3-5 Other expenses

|  | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>Impairment of receivables</b>                   |       |                 |                 |
| Other  |       | 1               | 20              |
| <b>Total impairment of receivables</b>             | C1-4  | <b>1</b>        | <b>20</b>       |
| <b>Other</b>                                       |       |                 |                 |
| Contributions/levies to other levels of government |       |                 |                 |
| – State Emergency Service levy                     |       | 48              | 39              |
| – NSW fire brigade levy                            |       | 68              | 61              |
| – NSW rural fire service levy                      |       | 989             | 693             |
| – Other contributions/levies                       |       | 168             | 168             |
| Donations, contributions and assistance            |       | 358             | 691             |
| – FlyPelican air service                           |       | 71              | 71              |
| – Housing plus crisis accommodation                |       | 85              | 85              |
| <b>Total other expenses</b>                        |       | <b>1,788</b>    | <b>1,828</b>    |

### Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

## B4 Gains or losses

### B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

|   | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-------|-----------------|-----------------|
| <b>Gain (or loss) on disposal of property (excl. investment property)</b>             |       |                 |                 |
| Proceeds from disposal – property   |       | 22              | –               |
| Less: carrying amount of property assets sold/written off                             |       | (258)           | (1)             |
| <b>Gain (or loss) on disposal</b>   |       | <b>(236)</b>    | <b>(1)</b>      |
| <b>Gain (or loss) on disposal of equipment, furniture and fittings</b>                |       |                 |                 |
|   | C1-8  |                 |                 |
| Proceeds from disposal – equipment furniture and fittings                             |       | 862             | 543             |
| Less: carrying amount of equipment, furniture and fittings sold/written off           |       | (848)           | (1,186)         |
| <b>Gain (or loss) on disposal</b>   |       | <b>14</b>       | <b>(643)</b>    |
| <b>Gain (or loss) on disposal of infrastructure</b>                                   |       |                 |                 |
|   | C1-8  |                 |                 |
| Proceeds from disposal – infrastructure   |       | 229             | –               |
| Less: carrying amount of infrastructure assets sold/written off                       |       | (4,001)         | (7,871)         |
| <b>Gain (or loss) on disposal</b>   |       | <b>(3,772)</b>  | <b>(7,871)</b>  |
| <b>Gain (or loss) on disposal of term deposits</b>                                    |       |                 |                 |
|   | C1-2  |                 |                 |
| Proceeds from disposal/redemptions/maturities – term deposits                         |       | 65,500          | 69,614          |
| Less: carrying amount of term deposits sold/redeemed/matured                          |       | (65,500)        | (69,614)        |
| <b>Gain (or loss) on disposal</b>   |       | <b>–</b>        | <b>–</b>        |
| <b>Gain (or loss) on disposal of non-current assets classified as ‘held for sale’</b> |       |                 |                 |
|   | C1-7  |                 |                 |
| Proceeds from disposal – non-current assets ‘held for sale’                           |       | 1,974           | –               |
| Less: carrying amount of ‘held for sale’ assets sold/written off                      |       | (772)           | –               |
| <b>Gain (or loss) on disposal</b>   |       | <b>1,202</b>    | <b>–</b>        |
| <b>Gain (or loss) on disposal of intangible assets</b>                                |       |                 |                 |
|   | C1-10 |                 |                 |
| Proceeds from disposal – intangible assets  |       | –               | –               |
| Less: carrying amount of intangible assets sold/written off                           |       | –               | (10)            |
| <b>Gain (or loss) on disposal</b>   |       | <b>–</b>        | <b>(10)</b>     |
| <b>Net gain (or loss) on disposal of assets</b>                                       |       | <b>(2,792)</b>  | <b>(8,525)</b>  |

#### Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 30/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

**Material variations of more than 10%** between original budget and actual results or where the variance is considered material by nature are explained below.

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

| \$ '000   | 2021<br>Budget | 2021<br>Actual | 2021<br>----- Variance ----- |                |
|---|----------------|----------------|------------------------------|----------------|
| <b>REVENUES</b>   |                |                |                              |                |
| <b>Rates and annual charges</b>   | <b>43,639</b>  | <b>43,720</b>  | <b>81</b>                    | <b>0% F</b>    |
| <b>User charges and fees</b>  | <b>12,891</b>  | <b>19,108</b>  | <b>6,217</b>                 | <b>48% F</b>   |
| <ul style="list-style-type: none"> <li>Council completed a number of large State Roads projects and therefore contract revenue exceed original budget by \$5.5 million</li> </ul>       |                |                |                              |                |
| <b>Other revenues</b>   | <b>3,534</b>   | <b>1,856</b>   | <b>(1,678)</b>               | <b>(47)% U</b> |
| The majority of the variance is due to Other revenue items now classified under Other income. Other variances include additional revenue recognised for:                                |                |                |                              |                |
| <ul style="list-style-type: none"> <li>Volunteer services \$296,000</li> <li>Capital movement on investment property \$174,000</li> </ul>   |                |                |                              |                |
| <b>Operating grants and contributions</b>   | <b>18,033</b>  | <b>14,344</b>  | <b>(3,689)</b>               | <b>(20)% U</b> |
| <ul style="list-style-type: none"> <li>Flood damage repairs were overestimated by \$1.78 million. These were budgeted to be funded by disaster recovery grant.</li> </ul>               |                |                |                              |                |
| <b>Capital grants and contributions</b>   | <b>32,390</b>  | <b>33,370</b>  | <b>980</b>                   | <b>3% F</b>    |
| <b>Interest and investment revenue</b>  | <b>2,097</b>   | <b>2,153</b>   | <b>56</b>                    | <b>3% F</b>    |
| Lower interest rates resulted in lower than expected interest earned on term deposit investments.   |                |                |                              |                |
| <b>Other income</b>   | <b>–</b>       | <b>1,111</b>   | <b>1,111</b>                 | <b>∞ F</b>     |
| The variance is due to Other revenue items now classified under Other income.   |                |                |                              |                |
| <b>EXPENSES</b>   |                |                |                              |                |
| <b>Employee benefits and on-costs</b>   | <b>28,984</b>  | <b>26,524</b>  | <b>2,460</b>                 | <b>8% F</b>    |
| Council has savings in salary and wages of \$2.2 million mainly due to position vacancies.  |                |                |                              |                |
| <b>Materials and services</b>   | <b>16,053</b>  | <b>22,945</b>  | <b>(6,892)</b>               | <b>(43)% U</b> |
| The majority of the variance is due to Other Expense items now classified under Material and services. Other variances include:   |                |                |                              |                |
| <ul style="list-style-type: none"> <li>Council completed a number of large State Roads projects and therefore contract expenditure exceeded original budget by \$2.9 million</li> </ul> |                |                |                              |                |
| <b>Borrowing costs</b>  | <b>777</b>     | <b>691</b>     | <b>86</b>                    | <b>11% F</b>   |
| - Council was able to defer new borrowings for the extension of Mudgee Tip and therefore borrowing costs were lower than expected.  |                |                |                              |                |

## B5-1 Material budget variations

| \$ '000  | 2021<br>Budget | 2021<br>Actual | 2021<br>----- Variance ----- |                |
|--|----------------|----------------|------------------------------|----------------|
| <b>Depreciation, amortisation and impairment of non-financial assets</b> | <b>15,931</b>  | <b>19,511</b>  | <b>(3,580)</b>               | <b>(22)% U</b> |

Depreciation was higher than the original budget on the following asset classes:

- Roads Assets over budget \$2 million. This is due to revaluation of this asset class in 2019/20. This reflects a change in asset life and increase in asset valuation.
- Buildings over budget \$600,000. This is due to additional buildings and a correction of depreciation rates from the previous revaluation.
- Tip site reinstatement asset \$584,000. This is due to a large revision in tip reinstatement asset in prior year.

|                       |              |              |              |              |
|-----------------------|--------------|--------------|--------------|--------------|
| <b>Other expenses</b> | <b>8,572</b> | <b>1,788</b> | <b>6,784</b> | <b>79% F</b> |
|-----------------------|--------------|--------------|--------------|--------------|

The majority of the variance is due to Other Expense items now classified under Materials and services. Savings were made in insurance and electricity expenses.

|   |            |              |                |                 |
|---|------------|--------------|----------------|-----------------|
| <b>Net losses from disposal of assets</b> | <b>654</b> | <b>2,792</b> | <b>(2,138)</b> | <b>(327)% U</b> |
|---|------------|--------------|----------------|-----------------|

The variance is due to higher than expected write off of infrastructure replaced. The major variances are:

- Transport network assets \$1.3 million

## STATEMENT OF CASH FLOWS

|   |               |               |              |              |
|---|---------------|---------------|--------------|--------------|
| <b>Cash flows from operating activities</b> | <b>58,620</b> | <b>64,193</b> | <b>5,573</b> | <b>10% F</b> |
|---|---------------|---------------|--------------|--------------|

Cash flows exceed budget due to large State Road projects completed.

|   |                 |                 |                |             |
|---|-----------------|-----------------|----------------|-------------|
| <b>Cash flows from investing activities</b> | <b>(60,605)</b> | <b>(61,880)</b> | <b>(1,275)</b> | <b>2% U</b> |
|---|-----------------|-----------------|----------------|-------------|

- Cash payments for infrastructure, property, plant and equipment were less than budget by \$21 million due to projects being deferred or works being carried out over multiple years.
- Cash payment for investing were higher than expected by \$27 million due to lower than expected cash outflows.

|   |            |                |                |                 |
|---|------------|----------------|----------------|-----------------|
| <b>Cash flows from financing activities</b> | <b>429</b> | <b>(1,535)</b> | <b>(1,964)</b> | <b>(458)% U</b> |
|---|------------|----------------|----------------|-----------------|

Council's original budget included \$2,000,000 of new borrowings for extension of the Mudgee Tip. Due to efficiencies achieved in the current landfill design this project was able to be deferred until 2022. In November 2020 it was approved to defer the proposed loan borrowing.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Cash and cash equivalents</b>              |                 |                 |
| Cash on hand and at bank                      | (3)             | –               |
| Cash-equivalent assets                        |                 |                 |
| – Deposits at call                            | 4,551           | 3,777           |
| – Managed funds (TCorp Cash Management Funds) | 2,259           | 2,252           |
| <b>Total cash and cash equivalents</b>        | <b>6,807</b>    | <b>6,029</b>    |

#### Reconciliation of cash and cash equivalents

|   |              |              |
|---|--------------|--------------|
| Total cash and cash equivalents per Statement of Financial Position | 6,807        | 6,029        |
| <b>Balance as per the Statement of Cash Flows</b>                   | <b>6,807</b> | <b>6,029</b> |

#### Accounting policy

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.

## C1-2 Financial investments

|  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Financial assets at fair value through the profit or loss</b> |                            |                                |                            |                                |
| Managed funds  | 10,612                     | –                              | 8,150                      | –                              |
| <b>Total</b>   | <b>10,612</b>              | <b>–</b>                       | <b>8,150</b>               | <b>–</b>                       |
| <b>Debt securities at amortised cost</b>                         |                            |                                |                            |                                |
| Long term deposits   | 61,100                     | 25,114                         | 62,000                     | 10,800                         |
| <b>Total</b>   | <b>61,100</b>              | <b>25,114</b>                  | <b>62,000</b>              | <b>10,800</b>                  |
| <b>Total financial investments</b>                               | <b>71,712</b>              | <b>25,114</b>                  | <b>70,150</b>              | <b>10,800</b>                  |
| <b>Total cash assets, cash equivalents and investments</b>       | <b>78,519</b>              | <b>25,114</b>                  | <b>76,179</b>              | <b>10,800</b>                  |

### Accounting policy

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

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

### Financial assets

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

### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

### 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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

### 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.



## C1-3 Restricted cash, cash equivalents and investments

|  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total cash, cash equivalents and investments | <b>78,519</b>              | <b>25,114</b>                  | <b>76,179</b>              | <b>10,800</b>                  |
| <b>attributable to:</b>                      |                            |                                |                            |                                |
| External restrictions                        | <b>47,389</b>              | <b>15,011</b>                  | 45,726                     | 6,483                          |
| Internal restrictions                        | <b>21,260</b>              | <b>6,796</b>                   | 17,890                     | 2,536                          |
| Unrestricted                                 | <b>9,870</b>               | <b>3,307</b>                   | 12,563                     | 1,781                          |
|  | <b>78,519</b>              | <b>25,114</b>                  | <b>76,179</b>              | <b>10,800</b>                  |

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

### Details of restrictions

#### External restrictions – included in liabilities

|  |               |              |
|--|---------------|--------------|
| Specific purpose unexpended grants – general fund      | <b>12,567</b> | 5,613        |
| Trust deposits   | <b>828</b>    | 703          |
| Specific purpose unexpended grants – water fund        | <b>121</b>    | 270          |
| <b>External restrictions – included in liabilities</b> | <b>13,516</b> | <b>6,586</b> |

#### External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

|   |               |               |
|---|---------------|---------------|
| Developer contributions – general   | <b>7,759</b>  | 8,115         |
| Developer contributions – water fund                                      | <b>6,812</b>  | 5,746         |
| Developer contributions – sewer fund                                      | <b>3,736</b>  | 3,369         |
| Specific purpose unexpended grants (recognised as revenue) – general fund | <b>1,064</b>  | 1,645         |
| Specific purpose unexpended grants (recognised as revenue) – water fund   | <b>1</b>      | 1             |
| Water fund  | <b>9,222</b>  | 9,476         |
| Sewer fund  | <b>12,597</b> | 10,474        |
| Domestic waste management   | <b>5,538</b>  | 5,016         |
| Bequest – Simpkins park   | <b>101</b>    | 101           |
| Community services  | <b>388</b>    | 316           |
| Community tenancy scheme  | <b>216</b>    | 175           |
| Family day care   | <b>173</b>    | 176           |
| Other contributions   | <b>152</b>    | 153           |
| Public Road Closure Compensation  | <b>1,080</b>  | 860           |
| Other   | <b>45</b>     | –             |
| <b>External restrictions – other</b>                                      | <b>48,884</b> | <b>45,623</b> |

#### Total external restrictions

|  |               |               |
|--|---------------|---------------|
|  | <b>62,400</b> | <b>52,209</b> |
|--|---------------|---------------|

#### Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

|  |              |       |
|--|--------------|-------|
| Plant and vehicle replacement                  | <b>8,138</b> | 5,467 |
| Employees leave entitlement                    | <b>3,395</b> | 2,895 |
| Asset replacement                              | <b>2,922</b> | 2,718 |
| Capital program                                | <b>3,869</b> | 667   |
| Council elections                              | <b>231</b>   | 220   |
| Future fund                                    | <b>820</b>   | 520   |
| Land development                               | <b>1,682</b> | 1,044 |
| Saleyards                                      | <b>34</b>    | 40    |
| State roads warranty                           | <b>388</b>   | 400   |
| Seal Extension Program                         | <b>3,076</b> | 2,972 |
| Financial Assistance Grant Received in Advance | <b>3,501</b> | 3,483 |

### C1-3 Restricted cash, cash equivalents and investments

|                                    | 2021<br>\$ '000 | 2020<br>\$ '000 |
|------------------------------------|-----------------|-----------------|
| <b>Total internal restrictions</b> | <b>28,056</b>   | <b>20,426</b>   |
| <b>Total restrictions</b>          | <b>90,456</b>   | <b>72,635</b>   |

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

## C1-4 Receivables

|   | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Purpose</b>                                      |                            |                                |                            |                                |
| Rates and annual charges                            | 1,271                      | –                              | 1,594                      | –                              |
| Interest and extra charges                          | 201                        | –                              | 206                        | –                              |
| User charges and fees                               | 4,650                      | –                              | 4,101                      | –                              |
| Accrued revenues                                    |                            |                                |                            |                                |
| – Interest on investments                           | 284                        | –                              | 455                        | –                              |
| Government grants and subsidies                     | 410                        | –                              | 1,077                      | –                              |
| Net GST receivable                                  | 791                        | –                              | 824                        | –                              |
| Other debtors                                       | 132                        | –                              | 291                        | –                              |
| <b>Total</b>  | <b>7,739</b>               | <b>–</b>                       | <b>8,548</b>               | <b>–</b>                       |
| <b>Less: provision of impairment</b>                |                            |                                |                            |                                |
| Rates and annual charges                            | (28)                       | –                              | (20)                       | –                              |
| Interest and extra charges                          | (1)                        | –                              | –                          | –                              |
| User charges and fees                               | (54)                       | –                              | (60)                       | –                              |
| <b>Total provision for impairment – receivables</b> | <b>(83)</b>                | <b>–</b>                       | <b>(80)</b>                | <b>–</b>                       |
| <b>Total net receivables</b>                        | <b>7,656</b>               | <b>–</b>                       | <b>8,468</b>               | <b>–</b>                       |

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Movement in provision for impairment of receivables</b>                    |                 |                 |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 80              | 69              |
| + new provisions recognised during the year                                   | 14              | 26              |
| – amounts already provided for and written off this year                      | (11)            | (15)            |
| <b>Balance at the end of the year</b>   | <b>83</b>       | <b>80</b>       |

### Accounting policy

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.

### Impairment

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

When estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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 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.

## C1-5 Inventories

|                                  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>(i) Inventories at cost</b>   |                            |                                |                            |                                |
| Stores and materials             | 799                        | –                              | 664                        | –                              |
| Gravel stockpile                 | 1,118                      | –                              | 708                        | –                              |
| <b>Total inventories at cost</b> | <b>1,917</b>               | <b>–</b>                       | <b>1,372</b>               | <b>–</b>                       |
| <b>Total inventories</b>         | <b>1,917</b>               | <b>–</b>                       | <b>1,372</b>               | <b>–</b>                       |

### Accounting policy

#### 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.

## C1-6 Contract assets and Contract cost assets

|   | Notes | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-------|-----------------|-----------------|
| Contract assets                                       | C1-6  | 8,282           | 6,542           |
| <b>Total contract assets and contract cost assets</b> |       | <b>8,282</b>    | <b>6,542</b>    |

### Contract assets

|                                  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Transport for NSW contract works | 314                        | —                              | —                          | —                              |
| Grants and Contributions         | 7,967                      | —                              | 6,542                      | —                              |
| <b>Total contract assets</b>     | <b>8,281</b>               | <b>—</b>                       | <b>6,542</b>               | <b>—</b>                       |

#### Significant changes in contract assets

Council has a number of grant funded projects in progress. The largest project balances are Glen Willow Stage 2 (\$5.75 million) and Art Gallery and Cultural Centre (\$959,000).

### Accounting policy

#### Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

## C1-7 Non-current assets classified as held for sale

|   | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Non-current assets held for sale</b>       |                            |                                |                            |                                |
| Land  | 653                        | —                              | —                          | —                              |
| <b>Total non-current assets held for sale</b> | <b>653</b>                 | <b>—</b>                       | <b>—</b>                   | <b>—</b>                       |

### Details of assets

Council sub-divided land at Saleyards Lane, Mudgee for the purpose of selling 26 residential lots. The land is held for sale, with the sale of all lots to be completed during 2021/22.

|  | 2021<br>Assets 'held<br>for sale'<br>\$ '000 | 2020<br>Assets 'held<br>for sale'<br>\$ '000 |
|--|--|--|
| <u>New transfers in:</u>   |  |  |
| – Assets held for sale   | 1,425  | —  |
| <u>Less:</u>   |  |  |
| Less: carrying value of assets/operations sold that were re-classified this reporting period | (772)  | —  |
| <b>Closing balance of held for sale non-current assets and operations</b>                    | <b>653</b>                                   | <b>—</b>                                     |

### Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.



## C1-8 Infrastructure, property, plant and equipment

| By aggregated asset class                                  | At 1 July 2020                   |  |                                | Asset movements during the reporting period |                                 |  |                                 |   |                          |   |  |   |   |   | At 30 June 2021                  |  |                                |
|--|----------------------------------|--|--------------------------------|---|---------------------------------|--|---------------------------------|---|--------------------------|---|--|---|---|---|----------------------------------|--|--------------------------------|
|  | Gross carrying amount<br>\$ '000 | Accumulated depreciation and impairment<br>\$ '000 | Net carrying amount<br>\$ '000 | Additions renewals <sup>1</sup><br>\$ '000  | Additions new assets<br>\$ '000 | Carrying value of disposals<br>\$ '000 | Depreciation expense<br>\$ '000 | Impairment reversal (recognised in equity)<br>\$ '000 | WIP transfers<br>\$ '000 | Adjustments and transfers <sup>2</sup><br>\$ '000 | Tfrs from/(to) 'held for sale' category<br>\$ '000 | Tfrs from/(to) investment properties<br>\$ '000 | Revaluation decrements to equity (ARR)<br>\$ '000 | Revaluation increments to equity (ARR)<br>\$ '000 | Gross carrying amount<br>\$ '000 | Accumulated depreciation and impairment<br>\$ '000 | Net carrying amount<br>\$ '000 |
| Capital work in progress                                   | 5,086                            | —  | 5,086                          | 3,844                                       | 13,196                          | —                                      | —                               | —   | (1,990)                  | (236)   | —  | —   | —   | —   | 19,900                           | —  | 19,900                         |
| Equipment, furniture and fittings                          | 37,132                           | (16,648)   | 20,484                         | 2,246                                       | 1,173                           | (777)                                  | (3,175)                         | —   | 1                        | (16)  | —  | —   | —   | 144   | 34,607                           | (14,527)   | 20,080                         |
| <b>Land:</b>   |                                  |  |                                |   |                                 |  |                                 |   |                          |   |  |   |   |   |                                  |  |                                |
| – Operational land   | 43,431                           | —  | 43,431                         | —   | 2,680                           | (25)                                   | —                               | —   | —                        | (196)   | (400)  | (50)  | —   | —   | 45,440                           | —  | 45,440                         |
| – Community land   | 7,281                            | —  | 7,281                          | —   | 10                              | —                                      | —                               | —   | —                        | —   | —  | —   | (544)   | —   | 6,747                            | —  | 6,747                          |
| – Crown land   | 11,337                           | —  | 11,337                         | —   | 93                              | (145)                                  | —                               | —   | —                        | 1   | —  | —   | (931)   | —   | 10,355                           | —  | 10,355                         |
| – Land under roads (post 30/6/08)                          | 2,655                            | —  | 2,655                          | —   | —                               | —                                      | —                               | —   | —                        | —   | —  | —   | —   | —   | 2,655                            | —  | 2,655                          |
| Land improvements  | 2,428                            | (261)  | 2,167                          | 21  | 10                              | (88)                                   | (14)                            | —   | —                        | 11  | —  | —   | —   | 272   | 2,691                            | (312)  | 2,379                          |
| <b>Infrastructure:</b>                                     |                                  |  |                                |   |                                 |  |                                 |   |                          |   |  |   |   |   |                                  |  |                                |
| – Buildings and other structures                           | 93,364                           | (26,898)   | 66,466                         | 385   | 8,616                           | (44)                                   | (1,356)                         | —   | 492                      | (2,690)   | —  | (270)   | —   | 65  | 97,921                           | (26,257)   | 71,664                         |
| – Buildings Council as Lessor <sup>3</sup>                 | —                                | —  | —                              | —   | —                               | —                                      | (96)                            | —   | —                        | 4,025   | —  | —   | —   | —   | 6,357                            | (2,428)  | 3,929                          |
| – Roads, bridges and footpaths                             | 508,622                          | (189,262)  | 319,360                        | 9,793                                       | 4,537                           | (3,168)                                | (8,126)                         | 725   | 170                      | (18,786)  | —  | —   | —   | —   | 480,223                          | (175,718)  | 304,505                        |
| – Other road assets (including bulk earthworks)            | 308,195                          | —  | 308,195                        | 750   | 696                             | (364)                                  | (1,113)                         | —   | 25                       | 15,982  | —  | —   | —   | —   | 338,885                          | (14,714)   | 324,171                        |
| – Open space / recreational assets                         | 26,795                           | (10,027)   | 16,768                         | 277   | 486                             | (225)                                  | (739)                           | —   | 656                      | 1,207   | —  | —   | —   | 3,081   | 32,508                           | (10,997)   | 21,511                         |
| – Stormwater drainage                                      | 32,810                           | (9,177)  | 23,633                         | 8   | 490                             | —                                      | (274)                           | —   | 25                       | 365   | —  | —   | —   | —   | 33,698                           | (9,451)  | 24,247                         |
| – Water supply network                                     | 119,083                          | (45,073)   | 74,010                         | 1,121                                       | 350                             | (5)                                    | (1,905)                         | —   | 400                      | 357   | —  | —   | —   | 676   | 122,004                          | (47,000)   | 75,004                         |
| – Sewerage network   | 117,430                          | (30,301)   | 87,129                         | 196   | 820                             | (19)                                   | (1,591)                         | —   | 54                       | 45  | —  | —   | —   | 788   | 119,601                          | (32,179)   | 87,422                         |
| – Other infrastructure assets <sup>3</sup>                 | 14,136                           | (3,324)  | 10,812                         | 915   | 265                             | (220)                                  | (304)                           | —   | 166                      | 1,443   | (1,025)  | —   | —   | 433   | 20,491                           | (8,006)  | 12,485                         |
| Other assets   | 1,498                            | (818)  | 680                            | —   | 83                              | (25)                                   | (67)                            | —   | 1                        | (2)   | —  | —   | —   | 498   | 2,006                            | (838)  | 1,168                          |
| Tip and quarry assets                                      | 5,908                            | (2,622)  | 3,286                          | —   | 57                              | —                                      | (585)                           | —   | —                        | —   | —  | —   | (117)   | —   | 5,848                            | (3,207)  | 2,641                          |
| <b>Total infrastructure, property, plant and equipment</b> | <b>1,337,191</b>                 | <b>(334,411)</b>                                   | <b>1,002,780</b>               | <b>19,556</b>                               | <b>33,562</b>                   | <b>(5,105)</b>                         | <b>(19,345)</b>                 | <b>725</b>  | <b>—</b>                 | <b>1,510</b>                                      | <b>(1,425)</b>                                     | <b>(320)</b>                                    | <b>(1,592)</b>                                    | <b>5,957</b>                                      | <b>1,381,937</b>                 | <b>(345,634)</b>                                   | <b>1,036,303</b>               |

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

(2) Adjustments and Transfers mostly reflect changes in the asset class of assets. The total does not net off to zero due to previously unrecognised assets being brought on during the revaluation process \$1,698,000, a prior year correction \$49,000, Work in Progress transferred to Operating Expenses -\$220,000 and Work in progress transferred to Intangible Assets -\$17,000.

(3) This new asset category recognises buildings where Council is the lessor. Assets were transferred from Buildings and Other Structures asset class.

## C1-8 Infrastructure, property, plant and equipment

| By aggregated asset class                                  | At 1 July 2019                |   |                             | Asset movements during the reporting period |                              |                                     |                              |                       |                                   |  |  | At 30 June 2020               |   |                             |
|--|-------------------------------|---|-----------------------------|---|------------------------------|-------------------------------------|------------------------------|-----------------------|-----------------------------------|--|--|-------------------------------|---|-----------------------------|
|  | Gross carrying amount \$ '000 | Accumulated depreciation and impairment \$ '000 | Net carrying amount \$ '000 | Additions renewals <sup>(1)</sup> \$ '000   | Additions new assets \$ '000 | Carrying value of disposals \$ '000 | Depreciation expense \$ '000 | WIP transfers \$ '000 | Adjustments and transfers \$ '000 | Revaluation decrements to equity (ARR) \$ '000 | Revaluation increments to equity (ARR) \$ '000 | Gross carrying amount \$ '000 | Accumulated depreciation and impairment \$ '000 | Net carrying amount \$ '000 |
| Capital work in progress                                   | 6,915                         | —   | 6,915                       | 2,937                                       | —                            | —                                   | —                            | (4,765)               | (1)                               | —  | —  | 5,086                         | —   | 5,086                       |
| Equipment, furniture and fittings                          | 38,070                        | (17,624)  | 20,446                      | 2,812                                       | 1,594                        | (1,186)                             | (3,183)                      | —                     | 1                                 | —  | —  | 37,132                        | (16,648)  | 20,484                      |
| <b>Land:</b>   |                               |   |                             |   |                              |                                     |                              |                       |                                   |  |  |                               |   |                             |
| – 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  | 2,236                         | (272)   | 1,964                       | 7   | 198                          | —                                   | (20)                         | 16                    | 2                                 | —  | —  | 2,428                         | (261)   | 2,167                       |
| <b>Infrastructure:</b>                                     |                               |   |                             |   |                              |                                     |                              |                       |                                   |  |  |                               |   |                             |
| – Buildings and other structures                           | 90,041                        | (25,558)  | 64,483                      | 406   | 2,899                        | —                                   | (1,339)                      | 19                    | (2)                               | —  | —  | 93,364                        | (26,898)  | 66,466                      |
| – Roads, bridges and footpaths                             | 494,286                       | (198,404)                                       | 295,882                     | 9,871                                       | 3,012                        | (5,364)                             | (7,171)                      | 1,151                 | 317                               | —  | 21,662   | 508,622                       | (189,262)                                       | 319,360                     |
| – Other road assets (including bulk earthworks)            | 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                      |
| – Open space / recreational assets                         | 25,763                        | (9,517)   | 16,246                      | 102   | 1,045                        | (133)                               | (733)                        | 169                   | 72                                | —  | —  | 26,795                        | (10,027)  | 16,768                      |
| – Other infrastructure                                     | 11,406                        | (3,043)   | 8,363                       | 333   | 1,732                        | (124)                               | (336)                        | 427                   | 417                               | —  | —  | 14,136                        | (3,324)   | 10,812                      |
| Other assets   | 1,415                         | (749)   | 666                         | —   | 83                           | —                                   | (69)                         | —                     | —                                 | —  | —  | 1,498                         | (818)   | 680                         |
| Tip and quarry assets                                      | 5,607                         | (1,866)   | 3,741                       | —   | —                            | —                                   | (756)                        | —                     | —                                 | —  | 301  | 5,908                         | (2,622)   | 3,286                       |
| <b>Total infrastructure, property, plant and equipment</b> | <b>1,292,207</b>              | <b>(340,353)</b>                                | <b>951,854</b>              | <b>21,934</b>                               | <b>15,311</b>                | <b>(9,067)</b>                      | <b>(17,350)</b>              | <b>—</b>              | <b>(15)</b>                       | <b>(2,796)</b>                                 | <b>42,909</b>                                  | <b>1,337,191</b>              | <b>(334,411)</b>                                | <b>1,002,780</b>            |

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

## C1-8 Infrastructure, property, plant and equipment

### Accounting policy

#### Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

#### Useful lives of IPPE

Land is not depreciated. 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:

| Asset Class                              | Years     | Asset Class                        | Years     |
|--|-----------|------------------------------------|-----------|
| <b>Equipment, furniture and fittings</b> |           | <b>Buildings</b>                   | 5 to 195  |
| Office equipment                         | 5 to 20   |                                    |           |
| Office furniture                         | 5 to 20   | <b>Stormwater assets</b>           |           |
| Computer equipment                       | 5 to 10   | Drains                             | 120       |
| Vehicles                                 | 3 to 10   | Culverts                           | 120       |
| Heavy plant/road making equipment        | 8 to 12   |                                    |           |
| Other plant and equipment                | 5 to 15   |                                    |           |
| <b>Water network assets</b>              |           | <b>Wastewater network assets</b>   |           |
| Dams and reservoirs                      | 20 to 200 | Pump stations                      | 10 to 70  |
| Bores                                    | 10 to 50  | Reticulation mains                 | 40 to 300 |
| Reticulation pipes and mains delivery    | 80        | Rising mains                       | 40 to 300 |
| Treatment plants                         | 5 to 100  | Treatment plants                   | 5 to 100  |
| Pumps and telemetry                      | 20 to 80  |                                    |           |
| <b>Transportation assets</b>             |           | <b>Other infrastructure assets</b> |           |
| Sealed roads: surface                    | 10 to 25  | Bulk earthworks                    | infinite  |
| Sealed roads: structure                  | 60 to 250 | Open space/recreational assets     | 7 to 100  |
| Unsealed roads                           | 9 to 25   |                                    |           |
| Bridge: concrete                         | 80 to 130 | Other assets                       | 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.

#### Revaluation model

Infrastructure, property, plant and equipment are held at fair value. 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 Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

## C1-8 Infrastructure, property, plant and equipment

### Capitalisation thresholds

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

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

### Early assets close-off

From 2020/21, Council has completed an assets early close-off process as at 31 May. Most capital projects completed in June will be capitalised in the 2021/22 financial year, excluding major projects, which have been capitalised in 2020/21. This change in accounting policy has an immaterial impact on the financial statements.

### 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 2020/21 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.

## Infrastructure, property, plant and equipment – current year impairments

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| (iii) Impairment losses recognised direct to equity (ARR): |                 |                 |
| - Flood damage to Roads                                    | 20              | 745             |
| <b>Total impairment losses</b>                             | <b>20</b>       | <b>745</b>      |
| <b>Impairment of assets – direct to equity (ARR)</b>       | <b>20</b>       | <b>745</b>      |

## C1-9 Investment properties

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Owned investment property</b>       |                 |                 |
| Investment Property - Building         | 3,842           | 3,528           |
| Investment Property - Land             | 4,092           | 3,912           |
| <b>Total owned investment property</b> | <b>7,934</b>    | <b>7,440</b>    |

### Owned investment property

#### At fair value

|   |              |              |
|---|--------------|--------------|
| Opening balance at 1 July                   | 7,440        | 6,272        |
| Net gain/(loss) from fair value adjustments | –            | 1,168        |
| – Transfers from IPPE, Note C1-8            | 320          | –            |
| <b>Closing balance at 30 June</b>           | <b>7,934</b> | <b>7,440</b> |

#### Accounting policy

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

## C1-10 Intangible assets

Intangible assets are as follows:

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Software</b>                                 |                 |                 |
| <b>Opening values at 1 July</b>                 |                 |                 |
| Gross book value                                | 1,649           | 1,524           |
| Accumulated amortisation                        | (1,378)         | (1,285)         |
| <b>Net book value – opening balance</b>         | <b>271</b>      | <b>239</b>      |
| <b>Movements for the year</b>                   |                 |                 |
| Other movements                                 | 2               | (9)             |
| Purchases                                       | 145             | 136             |
| Amortisation charges                            | (105)           | (95)            |
| <b>Closing values at 30 June</b>                |                 |                 |
| Gross book value                                | 1,077           | 1,649           |
| Accumulated amortisation                        | (764)           | (1,378)         |
| <b>Total software – net book value</b>          | <b>313</b>      | <b>271</b>      |
| <b>Water Licences</b>                           |                 |                 |
| <b>Movements for the year</b>                   |                 |                 |
| Purchases                                       | 100             | –               |
| <b>Closing values at 30 June</b>                |                 |                 |
| Gross book value                                | 100             | –               |
| <b>Total Water Licences – net book value</b>    | <b>100</b>      | <b>–</b>        |
| <b>Total intangible assets – net book value</b> | <b>413</b>      | <b>271</b>      |

### Accounting policy

Intangible assets are measured initially at cost. Cost includes (a) the fair value of the consideration given to acquiring the asset; and (b) any costs directly attributable to the transaction, such as relevant professional fees or taxes.

### IT development and software

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

### Water Licences

Water access licences were purchased alongside recent property acquisitions.



## C1-11 Other

### Other assets

|  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Prepayments  | 58                         | –                              | 26                         | –                              |
| Interest in insurance mutual – CivicRisk Mutual Ltd <sup>1</sup> | 36                         | –                              | –                          | –                              |
| <b>Total other assets</b>  | <b>94</b>                  | <b>–</b>                       | <b>26</b>                  | <b>–</b>                       |

(1) Council is member of CivicRisk Mutual Ltd (CRM Ltd) which is a company limited by guarantee owned and operated by its member Councils in NSW. CRM Ltd provides members protection which includes mutual self-insurance, group insurance arrangements and risk management support for general insurance lines of cover (excluding workers compensation). The member designed Constitution and Membership Rules ensures members are provided with a right to the surplus or deficit in protection years in which they were members. The interest in CRM is accounted for as a financial asset in accordance with AASB 9 and held at fair value. Council's interest in its share of the surplus is calculated by CRM Ltd's Actuary, and changes in fair value recognised as an increase or decrease through its income statement at each reporting period. Fair value is calculated using the income approach whereby expected future cash flows are discounted to present value. Expected cash flows include investment income.

## C2 Leasing activities

### C2-1 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.

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

### (a) Right of use assets

|   | Land &<br>Buildings<br>\$ '000 | Total<br>\$ '000 |
|---|--------------------------------|------------------|
| <b>2021</b>   |                                |                  |
| Opening balance at 1 July   | 150                            | 150              |
| Additions to right-of-use assets  | 370                            | 370              |
| Adjustments to right-of-use assets due to re-measurement of lease liability | 134                            | 134              |
| Depreciation charge   | (61)                           | (61)             |
| Other movement  | 1                              | 1                |
| <b>Balance at 30 June</b>   | <b>594</b>                     | <b>594</b>       |
| <b>2020</b>   |                                |                  |
| Opening balance at 1 July   | 185                            | 185              |
| Depreciation charge   | (35)                           | (35)             |
| <b>Balance at 30 June</b>   | <b>150</b>                     | <b>150</b>       |

### (b) Lease liabilities

|                                | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Lease liabilities              | 87                         | 514                            | 38                         | 111                            |
| <b>Total lease liabilities</b> | <b>87</b>                  | <b>514</b>                     | <b>38</b>                  | <b>111</b>                     |

## C2-1 Council as a lessee

### (c) (i) The maturity analysis

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

|             | < 1 year<br>\$ '000 | 1 – 5 years<br>\$ '000 | > 5 years<br>\$ '000 | Total<br>\$ '000 | Total per<br>Statement of<br>Financial<br>Position<br>\$ '000 |
|-------------|---------------------|------------------------|----------------------|------------------|---|
| <b>2021</b> |                     |                        |                      |                  |   |
| Cash flows  | 92                  | 396                    | 122                  | 610              | 601   |
| <b>2020</b> |                     |                        |                      |                  |   |
| Cash flows  | 38                  | 111                    | –                    | 149              | 149   |

### (d) Income Statement

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

|                                       | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---------------------------------------|-----------------|-----------------|
| Interest on lease liabilities         | 7               | 14              |
| Depreciation of right of use assets   | 61              | 35              |
| Expenses relating to low-value leases | 311             | 299             |
|                                       | <b>379</b>      | <b>348</b>      |

### (e) Statement of Cash Flows

|                               |            |            |
|-------------------------------|------------|------------|
| Total cash outflow for leases | 379        | 348        |
|                               | <b>379</b> | <b>348</b> |

### (f) 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 – Council as a lessee

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.

## C2-1 Council as a lessee

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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 received. The right-of-use asset 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.

## C2-2 Council as a lessor

### Operating leases

Council leases out a number of residential and commercial properties and plant and equipment; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

#### (i) Assets held as investment property

Investment property operating leases relate predominantly to the lease of retail commercial premises and includes one residential house.

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

|  |            |            |
|--|------------|------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 529        | 386        |
| <b>Total income relating to operating leases for investment property assets</b>    | <b>529</b> | <b>386</b> |

#### Operating lease expenses

##### Investment properties

|   |          |          |
|---|----------|----------|
| Direct operating expenses that generated rental income                            | –        | 2        |
| Direct operating expenses that did not generate rental income                     | 8        | 2        |
| <b>Total expenses relating to operating leases for investment property assets</b> | <b>8</b> | <b>4</b> |

#### (ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of childcare, community housing, caravan park operations and private use of plant and equipment. The table below relates to operating leases on assets disclosed in C1-8.

|  |            |            |
|--|------------|------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 582        | 546        |
| <b>Total income relating to operating leases for Council assets</b>                | <b>582</b> | <b>546</b> |

#### Other leased assets expenses

|  |           |            |
|--|-----------|------------|
| Expenses relating to operating leases for IPPE | 88        | 372        |
| <b>Total expenses other leased assets</b>      | <b>88</b> | <b>372</b> |

### Reconciliation of IPPE assets leased out as operating leases

|   | Buildings<br>Council as<br>Lessor<br>2021<br>\$ '000 | Buildings<br>Council as<br>Lessor<br>2020<br>\$ '000 |
|---|--|--|
| Transfers from (to) Buildings (occupied) IPPE class (Note C1-8) | 3,929  | –  |
| <b>Closing balance as at 30 June</b>                            | <b>3,929</b>   | <b>–</b>   |

## C2-2 Council as a lessor

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:</b>                           |                 |                 |
| Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases: |                 |                 |
| < 1 year  | 782             | 551             |
| 1–2 years   | 329             | 470             |
| 2–3 years   | 143             | 117             |
| 3–4 years   | 112             | 43              |
| 4–5 years   | 67              | 43              |
| > 5 years   | 225             | 43              |
| <b>Total undiscounted lease payments to be received</b>   | <b>1,658</b>    | <b>1,267</b>    |

## C3 Liabilities of Council

### C3-1 Payables

|  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Payables</b>                            |                            |                                |                            |                                |
| Goods and services – operating expenditure | 2,549                      | –                              | 2,701                      | –                              |
| Goods and services – capital expenditure   | 3,404                      | –                              | 3,402                      | –                              |
| Accrued expenses:                          |                            |                                |                            |                                |
| – Borrowings                               | 109                        | –                              | 124                        | –                              |
| – Salaries and wages                       | 7                          | –                              | –                          | –                              |
| Prepaid rates                              | 1,386                      | –                              | 2,363                      | –                              |
| Security bonds, deposits and retentions    | 828                        | –                              | 703                        | –                              |
| Other                                      | 2                          | –                              | –                          | –                              |
| <b>Total payables</b>                      | <b>8,285</b>               | <b>–</b>                       | <b>9,293</b>               | <b>–</b>                       |
| <b>Total payables</b>                      | <b>8,285</b>               | <b>–</b>                       | <b>9,293</b>               | <b>–</b>                       |

#### Accounting policy

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.

#### Payables

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

## C3-2 Contract Liabilities

|  | Notes | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|-------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Grants and contributions received in advance:</b>                                   |       |                            |                                |                            |                                |
| Unexpended capital grants (to construct Council controlled assets)                     | (i)   | 12,242                     | –                              | 5,353                      | –                              |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii)  | 446                        | –                              | 530                        | –                              |
| <b>Total grants received in advance</b>  |       | <b>12,688</b>              | <b>–</b>                       | <b>5,883</b>               | <b>–</b>                       |
| <b>User fees and charges received in advance:</b>                                      |       |                            |                                |                            |                                |
| Other  |       | 153                        | –                              | 298                        | –                              |
| <b>Total user fees and charges received in advance</b>                                 |       | <b>153</b>                 | <b>–</b>                       | <b>298</b>                 | <b>–</b>                       |
| <b>Total contract liabilities</b>  |       | <b>12,841</b>              | <b>–</b>                       | <b>6,181</b>               | <b>–</b>                       |

### Notes

(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 liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Liabilities arise where payment is received in advance for 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. The increase in liability compared to prior year is mainly due to receiving payment in advance for grants such as Fixing Local Roads Program, Resources for Regions and Local Roads and Community Infrastructure, where works are yet to be completed.

### Accounting policy

Contract liabilities are recorded when 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.



### C3-3 Borrowings

|                              | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Loans – secured <sup>1</sup> | 1,568                      | 8,873                          | 1,482                      | 10,441                         |
| <b>Total borrowings</b>      | <b>1,568</b>               | <b>8,873</b>                   | <b>1,482</b>               | <b>10,441</b>                  |

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

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

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

|  | 2020                          |                       | Non-cash movements     |                                  |  |                                       | 2021                          |
|--|-------------------------------|-----------------------|------------------------|----------------------------------|--|---------------------------------------|-------------------------------|
|  | Opening<br>Balance<br>\$ '000 | Cash flows<br>\$ '000 | Acquisition<br>\$ '000 | Fair value<br>changes<br>\$ '000 | Acquisition<br>due to change<br>in accounting<br>policy<br>\$ '000 | Other non-cash<br>movement<br>\$ '000 | Closing<br>balance<br>\$ '000 |
| Loans – secured                                    | 11,923                        | (1,482)               | –                      | –                                | –  | –                                     | 10,441                        |
| Lease liability (Note C2-1b)                       | 149                           | –                     | 371                    | –                                | –  | 81                                    | 601                           |
| <b>Total liabilities from financing activities</b> | <b>12,072</b>                 | <b>(1,482)</b>        | <b>371</b>             | <b>–</b>                         | <b>–</b>   | <b>81</b>                             | <b>11,042</b>                 |

|  | 2019                          |                       | Non-cash movements     |                                  |  |                                       | 2020                       |
|--|-------------------------------|-----------------------|------------------------|----------------------------------|--|---------------------------------------|----------------------------|
|  | Opening<br>Balance<br>\$ '000 | Cash flows<br>\$ '000 | Acquisition<br>\$ '000 | Fair value<br>changes<br>\$ '000 | Acquisition due<br>to change in<br>accounting<br>policy<br>\$ '000 | Other non-cash<br>movement<br>\$ '000 | Closing balance<br>\$ '000 |
| Loans – secured                                    | 12,980                        | (1,057)               | –                      | –                                | –  | –                                     | 11,923                     |
| Lease liability (Note C2-1b)                       | –                             | 149                   | –                      | –                                | –  | –                                     | 149                        |
| <b>Total liabilities from financing activities</b> | <b>12,980</b>                 | <b>(908)</b>          | <b>–</b>               | <b>–</b>                         | <b>–</b>   | <b>–</b>                              | <b>12,072</b>              |

## C3-3 Borrowings

### (b) Financing arrangements

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Total facilities</b>                     |                 |                 |
| Bank overdraft facilities <sup>1</sup>      | 700             | 700             |
| Credit cards/purchase cards                 | 200             | 200             |
| Operating lease facility                    | –               | 615             |
| <b>Total financing arrangements</b>         | <b>900</b>      | <b>1,515</b>    |
| <b>Drawn facilities</b>                     |                 |                 |
| – Credit cards/purchase cards               | 88              | 43              |
| – Operating lease facility                  | –               | 271             |
| <b>Total drawn financing arrangements</b>   | <b>88</b>       | <b>314</b>      |
| <b>Undrawn facilities</b>                   |                 |                 |
| – Bank overdraft facilities                 | 700             | 700             |
| – Credit cards/purchase cards               | 112             | 157             |
| – Operating lease facility                  | –               | 344             |
| <b>Total undrawn financing arrangements</b> | <b>812</b>      | <b>1,201</b>    |

### Additional financing arrangements information

#### Breaches and defaults

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

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

#### Accounting policy

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.

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.

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 borrowing costs.

### C3-4 Employee benefit provisions

|  | 2021<br>Current<br>\$ '000 | 2021<br>Non-current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Annual leave                             | 2,024                      | –                              | 1,922                      | –                              |
| Sick leave                               | 1,400                      | –                              | 1,378                      | –                              |
| Long service leave                       | 4,831                      | 597                            | 4,427                      | 560                            |
| Other leave (LIL)                        | 57                         | –                              | 70                         | –                              |
| <b>Total employee benefit provisions</b> | <b>8,312</b>               | <b>597</b>                     | <b>7,797</b>               | <b>560</b>                     |

#### Current employee benefit provisions not anticipated to be settled within the next twelve months

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. |                 |                 |
| Provisions – employees benefits  | 5,564           | 5,721           |
|  | <b>5,564</b>    | <b>5,721</b>    |

#### Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

## C3-5 Provisions

|  | 2021<br>Current<br>\$ '000 | 2021<br>Non-Current<br>\$ '000 | 2020<br>Current<br>\$ '000 | 2020<br>Non-Current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Asset remediation/restoration:</b>            |                            |                                |                            |                                |
| Asset remediation/restoration (future works)     | 56                         | 4,858                          | 53                         | 4,947                          |
| <b>Sub-total – asset remediation/restoration</b> | <b>56</b>                  | <b>4,858</b>                   | <b>53</b>                  | <b>4,947</b>                   |
| <b>Total provisions</b>                          | <b>56</b>                  | <b>4,858</b>                   | <b>53</b>                  | <b>4,947</b>                   |

### Provisions relating to restricted assets

#### Externally restricted assets

|   |           |              |           |              |
|---|-----------|--------------|-----------|--------------|
| Domestic waste management                               | 52        | 4,420        | 26        | 4,604        |
| Provisions relating to externally restricted assets     | 52        | 4,420        | 26        | 4,604        |
| <b>Total provisions relating to restricted assets</b>   | <b>52</b> | <b>4,420</b> | <b>26</b> | <b>4,604</b> |
| <b>Total provisions relating to unrestricted assets</b> | <b>4</b>  | <b>438</b>   | <b>27</b> | <b>343</b>   |
| <b>Total provisions</b>                                 | <b>56</b> | <b>4,858</b> | <b>53</b> | <b>4,947</b> |

### Current provisions not anticipated to be settled within the next twelve months

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

### Description of and movements in provisions

|                                       | Other provisions                |                                      |
|---------------------------------------|---------------------------------|--------------------------------------|
|                                       | Asset<br>remediation<br>\$ '000 | Net<br>carrying<br>amount<br>\$ '000 |
| <b>2021</b>                           |                                 |                                      |
| At beginning of year                  | 5,000                           | 5,000                                |
| Other                                 | (86)                            | (86)                                 |
| Total other provisions at end of year | <b>4,914</b>                    | <b>4,914</b>                         |
| <b>2020</b>                           |                                 |                                      |
| At beginning of year                  | 4,693                           | 4,693                                |
| Other                                 | 307                             | 307                                  |
| Total other provisions at end of year | <b>5,000</b>                    | <b>5,000</b>                         |

### Nature and purpose of 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

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.

## C3-5 Provisions

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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 a borrowing cost.

### **Asset remediation – tips and quarries**

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 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.

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 infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of 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.

#### D1-1 Income Statement by fund

|  | <b>General<br/>2021<br/>\$ '000</b> | <b>Water<br/>2021<br/>\$ '000</b> | <b>Sewer<br/>2021<br/>\$ '000</b> |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| <b>Income from continuing operations</b>   |                                     |                                   |                                   |
| Rates and annual charges   | 35,317                              | 1,650                             | 6,753                             |
| User charges and fees  | 12,664                              | 5,716                             | 728                               |
| Interest and investment revenue  | 1,504                               | 326                               | 323                               |
| Other revenues   | 1,837                               | 19                                | –                                 |
| Grants and contributions provided for operating purposes   | 14,265                              | 3                                 | 76                                |
| Grants and contributions provided for capital purposes   | 30,517                              | 1,495                             | 1,358                             |
| Other income   | 1,072                               | –                                 | 39                                |
| <b>Total income from continuing operations</b>   | <b>97,176</b>                       | <b>9,209</b>                      | <b>9,277</b>                      |
| <b>Expenses from continuing operations</b>   |                                     |                                   |                                   |
| Employee benefits and on-costs   | 23,154                              | 1,886                             | 1,484                             |
| Materials and services   | 16,562                              | 3,670                             | 2,713                             |
| Borrowing costs  | 104                                 | 85                                | 502                               |
| Depreciation, amortisation and impairment of non-financial assets                                      | 16,016                              | 1,902                             | 1,593                             |
| Other expenses   | 1,788                               | –                                 | –                                 |
| Net losses from the disposal of assets   | 2,768                               | 5                                 | 19                                |
| <b>Total expenses from continuing operations</b>   | <b>60,392</b>                       | <b>7,548</b>                      | <b>6,311</b>                      |
| <b>Operating result from continuing operations</b>   | <b>36,784</b>                       | <b>1,661</b>                      | <b>2,966</b>                      |
| <b>Net operating result for the year</b>   | <b>36,784</b>                       | <b>1,661</b>                      | <b>2,966</b>                      |
| <b>Net operating result attributable to each council fund</b>  | <b>36,784</b>                       | <b>1,661</b>                      | <b>2,966</b>                      |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>6,267</b>                        | <b>166</b>                        | <b>1,608</b>                      |

## D1-2 Statement of Financial Position by fund

|  | General<br>2021<br>\$ '000 | Water<br>2021<br>\$ '000 | Sewer<br>2021<br>\$ '000 |
|--|----------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                  |                            |                          |                          |
| <b>Current assets</b>                          |                            |                          |                          |
| Cash and cash equivalents                      | 4,626                      | 1,105                    | 1,076                    |
| Investments                                    | 49,262                     | 11,149                   | 11,301                   |
| Receivables                                    | 5,730                      | 1,443                    | 483                      |
| Inventories                                    | 1,695                      | 202                      | 20                       |
| Contract assets and contract cost assets       | 8,226                      | —                        | 55                       |
| Other  | 94                         | —                        | —                        |
| Non-current assets classified as held for sale | 653                        | —                        | —                        |
| <b>Total current assets</b>                    | <b>70,286</b>              | <b>13,899</b>            | <b>12,935</b>            |
| <b>Non-current assets</b>                      |                            |                          |                          |
| Investments                                    | 17,256                     | 3,902                    | 3,956                    |
| Infrastructure, property, plant and equipment  | 862,820                    | 81,556                   | 91,927                   |
| Investment property                            | 7,934                      | —                        | —                        |
| Intangible assets                              | 413                        | —                        | —                        |
| Right of use assets                            | 594                        | —                        | —                        |
| <b>Total non-current assets</b>                | <b>889,017</b>             | <b>85,458</b>            | <b>95,883</b>            |
| <b>TOTAL ASSETS</b>                            | <b>959,303</b>             | <b>99,357</b>            | <b>108,818</b>           |
| <b>LIABILITIES</b>                             |                            |                          |                          |
| <b>Current liabilities</b>                     |                            |                          |                          |
| Payables                                       | 7,057                      | 606                      | 622                      |
| Contract liabilities                           | 12,720                     | 121                      | —                        |
| Lease liabilities                              | 87                         | —                        | —                        |
| Borrowings                                     | 755                        | 479                      | 334                      |
| Employee benefit provision                     | 8,312                      | —                        | —                        |
| Provisions                                     | 56                         | —                        | —                        |
| <b>Total current liabilities</b>               | <b>28,987</b>              | <b>1,206</b>             | <b>956</b>               |
| <b>Non-current liabilities</b>                 |                            |                          |                          |
| Lease liabilities                              | 514                        | —                        | —                        |
| Borrowings                                     | 1,050                      | 665                      | 7,158                    |
| Employee benefit provision                     | 597                        | —                        | —                        |
| Provisions                                     | 4,858                      | —                        | —                        |
| <b>Total non-current liabilities</b>           | <b>7,019</b>               | <b>665</b>               | <b>7,158</b>             |
| <b>TOTAL LIABILITIES</b>                       | <b>36,006</b>              | <b>1,871</b>             | <b>8,114</b>             |
| <b>Net assets</b>                              | <b>923,297</b>             | <b>97,486</b>            | <b>100,704</b>           |
| <b>EQUITY</b>                                  |                            |                          |                          |
| Accumulated surplus                            | 395,533                    | 62,941                   | 55,329                   |
| Revaluation reserves                           | 527,764                    | 34,545                   | 45,375                   |
| <b>Council equity interest</b>                 | <b>923,297</b>             | <b>97,486</b>            | <b>100,704</b>           |
| <b>Total equity</b>                            | <b>923,297</b>             | <b>97,486</b>            | <b>100,704</b>           |

## D2 Interests in other entities

### D2-1 Interests in joint arrangements

#### Material 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           |                                 |
|---|---------------------------------|---------------------------------|
|   | <b>Orana water</b>              | <b>Utilities Alliance</b>       |
|   | equity method<br>2021<br>\$'000 | equity method<br>2020<br>\$'000 |
| Summarised Statement of Financial Position                    |                                 |                                 |
| Cash and cash equivalents                                     | 35                              | 32                              |
| Net assets  | 35                              | 32                              |
| Summarised Statement of Income and Other Comprehensive Income |                                 |                                 |
| Revenue   | 167                             | 123                             |
| Profit (/loss) from continuing operations                     | 3                               | 3                               |
| Summarised Statement of Cash Flows                            |                                 |                                 |
| Cash flows from operating activities                          | 3                               | 3                               |
| Net increase (/decrease) in cash and cash equivalents         | 3                               | 3                               |
| Council's share of % of net assets                            | 9%                              | 9%                              |
| Council's share of \$ of net assets                           | 3                               | 3                               |



## D2-1 Interests in joint arrangements

### (ii) Joint operations

| Principal activity   |                                    | Place of business                        | Interest in ownership |      | Interest in voting |      |
|--|------------------------------------|--|-----------------------|------|--------------------|------|
|  |                                    |  | 2021                  | 2020 | 2021               | 2020 |
| (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 | 0%                    | 17%  | 0%                 | 17%  |

### Accounting policy

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

#### Joint operations:

Council resigned its membership of the Orana Joint Organisation in March 2021.

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.

## D2-2 Unconsolidated structured entities

Council did not consolidate the following structured entities:

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

### Mudgee Region Tourism Inc

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

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

Council and MRT 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                                    | 618 | 509 |
| Income received by Council relating to the Structured Entity   |     |     |
| - IT support Income  | 4   | 3   |

#### Non-contractual financial support provided

MRT were provided \$40,000 in contributions, additional to the contractual arrangement. This funding was provided to contribute to fitout of new office space.

#### 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.

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

### 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 - Ballina, Newcastle - Dubbo, Canberra - Dubbo, Sydney - Mudgee and Taree - Sydney and charter flights.

#### 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 | 71 |
|--|----|----|

#### 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 \$63,000.

#### Current intention to provide financial support

Council intends to continue to support Fly Pelican through the terms of the contract, which ceases when Fly Pelican reach an agreed flight sales level. Council has also agreed to additional financial support of \$75,000 in 2021/22.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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.

|   | Carrying value<br>2021<br>\$ '000 | Carrying value<br>2020<br>\$ '000 | Fair value<br>2021<br>\$ '000 | Fair value<br>2020<br>\$ '000 |
|---|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>                   |                                   |                                   |                               |                               |
| <b>Measured at amortised cost</b>         |                                   |                                   |                               |                               |
| Cash and cash equivalents                 | 6,807                             | 6,029                             | 6,807                         | 6,029                         |
| Receivables                               | 7,656                             | 8,468                             | 7,433                         | 14,932                        |
| Investments                               |                                   |                                   |                               |                               |
| – Debt securities at amortised cost       | 86,214                            | 72,800                            | 86,200                        | 72,800                        |
| <b>Fair value through profit and loss</b> |                                   |                                   |                               |                               |
| Investments                               |                                   |                                   |                               |                               |
| – Held for trading                        | 10,612                            | 8,150                             | 10,620                        | 8,150                         |
| Other financial assets                    | 36                                | –                                 | –                             | –                             |
| <b>Total financial assets</b>             | <b>111,325</b>                    | <b>95,447</b>                     | <b>111,060</b>                | <b>101,911</b>                |
| <b>Financial liabilities</b>              |                                   |                                   |                               |                               |
| Payables                                  | 8,285                             | 9,293                             | 8,273                         | 6,976                         |
| Loans/advances                            | 10,441                            | 11,923                            | 10,441                        | 11,923                        |
| <b>Total financial liabilities</b>        | <b>18,726</b>                     | <b>21,216</b>                     | <b>18,714</b>                 | <b>18,899</b>                 |

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and measured at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **at fair value through profit and loss** or (ii) **at fair value through other comprehensive income** – 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.

## E1-1 Risks relating to financial instruments held

- **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 – interest rate and price risk

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| 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. |                 |                 |
| Impact of a 1% movement in interest rates  |                 |                 |
| – Equity / Income Statement  | 862             | 728             |
| Impact of a 10% movement in price of investments   |                 |                 |
| – Equity / Income Statement  | 1,062           | 815             |

### (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.

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

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

Council makes suitable provision for doubtful receivables as required.

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

### Credit risk profile

#### Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

|                       | Not yet<br>overdue<br>\$ '000 | < 1 year<br>overdue<br>\$ '000 | 1 - 2 years<br>overdue<br>\$ '000 | 2 - 5 years<br>overdue<br>\$ '000 | > 5 years<br>overdue<br>\$ '000 | Total<br>\$ '000 |
|-----------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|
| <b>2021</b>           |                               |                                |                                   |                                   |                                 |                  |
| Gross carrying amount | –                             | 934                            | 195                               | 94                                | 48                              | 1,271            |
| <b>2020</b>           |                               |                                |                                   |                                   |                                 |                  |
| Gross carrying amount | –                             | 1,318                          | 165                               | 70                                | 41                              | 1,594            |

#### Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses,

## E1-1 Risks relating to financial instruments held

non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

|                        | Not yet<br>overdue<br>\$ '000 | 0 - 30 days<br>overdue<br>\$ '000 | 31 - 60 days<br>overdue<br>\$ '000 | 61 - 90 days<br>overdue<br>\$ '000 | > 91 days<br>overdue<br>\$ '000 | Total<br>\$ '000 |
|------------------------|-------------------------------|-----------------------------------|------------------------------------|------------------------------------|---------------------------------|------------------|
| <b>2021</b>            |                               |                                   |                                    |                                    |                                 |                  |
| Gross carrying amount  | 5,014                         | 247                               | 152                                | 42                                 | 1,013                           | 6,468            |
| Expected loss rate (%) | 0.00%                         | 0.00%                             | 0.00%                              | 0.00%                              | 5.30%                           | 0.83%            |
| <b>ECL provision</b>   | <b>–</b>                      | <b>–</b>                          | <b>–</b>                           | <b>–</b>                           | <b>54</b>                       | <b>54</b>        |
| <b>2020</b>            |                               |                                   |                                    |                                    |                                 |                  |
| 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%            |
| <b>ECL provision</b>   | <b>16</b>                     | <b>17</b>                         | <b>16</b>                          | <b>–</b>                           | <b>6</b>                        | <b>55</b>        |

### (c) Liquidity risk

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

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

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

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

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

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

|                                    | Weighted<br>average<br>interest<br>rate<br>% | Subject<br>to no<br>maturity<br>\$ '000 | ≤ 1 Year<br>\$ '000 | payable in:<br>1 - 5<br>Years<br>\$ '000 | > 5 Years<br>\$ '000 | Total cash<br>outflows<br>\$ '000 | Actual<br>carrying<br>values<br>\$ '000 |
|------------------------------------|--|---|---------------------|--|----------------------|-----------------------------------|---|
| <b>2021</b>                        |  |   |                     |  |                      |                                   |   |
| Trade/other payables               | 0.00%  | 828                                     | 6,071               | –  | –                    | 6,899                             | 6,899                                   |
| Loans and advances                 | 4.82%  | –                                       | 2,019               | 4,830                                    | 4,408                | 11,257                            | 10,441                                  |
| <b>Total financial liabilities</b> |  | <b>828</b>                              | <b>8,090</b>        | <b>4,830</b>                             | <b>4,408</b>         | <b>18,156</b>                     | <b>17,340</b>                           |
| <b>2020</b>                        |  |   |                     |  |                      |                                   |   |
| 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                                  |
| <b>Total financial liabilities</b> |  | <b>703</b>                              | <b>8,297</b>        | <b>5,639</b>                             | <b>6,308</b>         | <b>20,947</b>                     | <b>18,853</b>                           |

### Loan agreement breaches

There were no Loan breaches during the reporting financial year

## E2-1 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:

| \$ '000   | Notes | Fair value measurement hierarchy      |        |   |         |           |           |
|---|-------|---------------------------------------|--------|---|---------|-----------|-----------|
|   |       | Level 2 Significant observable inputs |        | Level 3 Significant unobservable inputs |         | Total     |           |
|   |       | 2021                                  | 2020   | 2021                                    | 2020    | 2021      | 2020      |
| Recurring fair value measurements                     |       |                                       |        |   |         |           |           |
| Financial assets                                      |       |                                       |        |   |         |           |           |
| Investments – ‘Held for trading’                      |       | 10,612                                | 8,150  | –                                       | –       | 10,612    | 8,150     |
| Total financial assets                                |       | 10,612                                | 8,150  | –                                       | –       | 10,612    | 8,150     |
| Investment property                                   | C1-9  |                                       |        |   |         |           |           |
| Buildings   |       | 3,842                                 | 3,528  | –                                       | –       | 3,842     | 3,528     |
| Land  |       | 4,092                                 | 3,912  | –                                       | –       | 4,092     | 3,912     |
| Total investment property                             |       | 7,934                                 | 7,440  | –                                       | –       | 7,934     | 7,440     |
| Infrastructure, property, plant and equipment         | C1-8  |                                       |        |   |         |           |           |
| Work in progress                                      |       | –                                     | –      | 19,900                                  | 5,086   | 19,900    | 5,086     |
| Equipment, furniture and fittings                     |       | –                                     | –      | 20,080                                  | 20,484  | 20,080    | 20,484    |
| Operational land                                      |       | 45,440                                | 43,431 | –                                       | –       | 45,440    | 43,431    |
| Community land (including crown land)                 |       | –                                     | –      | 17,102                                  | 18,618  | 17,102    | 18,618    |
| Land under roads                                      |       | –                                     | –      | 2,655                                   | 2,655   | 2,655     | 2,655     |
| Land improvements                                     |       | –                                     | –      | 2,379                                   | 2,167   | 2,379     | 2,167     |
| Buildings and other structures                        |       | –                                     | –      | 75,593                                  | 77,008  | 75,593    | 77,008    |
| Buildings – market value/income approach <sup>1</sup> |       | –                                     | 270    | –                                       | –       | –         | 270       |
| Roads, bridges and footpaths                          |       | –                                     | –      | 304,505                                 | 319,360 | 304,505   | 319,360   |
| Other Road Assets                                     |       | –                                     | –      | 324,171                                 | 297,383 | 324,171   | 297,383   |
| Open space and recreational assets                    |       | –                                     | –      | 21,511                                  | 16,768  | 21,511    | 16,768    |
| Stormwater drainage                                   |       | –                                     | –      | 24,247                                  | 23,633  | 24,247    | 23,633    |
| Water and Sewage networks <sup>2</sup>                |       | –                                     | –      | 162,426                                 | 161,139 | 162,426   | 161,139   |
| Other infrastructure                                  |       | –                                     | –      | 12,485                                  | 10,812  | 12,485    | 10,812    |
| Other assets  |       | –                                     | –      | 1,168                                   | 680     | 1,168     | 680       |
| Tip and quarry assets                                 |       | –                                     | –      | 2,641                                   | 3,286   | 2,641     | 3,286     |
| Total infrastructure, property, plant and equipment   |       | 45,440                                | 43,701 | 990,863                                 | 959,079 | 1,036,303 | 1,002,780 |

## E2-1 Fair value measurement

| \$ '000   | Notes | Fair value measurement hierarchy         |      |  |      |       |      |
|---|-------|--|------|--|------|-------|------|
|   |       | Level 2 Significant<br>observable inputs |      | Level 3 Significant<br>unobservable inputs |      | Total |      |
|   |       | 2021                                     | 2020 | 2021                                       | 2020 | 2021  | 2020 |
| <b>Non-current assets<br/>classified as held for<br/>sale</b> | C1-7  |  |      |  |      |       |      |
| Land  |       | –  | –    | 653  | –    | 653   | –    |

(1) Reclassified as an Investment Property in 2020/21

(2) Indexation applied annually between full revaluations

### Valuation techniques

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 (IPPE)

#### Equipment, furniture and fittings – Level 3

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

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

Unobservable inputs - Estimates of useful life and residual value.

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

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

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

#### Operational land – Level 2

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

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

#### Land improvements - Level 3

Valuation Techniques – Depreciated historic cost.

## E2-1 Fair value measurement

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, open space/recreational assets – Level 3

Valuation Techniques – Cost Approach Method.

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

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

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

Unobservable inputs - Estimates of useful life, and condition.

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

Valuation Techniques – Depreciated Replacement Cost.

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



## E2-1 Fair value measurement

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\* 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 sewage 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 & Sewage 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.

### **Other assets – Level 3**

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

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

Unobservable inputs - Estimates of useful life and residual value.

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

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

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

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## E2-1 Fair value measurement

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

#### 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   |
|--|-----------------------------------|---|
| <b>Infrastructure, property, plant and equipment</b> |                                   |   |
| Equipment, 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 and 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 and sewage networks                            | Cost Approach                     | Estimated useful life, condition and residual value                       |
| Open space/recreational assets                       | Cost Approach                     | Estimated useful life and condition                                       |
| Other assets   | Cost Approach                     | Estimated useful life and condition                                       |
| Tip and quarry reinstatement assets                  | Cost estimate of future liability |   |

## E2-1 Fair value measurement

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

|  | Total           |          |
|--|-----------------|----------|
|  | 2021            | 2020     |
|  | \$ '000         | \$ '000  |
| <b>Opening balance</b>   | <b>959,079</b>  | 909,794  |
| <b>Total gains or losses for the period</b>                    |                 |          |
| Recognised in other comprehensive income – revaluation surplus | <b>5,090</b>    | 40,113   |
| <b>Other movements</b>   |                 |          |
| Transfers from/(to) another asset class                        | <b>687</b>      | (250)    |
| Purchases (GBV)  | <b>50,438</b>   | 35,519   |
| Disposals (WDV)  | <b>(5,080)</b>  | (9,066)  |
| Depreciation and impairment                                    | <b>(19,345)</b> | (17,350) |
| Other movement (rounding)                                      | <b>(6)</b>      | 319      |
| <b>Closing balance</b>   | <b>990,863</b>  | 959,079  |

## E2-1 Fair value measurement

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### Highest and best use

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

## E3-1 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, including the method used to determine the entity's rate of contributions and any minimum funding requirements*

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

|            |   |
|------------|---|
| Division B | 1.9 times member contributions for non-180 Point Members;<br>Nil for 180 Point Members* |
| Division C | 2.5% salaries   |
| Division D | 1.64 times member contributions   |

\* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) 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 past service 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 entities' 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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

*Description of any agreed allocation of a deficit or surplus on:*

(i) wind-up of the plan

## E3-1 Contingencies

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

### (ii) the entity's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer

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 2021 was \$265,964.80. The last valuation of the Scheme was performed by Richard Boyfield on 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$233,565,.24

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets                   | 2,620.5    |                |
| Past Service Liabilities | 2,445.6    | 107.2%         |
| Vested Benefits          | 2,468.7    | 106.2%         |

\* excluding other accumulation accounts and reserves in both assets and liabilities.

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) CivicRisk Mutual Limited

Council is a member of CivicRisk Mutual Ltd, a mutual self-insurance scheme providing general insurance to local government.

CivicRisk Mutual Ltd membership includes the potential to share in either the net surplus or deficit of protection years depending on its past performance. Council's share of the net surplus or deficit reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

### (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

## E3-1 Contingencies

---

### (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.

### ASSETS NOT RECOGNISED

#### Bank Guarantees

Council holds a number of bank guarantees to the value of \$2,276,917.34. 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.

## F People and relationships

### F1 Related party disclosures

#### F1-1 Key management personnel (KMP)

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:

|                          | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--------------------------|-----------------|-----------------|
| <b>Compensation:</b>     |                 |                 |
| Short-term benefits      | 1,492           | 1,436           |
| Other long-term benefits | 37              | 24              |
| <b>Total</b>             | <b>1,529</b>    | <b>1,460</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.



## F1-2 Councillor and Mayoral fees and associated expenses

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are: |                 |                 |
| Mayoral fee  | 44              | 44              |
| Councillors' fees  | 183             | 182             |
| Other Councillors' expenses (including Mayor)  | 60              | 27              |
| <b>Total</b>   | <b>287</b>      | <b>253</b>      |

## F2 Other relationships

### F2-1 Audit fees

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms |                 |                 |
| <b>Auditors of the Council - NSW Auditor-General:</b>  |                 |                 |
| <b>(i) Audit and other assurance services</b>  |                 |                 |
| Audit and review of financial statements   | 65              | 70              |
| <b>Remuneration for audit and other assurance services</b>   | <b>65</b>       | <b>70</b>       |
| <b>Total Auditor-General remuneration</b>  | <b>65</b>       | <b>70</b>       |
| <b>Non NSW Auditor-General audit firms</b>   |                 |                 |
| <b>(i) Audit and other assurance services</b>  |                 |                 |
| Audit and review of financial statements   | 11              | 6               |
| <b>Remuneration for audit and other assurance services</b>   | <b>11</b>       | <b>6</b>        |
| <b>Total remuneration of non NSW Auditor-General audit firms</b>   | <b>11</b>       | <b>6</b>        |
| <b>Total audit fees</b>  | <b>76</b>       | <b>76</b>       |

## G Other matters

### G1-1 Statement of Cash Flows information

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

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Net operating result from Income Statement</b>   | <b>41,411</b>   | 24,961          |
| <b>Adjust for non-cash items:</b>   |                 |                 |
| Depreciation and amortisation   | 19,511          | 17,480          |
| Net losses/(gains) on disposal of assets  | 2,792           | 8,525           |
| Non-cash capital grants and contributions   | (2,918)         | –               |
| 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'                             | (1,179)         | (45)            |
| – Investment property   | –               | (1,168)         |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |                 |                 |
| Decrease/(increase) in receivables  | 809             | 250             |
| Increase/(decrease) in provision for impairment of receivables                                | 3               | 11              |
| Decrease/(increase) in inventories  | (545)           | (58)            |
| Decrease/(increase) in other current assets   | (68)            | 120             |
| Decrease/(increase) in contract assets  | (1,739)         | (6,542)         |
| Increase/(decrease) in payables   | (152)           | 315             |
| Increase/(decrease) in accrued interest payable   | (15)            | (20)            |
| Increase/(decrease) in other accrued expenses payable   | 7               | –               |
| Increase/(decrease) in other liabilities  | (850)           | 1,013           |
| Increase/(decrease) in contract liabilities   | 6,660           | 6,113           |
| Increase/(decrease) in provision for employee benefits  | 552             | 762             |
| Increase/(decrease) in other provisions   | (86)            | 307             |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> | <b>64,193</b>   | 46,165          |

#### (b) Non-cash investing and financing activities

|  |              |   |
|--|--------------|---|
| Other dedications  | 2,918        | – |
| <b>Total non-cash investing and financing activities</b> | <b>2,918</b> | – |

## G2-1 Commitments

### Capital commitments (exclusive of GST)

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |                 |                 |
| <b>Property, plant and equipment</b>   |                 |                 |
| Buildings  | 2,103           | 71              |
| Plant and equipment  | 3,518           | 86              |
| Drainage   | 26              | 24              |
| Other assets   | 490             | 260             |
| Recreational facilities  | 1,956           | 677             |
| Roads and transport  | 2,275           | 1,222           |
| Sewerage network   | 456             | 9               |
| Water supply network   | 108             | 262             |
| Land development   | –               | 44              |
| Waste assets   | –               | 96              |
| Other  | 132             | –               |
| <b>Total commitments</b>   | <b>11,064</b>   | <b>2,751</b>    |
| <b>These expenditures are payable as follows:</b>  |                 |                 |
| Within the next year   | 11,064          | 2,751           |
| <b>Total payable</b>   | <b>11,064</b>   | <b>2,751</b>    |

#### Details of capital commitments

Capital commitments include:

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

## G3-1 Events occurring after the reporting date

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

## G4 Changes from prior year statements

### G4-1 Correction of errors

#### Nature of prior-period error

IPPE Revaluation Reserve

- An error of \$88,000 was discovered whereby the gain on revaluation for 2019/20 was overstated and accumulated depreciation for stormwater assets was understated by \$88,000.
- A revaluation calculation error occurred relating to founts assets for 2019/20 resulting in the IPPE revaluation reserve overstated for Roads \$46,000, Bulk Earthworks \$128,000 and stormwater understated \$21,000

IPPE

- A revaluation calculation error occurred relating to founts assets for 2019/20 resulting in the IPPE understated for Roads \$4,000, Bulk Earthworks \$27,000 and stormwater \$108,000
- The 2020/21 asset revaluation found some assets were not previously recorded in Council's IPPE balance. The net value of these assets are Land Improvement \$8,000, Other infrastructure \$387,000 and Other Recreation/Open Space \$1,303,000.

## G4-1 Correction of errors

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### Accumulated Surplus

- The total value of found assets is \$1,990,000. This has been recognised in the Statement of Changes in Equity as a correction of prior period errors.

The above error had an immaterial impact on the Statement of Financial Position at 1 July, 2019.

## G4-2 Changes in accounting estimates

---

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

A localised flooding event near Gulgong occurred on 17 February 2020, resulting in a material impairment related mostly to unsealed roads which were washed out and in need of rebuild. As at 30 June 2020 an impairment of \$744,953 of road assets was recognised as an estimate of remaining cost to repair. Subsequently the remaining repair works and roads classified as flood damaged was reassessed and reduced downwards. As a result the impairment estimate at 30 June 2020 reduced by \$724,953. This change in accounting estimate has been adjusted in 2020/21.

## G5 Statement of developer contributions as at 30 June 2021

### G5-1 Summary of developer contributions

|  | Opening<br>balance at<br>1 July 2020<br>\$ '000 | Contributions<br>received during the year |                     | Interest and<br>investment<br>income earned<br>\$ '000 | Amounts<br>expended<br>\$ '000 | Internal<br>borrowings<br>\$ '000 | Held as<br>restricted<br>asset at 30 June<br>2021<br>\$ '000 | Cumulative<br>balance of internal<br>borrowings<br>(to)/from<br>\$ '000 |
|--|---|---|---------------------|--|--------------------------------|-----------------------------------|--|---|
|  |   | Cash<br>\$ '000                           | Non-cash<br>\$ '000 |  |                                |                                   |  |   |
| Drainage   | 157   | 17  | –                   | –  | –                              | –                                 | 174  | –   |
| Open space                                       | 1,437   | 395                                       | –                   | 35   | (1)                            | –                                 | 1,866  | –   |
| Community facilities                             | 672   | 59  | –                   | 3  | (10)                           | –                                 | 724  | –   |
| Transport management                             | 738   | 230                                       | –                   | 9  | (14)                           | –                                 | 963  | –   |
| Car parking                                      | 261   | –   | –                   | –  | –                              | –                                 | 261  | –   |
| Administration                                   | 404   | 91  | –                   | 4  | (40)                           | –                                 | 459  | –   |
| Civic improvements                               | 21  | –   | –                   | –  | –                              | –                                 | 21   | –   |
| <b>S7.11 contributions – under a plan</b>        | <b>3,690</b>                                    | <b>792</b>                                | <b>–</b>            | <b>51</b>  | <b>(65)</b>                    | <b>–</b>                          | <b>4,468</b>   | <b>–</b>  |
| <b>S7.12 levies – under a plan</b>               | <b>624</b>                                      | <b>34</b>                                 | <b>–</b>            | <b>–</b>   | <b>(310)</b>                   | <b>–</b>                          | <b>348</b>   | <b>–</b>  |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>4,314</b>                                    | <b>826</b>                                | <b>–</b>            | <b>51</b>  | <b>(375)</b>                   | <b>–</b>                          | <b>4,816</b>   | <b>–</b>  |
| S7.4 planning agreements                         | 3,800   | 1,219                                     | –                   | 33   | (2,110)                        | –                                 | 2,942  | –   |
| S64 contributions                                | 9,116   | 1,328                                     | –                   | 105  | –                              | –                                 | 10,549   | –   |
| <b>Total contributions</b>                       | <b>17,230</b>                                   | <b>3,373</b>                              | <b>–</b>            | <b>189</b>   | <b>(2,485)</b>                 | <b>–</b>                          | <b>18,307</b>  | <b>–</b>  |

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.

## G5-2 Developer contributions by plan

|  | Opening<br>balance at<br>1 July 2020<br>\$ '000 | Contributions<br>received during the year |                     | Interest and<br>investment<br>income earned<br>\$ '000 | Amounts<br>expended<br>\$ '000 | Internal<br>borrowings<br>\$ '000 | Held as<br>restricted<br>asset at 30 June<br>2021<br>\$ '000 | Cumulative<br>balance of internal<br>borrowings<br>(to)/from<br>\$ '000 |
|--|---|---|---------------------|--|--------------------------------|-----------------------------------|--|---|
|  |   | Cash<br>\$ '000                           | Non-cash<br>\$ '000 |  |                                |                                   |  |   |
| <b>CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021</b> |   |   |                     |  |                                |                                   |  |   |
| Drainage   | 157   | 17  | —                   | —  | —                              | —                                 | 174  | —   |
| Open space   | 1,437   | 395                                       | —                   | 35   | (1)                            | —                                 | 1,866  | —   |
| Community facilities                                       | 672   | 59  | —                   | 3  | (10)                           | —                                 | 724  | —   |
| Transport management                                       | 738   | 230                                       | —                   | 9  | (14)                           | —                                 | 963  | —   |
| Car parking  | 261   | —   | —                   | —  | —                              | —                                 | 261  | —   |
| Administration   | 404   | 91  | —                   | 4  | (40)                           | —                                 | 459  | —   |
| Civic improvements   | 21  | —   | —                   | —  | —                              | —                                 | 21   | —   |
| <b>Total</b>   | <b>3,690</b>                                    | <b>792</b>                                | <b>—</b>            | <b>51</b>  | <b>(65)</b>                    | <b>—</b>                          | <b>4,468</b>   | <b>—</b>  |

## S7.12 Levies – under a plan

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

|              |            |           |          |          |              |          |            |          |
|--------------|------------|-----------|----------|----------|--------------|----------|------------|----------|
| 94A          | 624        | 34        | —        | —        | (310)        | —        | 348        | —        |
| <b>Total</b> | <b>624</b> | <b>34</b> | <b>—</b> | <b>—</b> | <b>(310)</b> | <b>—</b> | <b>348</b> | <b>—</b> |

## G6 Statement of performance measures

### G6-1 Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2021 | Indicator<br>2021 | Indicators<br>20202019 |        | Benchmark |
|--|-----------------|-------------------|------------------------|--------|-----------|
| 1. Operating performance ratio   |                 |                   |                        |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | 9,655           | 11.90%            | 15.57%                 | 6.96%  | > 0.00%   |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 81,113          |                   |                        |        |           |
| 2. Own source operating revenue ratio  |                 |                   |                        |        |           |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | 66,769          | 58.32%            | 60.10%                 | 61.38% | > 60.00%  |
| Total continuing operating revenue <sup>1</sup>  | 114,483         |                   |                        |        |           |
| 3. Unrestricted current ratio  |                 |                   |                        |        |           |
| Current assets less all external restrictions  | 38,804          | 4.06x             | 3.47x                  | 4.31x  | > 1.50x   |
| Current liabilities less specific purpose liabilities  | 9,547           |                   |                        |        |           |
| 4. Debt service cover ratio  |                 |                   |                        |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | 29,857          | 13.41x            | 10.59x                 | 8.42x  | > 2.00x   |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | 2,226           |                   |                        |        |           |
| 5. Rates and annual charges outstanding percentage   |                 |                   |                        |        |           |
| Rates and annual charges outstanding   | 1,443           | 3.16%             | 4.37%                  | 3.76%  | < 10.00%  |
| Rates and annual charges collectable   | 45,673          |                   |                        |        |           |
| 6. Cash expense cover ratio  |                 |                   |                        |        |           |
| Current year's cash and cash equivalents plus all term deposits  | 93,021          | 18.23             | 16.21                  | 16.19  | > 3.00    |
| Monthly payments from cash flow of operating and financing activities  | 5,103           | 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



## G6-2 Statement of performance measures by fund

| \$ '000   | General Indicators <sup>3</sup> |            | Water Indicators  |            | Sewer Indicators  |            | Benchmark   |
|---|---------------------------------|------------|-------------------|------------|-------------------|------------|-------------|
|   | 2021                            | 2020       | 2021              | 2020       | 2021              | 2020       |             |
| <b>1. Operating performance ratio</b>   |                                 |            |                   |            |                   |            |             |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup> | <b>12.01%</b>                   | 16.06%     | <b>2.22%</b>      | 11.91%     | <b>20.47%</b>     | 15.39%     | > 0.00%     |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                            |                                 |            |                   |            |                   |            |             |
| <b>2. Own source operating revenue ratio</b>  |                                 |            |                   |            |                   |            |             |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                            | <b>53.35%</b>                   | 54.56%     | <b>83.73%</b>     | 82.54%     | <b>84.54%</b>     | 87.34%     | > 60.00%    |
| Total continuing operating revenue <sup>1</sup>   |                                 |            |                   |            |                   |            |             |
| <b>3. Unrestricted current ratio</b>  |                                 |            |                   |            |                   |            |             |
| Current assets less all external restrictions   | <b>4.06x</b>                    | 3.47x      | <b>12.81x</b>     | 7.19x      | <b>13.47x</b>     | 18.25x     | > 1.50x     |
| Current liabilities less specific purpose liabilities   |                                 |            |                   |            |                   |            |             |
| <b>4. Debt service cover ratio</b>  |                                 |            |                   |            |                   |            |             |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>              | <b>24.20x</b>                   | 14.69x     | <b>5.42x</b>      | 7.47x      | <b>4.44x</b>      | 3.82x      | > 2.00x     |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                                |                                 |            |                   |            |                   |            |             |
| <b>5. Rates and annual charges outstanding percentage</b>   |                                 |            |                   |            |                   |            |             |
| Rates and annual charges outstanding  | <b>3.08%</b>                    | 4.31%      | <b>3.32%</b>      | 4.90%      | <b>3.54%</b>      | 4.57%      | < 10.00%    |
| Rates and annual charges collectable  |                                 |            |                   |            |                   |            |             |
| <b>6. Cash expense cover ratio</b>  |                                 |            |                   |            |                   |            |             |
| Current year's cash and cash equivalents plus all term deposits   | <b>14.91 mths</b>               | 12.38 mths | <b>46.66 mths</b> | 40.56 mths | <b>28.05 mths</b> | 42.25 mths | > 3.00 mths |
| Monthly payments from cash flow of operating and financing activities   |                                 |            |                   |            |                   |            |             |

(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

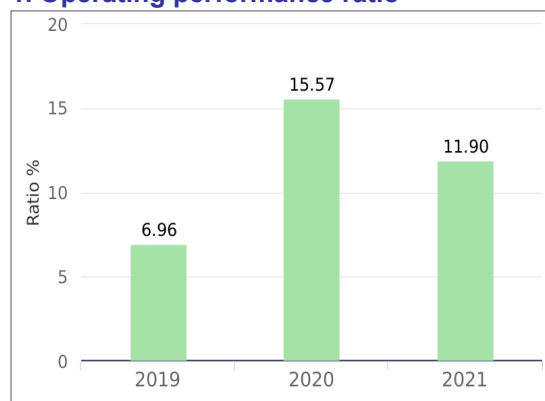
(2)Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

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

## H Additional Council disclosures (unaudited)

### H1-1 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 2020/21 result

2020/21 ratio 11.90%

Although operating revenue has been steady this year, remaining at about \$81 million, operating expenses have increased by about \$3 million. \$2 million of this is depreciation expense from roads fair value changes in 2020, and \$1 million is from increased employee costs to help build capacity to deliver Councils expanding Operating Plan.

The Operating Performance Ratio is well above benchmark.

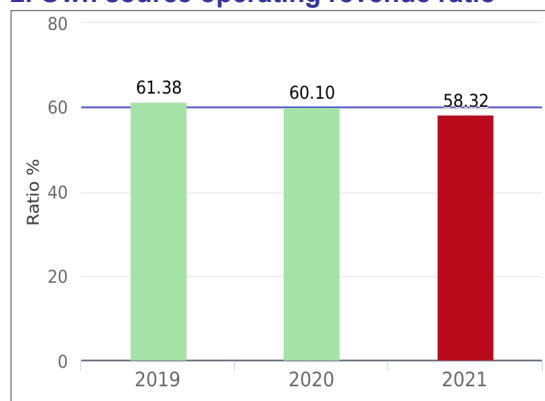
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 58.32%

Whilst Council's own source revenue from rates and annual charges has increased by approximately \$4.3 million on the prior year, other external funding has also increased and by a larger amount.

Council continues to receive large capital grants for the Art Gallery and Mudgee Cultural Precinct as well as Stage 2 of the Glen Willow sporting facility upgrades.

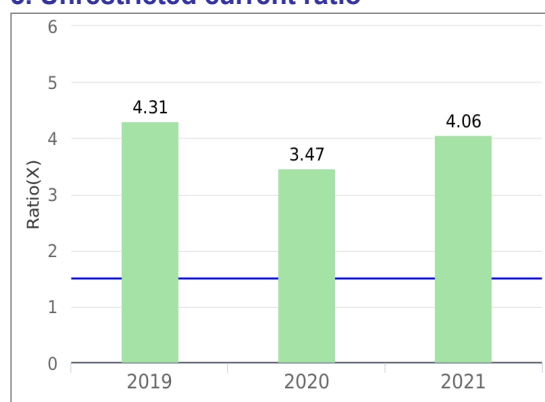
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 4.06x

Council continues to maintain adequacy of working capital and has strengthened this position during the 2021 financial year.

Council's current unrestricted assets have increased marginally year on year. Council's current liabilities have also increased, however a larger portion of those liabilities are restricted due to contract liabilities relating to unspent grants. This has resulted in the current liabilities less specific purpose liabilities relatively unchanged year on year.

Benchmark: — > 1.50x

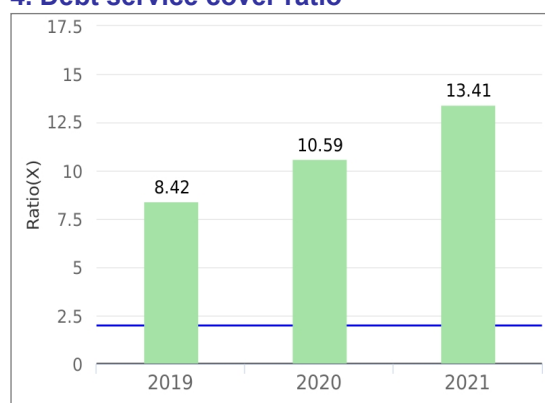
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-1 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 2020/21 result

2020/21 ratio 13.41x

The improvement in this ratio is due to the fact debt servicing costs have decreased due to repayment of a loan in 2019/20, resulting in debt repayment reducing by \$700,000 this financial year compared to 2019/2020.

Council's operating result has remained steady.

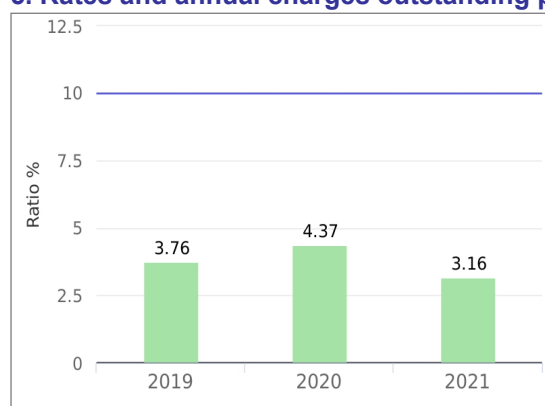
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



#### Purpose of rates and annual charges outstanding percentage

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

#### Commentary on 2020/21 result

2020/21 ratio 3.16%

Outstanding rates and annual charges has decreased by \$340,000, comparative to last financial year, whilst total rates and annual charges revenue has increased by \$5 million.

In the last quarter of 2019/20, Council ceased debt recovery action in response to the Covid-19 pandemic to provide rate payer relief. Councils debt recovery process resumed during the second half of this financial year, resulting in a reduction of outstanding rates and annual charges.

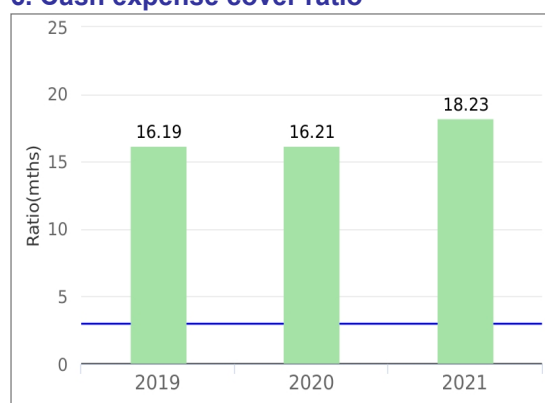
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 18.23 mths

Council's cash, cash equivalents and term deposits increased by \$14.2 million, whilst cash payments from operating and financing activities only increased by \$2.8 million.

This has resulted in an increase to the number of months Council can continue to pay expenses without additional cash inflow.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-2 Financial review

### Key financial figures of Council over the past 5 years

|   | 2021<br>\$ '000 | 2020<br>\$ '000 | 2019<br>\$ '000 | 2018<br>\$ '000 | 2017<br>\$ '000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Inflows:</b>   |                 |                 |                 |                 |                 |
| Rates and annual charges revenue                                  | 43,720          | 39,281          | 31,043          | 29,196          | 27,749          |
| User charges revenue  | 19,108          | 16,919          | 15,018          | 18,629          | 13,256          |
| Interest and investment revenue (losses)                          | 2,153           | 1,650           | 2,373           | 1,693           | 1,698           |
| Grants income – operating and capital                             | 44,341          | 37,253          | 19,937          | 20,165          | 22,037          |
| Total income from continuing operations                           | 115,662         | 102,168         | 84,178          | 81,944          | 82,344          |
| Sale proceeds from IPPE   | 3,087           | 543             | 2,054           | 1,810           | 758             |
| New loan borrowings and advances                                  | –               | 1,000           | –               | –               | –               |
| <b>Outflows:</b>  |                 |                 |                 |                 |                 |
| Employee benefits and on-cost expenses                            | 26,524          | 25,321          | 23,759          | 22,521          | 21,227          |
| Borrowing costs   | 691             | 832             | 926             | 1,064           | 1,108           |
| Materials and contracts expenses                                  | 22,945          | 23,221          | 12,723          | 14,181          | 12,860          |
| Total expenses from continuing operations                         | 74,251          | 77,207          | 65,199          | 65,579          | 62,694          |
| Total cash purchases of IPPE                                      | 49,529          | 36,392          | 24,768          | 33,985          | 25,102          |
| Total loan repayments (incl. finance leases)                      | 1,543           | 2,093           | 1,689           | 1,589           | 1,502           |
| Operating surplus/(deficit) (excl. capital income)                | 8,041           | 5,328           | 1,143           | 2,171           | 843             |
| <b>Financial position figures</b>                                 |                 |                 |                 |                 |                 |
| Current assets  | 97,120          | 92,587          | 82,914          | 69,937          | 75,795          |
| Current liabilities   | 31,149          | 24,844          | 16,234          | 14,411          | 15,418          |
| Net current assets  | 65,971          | 67,743          | 66,680          | 55,526          | 60,377          |
| Available working capital (Unrestricted net current assets)       | 12,400          | 11,463          | 12,883          | 9,716           | 8,388           |
| Cash and investments – unrestricted                               | 13,177          | 14,344          | 9,565           | 10,614          | 7,583           |
| Cash and investments – internal restrictions                      | 28,056          | 20,426          | 16,628          | 14,816          | 14,921          |
| Cash and investments – total                                      | 103,633         | 86,979          | 77,848          | 72,305          | 65,531          |
| Total borrowings outstanding (loans, advances and finance leases) | 10,441          | 11,923          | 12,980          | 14,669          | 16,258          |
| Total value of IPPE (excl. land and earthworks)                   | 1,327,095       | 1,283,824       | 954,016         | 914,358         | 891,830         |
| Total accumulated depreciation                                    | 345,634         | 334,411         | 340,353         | 330,330         | 339,421         |
| Indicative remaining useful life (as a % of GBV)                  | 74%             | 74%             | 69%             | 64%             | 62%             |

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

## H1-3 Council information and contact details

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**Principal place of business:**

86 Market Street  
Mudgee NSW 2850

**Contact details**

**Mailing Address:**

PO Box 156  
Mudgee NSW 2850

**Telephone:** 02 6378 2850

**Facsimile:** 02 6378 2815

**Opening hours:**

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

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

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

**Officers**

**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 the 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 2021, the Statement of Financial Position as at 30 June 2021, 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 2021, 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 2021 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](http://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 B5-1 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

22 October 2021  
SYDNEY





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

Contact: Unaib Jefffrey  
Phone no: 02 9275 7450  
Our ref: D2120416/1760

21 October 2021

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2021  
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 2021 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 2021 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 issue and observation during my audit of the Council's financial statements. The issue remained unaddressed as part of my audit and reported in the Final Management Letter.

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire-fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the RFS.

The following are indicators of 'control' by Council:

- the *Rural Fires Act 1997* vests rural fire-fighting equipment to council, giving Council the legal ownership
- the service agreement governs how the RFS can use these assets for fire mitigation and safety works in a council area
- as land owner, Council has responsibility for fire mitigation and safety works under the *Rural Fires Act 1997*
- Council is responsible for maintaining the assets but has transferred this responsibility to the RFS through the service agreement

- in the event of the loss of an asset, the insurance proceeds are used to reacquire or build a similar asset, which is again vested in Council.

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service

## INCOME STATEMENT

### Operating result

|  | 2021<br>\$m | 2020<br>\$m | Variance<br>% |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue                             | 43.7        | 39.3        | ↑ 11.2        |
| Grants and contributions revenue                             | 47.7        | 40.3        | ↑ 18.4        |
| Operating result from continuing operations                  | 41.4        | 25.0        | ↑ 65.6        |
| Net operating result before capital grants and contributions | 8.0         | 5.3         | ↑ 50.9        |

The Council's operating result from continuing operations of \$41.4 million (including depreciation and amortisation expense of \$19.5 million) was \$16.4 million higher than the 2019–20 result. This increase was mainly attributable to:

- Increase in rates and annual charges of \$4.4 million due to a material increase in the land values for the mining category.
- Increase in capital grants and contributions of \$13.7 million mainly due to major multiple year capital projects, with majority of construction work occurring in the 2020-21 year.
- The increase in capital grants and contributions was partially offset by a decrease in operating grants and contributions of \$6.3 million.
- Decrease in total expenses of \$3 million, driven by a significant reduction in net losses from the disposal of assets.

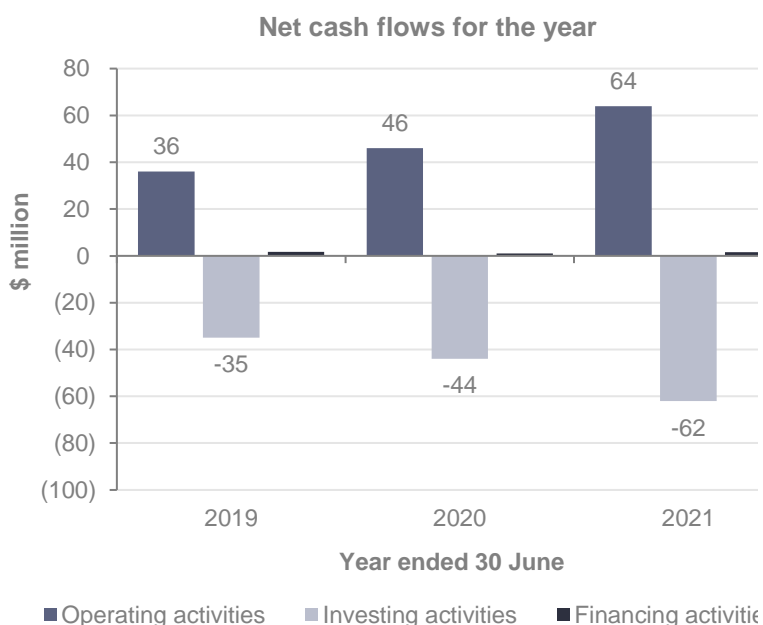
The net operating result before capital grants and contributions (\$8.0 million) was \$2.7 million higher than the 2019–20 result. This movement was primarily due to the increase in rates and annual charges of \$4.4 million outlined above.

Grants and contributions revenue (\$47.7 million) increased by \$7.4 million (18.4 per cent) in 2020–21. The current year grants and contributions revenue included:

- \$2.9 million of developer contributions received in 2021
- \$3.9 million of grants received as a result of the COVID-19 pandemic
- \$9.7 million of grants received for Glen Willow Sports Ground Upgrades.

## STATEMENT OF CASH FLOWS

- The Council reported an increase in cash and cash equivalents from \$6.0 million at 30 June 2020 to \$6.8 million at 30 June 2021.
- Cash inflows from operating activities increased from 2019-20 because of higher cash receipts from rates and annual charges and grants and contributions. Cash flows exceed budget due to large State Road projects completed.
- Cash outflows for investing activities were higher than expected by \$18.9 million due to purchase of infrastructure, property, plant and equipment.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments                                | 2021         | 2020      | Commentary   |
|---|--------------|-----------|--|
|   | \$m          | \$m       |  |
| <b>Total cash, cash equivalents and investments</b> | <b>103.6</b> | <b>87</b> | <ul style="list-style-type: none"> <li>External restrictions primarily include developer contributions, water supply and sewerage services, domestic waste management charges and specific purpose unexpended grants. These increase from the prior year was mainly due to increase in specific purpose unexpected grants (general funds)</li> <li>Internal restrictions are due to Council policy or decisions for forward plans including the capital works program. These include funds for plant and vehicle replacement, land development, and Seal Extension Program etc. The increase from the prior year was mainly attributable to the increase in plant and equipment replacement and land development.</li> </ul> |
| Restricted cash and investments:                    |              |           |  |
| • External restrictions                             | 62.4         | 52.2      |  |
| • Internal restrictions                             | 28.0         | 20.4      |  |
| • Unrestricted                                      | 13.2         | 14.4      |  |

## 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 2020-21 financial year.

## PERFORMANCE

### Performance measures

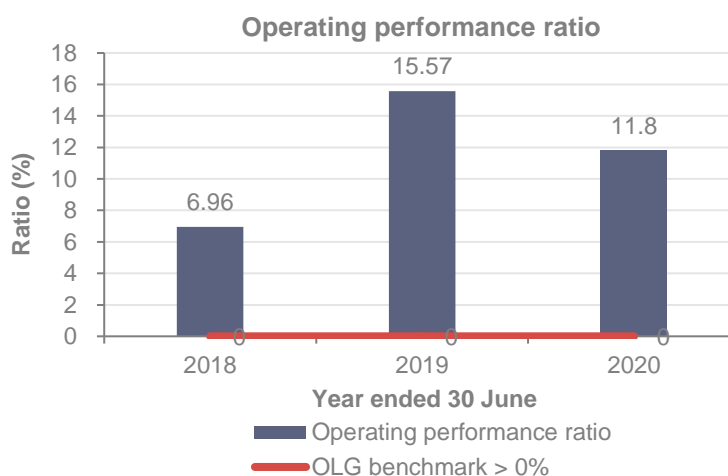
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### 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.

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

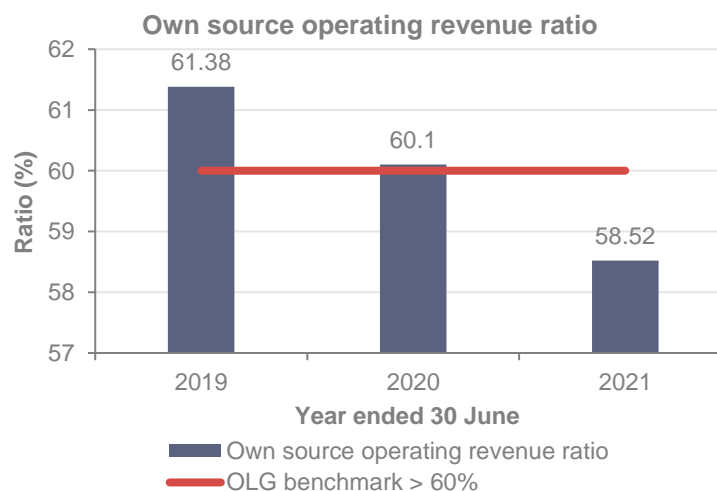
Operating revenue of \$81 million was recorded in 2021 while, operating expenses have decreased by \$3 million.



#### 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 did not meet the OLG benchmark for the current reporting period. Council's own source income from rates and annual charges has increased by \$4.4 million from the prior year. However, other external funding being capital grants has also increased by a significant amount. Council continues to receive large capital grants for the Art Gallery and Mudgee Cultural Precinct as well as Stage 2 of the Glen Willow sporting facility upgrades.

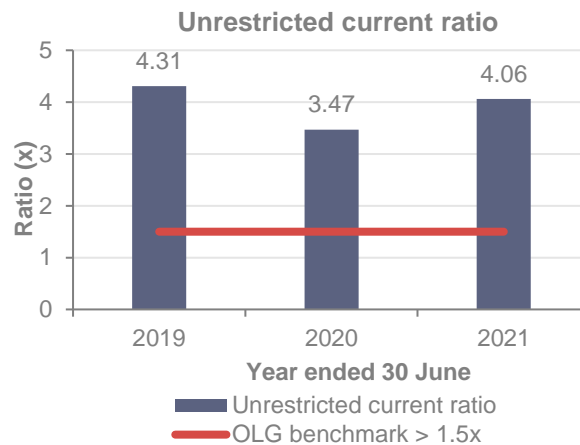


## Unrestricted current ratio

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.

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

Council continues to maintain adequate working capital and has strengthened this position during the 2021 financial year.

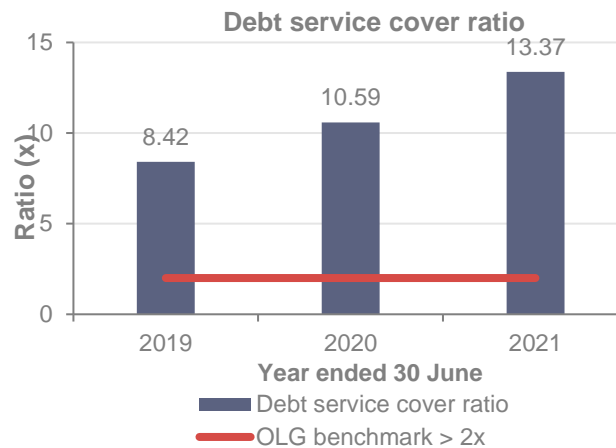


## Debt service cover ratio

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.

The improvement in this ratio is due to the fact debt servicing costs have decreased by \$0.7 million this year compared to 2019-20.

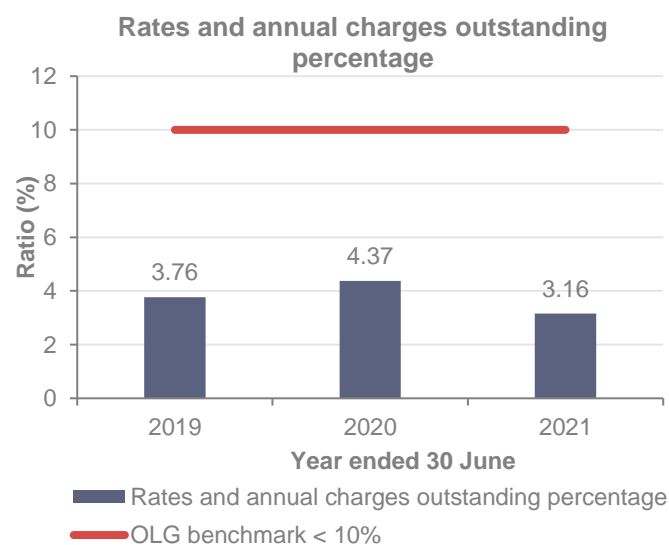


## Rates and annual charges outstanding percentage

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.

Outstanding rates and annual charges have decreased by \$0.3 million, comparative to last financial year, whilst total rates revenue increased by \$4.4 million.

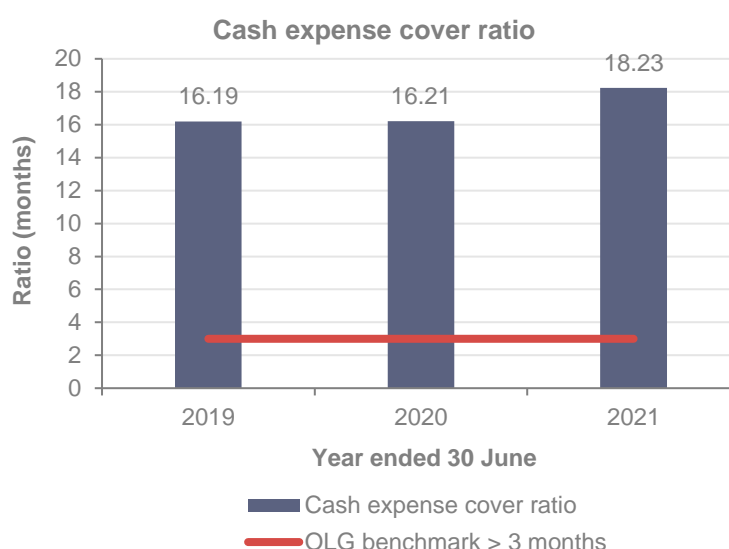


## Cash expense cover ratio

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 18 months of cash expenditure without additional cash inflows at 30 June 2021.



## Infrastructure, property, plant and equipment renewals

- Council spent \$19.6 million on asset renewals in 2021-20 compared to \$21.9 million in 2019-20. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.
- Asset renewals in 2021-20 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 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council had not identified any arrangements with private sector operators that should be classified as either service concession arrangements within AASB 1059, leases or outsourcing arrangements.

### 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.

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

Unaib Jeoffrey  
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  
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

# Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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





# Mid-Western Regional Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

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|---|-----------|
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| Statement of Financial Position of water supply business activity | 6         |
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### Background

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

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

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

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

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

## Mid-Western Regional Council

### Special Purpose Financial Statements

for the year ended 30 June 2021

### Statement by Councillors and Management

---

#### 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.

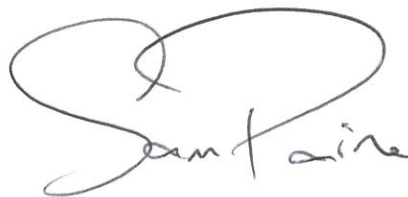
Signed in accordance with a resolution of Council made on 04 August 2021.



Des Kennedy

Mayor

12 August 2021



Sam Paine

Deputy Mayor

12 August 2021



Brad Cam

General Manager

12 August 2021



Leonie Johnson

Chief Financial Officer

12 August 2021

## Mid-Western Regional Council

### Income Statement of water supply business activity for the year ended 30 June 2021

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| Access charges   | 1,650           | 1,578           |
| User charges   | 5,716           | 6,563           |
| Interest   | 326             | 285             |
| Grants and contributions provided for non-capital purposes                 | 3               | —               |
| Other income   | 19              | 1               |
| <b>Total income from continuing operations</b>                             | <b>7,714</b>    | <b>8,427</b>    |
| Employee benefits and on-costs   | 1,886           | 1,775           |
| Borrowing costs  | 85              | 105             |
| Materials and services   | 3,670           | 3,672           |
| Depreciation, amortisation and impairment                                  | 1,902           | 1,871           |
| Loss on sale of assets   | 5               | 87              |
| <b>Total expenses from continuing operations</b>                           | <b>7,548</b>    | <b>7,510</b>    |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>166</b>      | <b>917</b>      |
| Grants and contributions provided for capital purposes                     | 1,495           | 1,783           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>1,661</b>    | <b>2,700</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>1,661</b>    | <b>2,700</b>    |
| Less: corporate taxation equivalent [based on result before capital]       | (43)            | (252)           |
| <b>Surplus (deficit) after tax</b>   | <b>1,618</b>    | <b>2,448</b>    |
| <b>Plus accumulated surplus</b>  | <b>61,426</b>   | <b>58,755</b>   |
| <b>Plus/less: prior period error</b>                                       | <b>(156)</b>    | <b>—</b>        |
| <b>Plus/less: Transfer to retained earnings for asset disposals</b>        | <b>10</b>       | <b>(29)</b>     |
| <b>Plus adjustments for amounts unpaid:</b>                                |                 |                 |
| – Corporate taxation equivalent  | 43              | 252             |
| <b>Return on capital %</b>   | <b>0.3%</b>     | <b>1.3%</b>     |
| <b>Subsidy from Council</b>  | <b>964</b>      | <b>—</b>        |
| <b>Calculation of dividend payable:</b>                                    |                 |                 |
| Surplus (deficit) after tax  | 1,618           | 2,448           |
| Less: capital grants and contributions (excluding developer contributions) | (1,495)         | (1,783)         |
| <b>Surplus for dividend calculation purposes</b>                           | <b>123</b>      | <b>665</b>      |
| <b>Potential dividend calculated from surplus</b>                          | <b>61</b>       | <b>333</b>      |

## Mid-Western Regional Council

### Income Statement of sewerage business activity

for the year ended 30 June 2021

|  | 2021<br>\$ '000 | 2020<br>\$ '000 |
|--|-----------------|-----------------|
| Access charges   | 6,753           | 6,404           |
| User charges   | 728             | 602             |
| Interest   | 323             | 266             |
| Grants and contributions provided for non-capital purposes                 | 76              | —               |
| Other income   | 39              | 39              |
| <b>Total income from continuing operations</b>                             | <b>7,919</b>    | <b>7,311</b>    |
| Employee benefits and on-costs   | 1,484           | 1,444           |
| Borrowing costs  | 502             | 522             |
| Materials and services   | 2,713           | 2,669           |
| Depreciation, amortisation and impairment                                  | 1,593           | 1,551           |
| Loss on sale of assets   | 19              | 1               |
| <b>Total expenses from continuing operations</b>                           | <b>6,311</b>    | <b>6,187</b>    |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>1,608</b>    | <b>1,124</b>    |
| Grants and contributions provided for capital purposes                     | 1,358           | 1,060           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>2,966</b>    | <b>2,184</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>2,966</b>    | <b>2,184</b>    |
| Less: corporate taxation equivalent [based on result before capital]       | (418)           | (309)           |
| <b>Surplus (deficit) after tax</b>   | <b>2,548</b>    | <b>1,875</b>    |
| <b>Plus accumulated surplus</b>  | <b>52,559</b>   | <b>50,375</b>   |
| <b>Plus/less: prior period adjustments</b>                                 | <b>(206)</b>    | <b>—</b>        |
| <b>Plus/less: Transfer to retained earnings for asset disposals</b>        | <b>10</b>       | <b>—</b>        |
| <b>Plus adjustments for amounts unpaid:</b>                                |                 |                 |
| – Corporate taxation equivalent  | 418             | 309             |
| <b>Return on capital %</b>   | <b>2.3%</b>     | <b>1.8%</b>     |
| <b>Subsidy from Council</b>  | <b>—</b>        | <b>—</b>        |
| <b>Calculation of dividend payable:</b>                                    |                 |                 |
| Surplus (deficit) after tax  | 2,548           | 1,875           |
| Less: capital grants and contributions (excluding developer contributions) | (1,358)         | (1,060)         |
| <b>Surplus for dividend calculation purposes</b>                           | <b>1,190</b>    | <b>815</b>      |
| <b>Potential dividend calculated from surplus</b>                          | <b>595</b>      | <b>408</b>      |

## Mid-Western Regional Council

### Statement of Financial Position of water supply business activity

as at 30 June 2021

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                 |                 |                 |
| <b>Current assets</b>                         |                 |                 |
| Cash and cash equivalents                     | 1,105           | 1,041           |
| Investments                                   | 11,149          | 12,524          |
| Receivables                                   | 1,443           | 1,904           |
| Inventories                                   | 202             | 202             |
| <b>Total current assets</b>                   | <b>13,899</b>   | <b>15,671</b>   |
| <b>Non-current assets</b>                     |                 |                 |
| Investments                                   | 3,902           | 1,928           |
| Infrastructure, property, plant and equipment | 81,556          | 80,414          |
| <b>Total non-current assets</b>               | <b>85,458</b>   | <b>82,342</b>   |
| <b>Total assets</b>                           | <b>99,357</b>   | <b>98,013</b>   |
| <b>LIABILITIES</b>                            |                 |                 |
| <b>Current liabilities</b>                    |                 |                 |
| Contract liabilities                          | 121             | 270             |
| Payables                                      | 606             | 970             |
| Borrowings                                    | 479             | 314             |
| <b>Total current liabilities</b>              | <b>1,206</b>    | <b>1,554</b>    |
| <b>Non-current liabilities</b>                |                 |                 |
| Borrowings                                    | 665             | 1,145           |
| <b>Total non-current liabilities</b>          | <b>665</b>      | <b>1,145</b>    |
| <b>Total liabilities</b>                      | <b>1,871</b>    | <b>2,699</b>    |
| <b>Net assets</b>                             | <b>97,486</b>   | <b>95,314</b>   |
| <b>EQUITY</b>                                 |                 |                 |
| Accumulated surplus                           | 62,941          | 61,426          |
| Revaluation reserves                          | 34,545          | 33,888          |
| <b>Total equity</b>                           | <b>97,486</b>   | <b>95,314</b>   |

## Mid-Western Regional Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

|   | 2021<br>\$ '000 | 2020<br>\$ '000 |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                 |                 |                 |
| <b>Current assets</b>                         |                 |                 |
| Contract assets and contract cost assets      | 55              | 584             |
| Cash and cash equivalents                     | 1,076           | 808             |
| Investments                                   | 11,301          | 11,296          |
| Receivables                                   | 483             | 460             |
| Inventories                                   | 20              | 20              |
| <b>Total current assets</b>                   | <b>12,935</b>   | <b>13,168</b>   |
| <b>Non-current assets</b>                     |                 |                 |
| Investments                                   | 3,956           | 1,739           |
| Infrastructure, property, plant and equipment | 91,927          | 90,603          |
| <b>Total non-current assets</b>               | <b>95,883</b>   | <b>92,342</b>   |
| <b>Total assets</b>                           | <b>108,818</b>  | <b>105,510</b>  |
| <b>LIABILITIES</b>                            |                 |                 |
| <b>Current liabilities</b>                    |                 |                 |
| Payables                                      | 622             | 170             |
| Borrowings                                    | 334             | 335             |
| <b>Total current liabilities</b>              | <b>956</b>      | <b>505</b>      |
| <b>Non-current liabilities</b>                |                 |                 |
| Borrowings                                    | 7,158           | 7,493           |
| <b>Total non-current liabilities</b>          | <b>7,158</b>    | <b>7,493</b>    |
| <b>Total liabilities</b>                      | <b>8,114</b>    | <b>7,998</b>    |
| <b>Net assets</b>                             | <b>100,704</b>  | <b>97,512</b>   |
| <b>EQUITY</b>                                 |                 |                 |
| Accumulated surplus                           | 55,329          | 52,559          |
| Revaluation reserves                          | 45,375          | 44,953          |
| <b>Total equity</b>                           | <b>100,704</b>  | <b>97,512</b>   |

## Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) 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, fair value 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, and returns 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.

### 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 – **26%** (19/20 27.5%)

## Note – Significant Accounting Policies

**Land tax** – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

**Payroll tax** – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the Department of Planning, Industry & Environment – 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 Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to the DPIE – 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 26% (19/20 27.5%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the '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 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all 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. 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.

#### (i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

#### (ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.



## Note – Significant Accounting Policies

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The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

### (iii) 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 2021 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 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 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 2021, 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 2021 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](http://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 horizontal stroke extending to the right.

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

22 October 2021

SYDNEY

# Mid-Western Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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



Mid-Western Regional Council

Special Schedules

for the year ended 30 June 2021

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|  |      |
|--|------|
| Contents   | Page |
| <b>Special Schedules:</b>                          |      |
| Permissible income for general rates               | 3    |
| Report on infrastructure assets as at 30 June 2021 | 7    |

## Mid-Western Regional Council

### Permissible income for general rates

|   | Notes                   | Calculation<br>2020/21<br>\$ '000 | Calculation<br>2021/22<br>\$ '000 |
|---|-------------------------|-----------------------------------|-----------------------------------|
| <b>Notional general income calculation <sup>1</sup></b>           |                         |                                   |                                   |
| Last year notional general income yield                           | a                       | 27,731                            | 30,041                            |
| Plus or minus adjustments <sup>2</sup>                            | b                       | 137                               | 135                               |
| <b>Notional general income</b>                                    | c = a + b               | <b>27,868</b>                     | <b>30,176</b>                     |
| <b>Permissible income calculation</b>                             |                         |                                   |                                   |
| Or rate peg percentage  | e                       | 2.60%                             | 2.00%                             |
| Or plus rate peg amount   | i = e x (c + g)         | 725                               | 604                               |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>28,593</b>                     | <b>30,780</b>                     |
| Plus (or minus) last year's carry forward total                   | l                       | —                                 | 34                                |
| Less valuation objections claimed in the previous year            | m                       | (1)                               | (1,483)                           |
| <b>Sub-total</b>  | n = (l + m)             | <b>(1)</b>                        | <b>(1,449)</b>                    |
| <b>Total permissible income</b>                                   | o = k + n               | <b>28,592</b>                     | <b>29,331</b>                     |
| Less notional general income yield                                | p                       | 30,041                            | 30,265                            |
| <b>Catch-up or (excess) result</b>                                | q = o - p               | <b>(1,449)</b>                    | <b>(935)</b>                      |
| Plus income lost due to valuation objections claimed <sup>4</sup> | r                       | 1,483                             | 935                               |
| <b>Carry forward to next year <sup>6</sup></b>                    | t = q + r + s           | <b>34</b>                         | <b>—</b>                          |

#### Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Mid-Western Regional Council (the Council) for the year ending 30 June 2022.

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 2020–21 (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 2021 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 2021'.

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](http://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 horizontal stroke extending to the right.

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

22 October 2021  
SYDNEY

## Mid-Western Regional Council

## Report on infrastructure assets as at 30 June 2021

| Asset Class                      | Asset Category                       | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2020/21 Required maintenance <sup>a</sup> | 2020/21 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |              |             |
|----------------------------------|--------------------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
|                                  |                                      | \$ '000   | \$ '000   | \$ '000                                   | \$ '000                    | \$ '000             | \$ '000                      | 1   | 2            | 3            | 4            | 5           |
| Buildings                        | Buildings                            | 415   | 415   | 1,463                                     | 1,386                      | 75,035              | 103,381                      | 10.7%   | 1.5%         | 86.4%        | 1.3%         | 0.1%        |
|                                  | <b>Sub-total</b>                     | <b>415</b>  | <b>415</b>  | <b>1,463</b>                              | <b>1,386</b>               | <b>75,035</b>       | <b>103,381</b>               | <b>10.7%</b>  | <b>1.5%</b>  | <b>86.4%</b> | <b>1.3%</b>  | <b>0.1%</b> |
| Other structures                 | Other structures                     | 29  | 29  | —   | —                          | 558                 | 897                          | 62.7%   | 27.1%        | 1.9%         | 4.9%         | 3.4%        |
|                                  | <b>Sub-total</b>                     | <b>29</b>   | <b>29</b>   | <b>—</b>                                  | <b>—</b>                   | <b>558</b>          | <b>897</b>                   | <b>62.7%</b>  | <b>27.1%</b> | <b>1.9%</b>  | <b>4.9%</b>  | <b>3.4%</b> |
| Roads                            | Roads                                | 21,189  | 21,189  | 3,784                                     | 4,091                      | 541,900             | 658,244                      | 16.1%   | 42.1%        | 28.5%        | 8.4%         | 4.9%        |
|                                  | Bridges                              | 747   | 747   | 189                                       | 116                        | 59,952              | 113,760                      | 14.5%   | 31.2%        | 49.9%        | 4.4%         | 0.0%        |
|                                  | Footpaths and Cycleways              | 205   | 205   | 64  | 68                         | 8,164               | 13,642                       | 42.3%   | 25.5%        | 22.2%        | 9.8%         | 0.2%        |
|                                  | Other road assets (incl. earthworks) | 2,223   | 2,223   | 17  | 18                         | 18,660              | 33,462                       | 16.8%   | 23.5%        | 19.3%        | 38.0%        | 2.4%        |
|                                  | <b>Sub-total</b>                     | <b>24,364</b>   | <b>24,364</b>   | <b>4,054</b>                              | <b>4,293</b>               | <b>628,676</b>      | <b>819,108</b>               | <b>16.3%</b>  | <b>39.5%</b> | <b>31.0%</b> | <b>9.1%</b>  | <b>4.0%</b> |
| Water supply network             | Other                                | 6,546   | 6,546   | 1,643                                     | 1,644                      | 75,004              | 122,004                      | 22.9%   | 39.3%        | 23.4%        | 9.2%         | 5.2%        |
|                                  | <b>Sub-total</b>                     | <b>6,546</b>  | <b>6,546</b>  | <b>1,643</b>                              | <b>1,644</b>               | <b>75,004</b>       | <b>122,004</b>               | <b>22.9%</b>  | <b>39.3%</b> | <b>23.4%</b> | <b>9.2%</b>  | <b>5.2%</b> |
| Sewerage network                 | Sewerage network                     | 4,415   | 4,415   | 1,126                                     | 1,036                      | 87,422              | 119,601                      | 27.8%   | 32.3%        | 9.1%         | 26.8%        | 4.0%        |
|                                  | <b>Sub-total</b>                     | <b>4,415</b>  | <b>4,415</b>  | <b>1,126</b>                              | <b>1,036</b>               | <b>87,422</b>       | <b>119,601</b>               | <b>27.8%</b>  | <b>32.3%</b> | <b>9.1%</b>  | <b>26.8%</b> | <b>4.0%</b> |
| Stormwater drainage              | Stormwater drainage                  | 54  | 54  | 545                                       | 600                        | 24,247              | 33,698                       | 19.5%   | 2.0%         | 78.1%        | 0.0%         | 0.4%        |
|                                  | <b>Sub-total</b>                     | <b>54</b>   | <b>54</b>   | <b>545</b>                                | <b>600</b>                 | <b>24,247</b>       | <b>33,698</b>                | <b>19.5%</b>  | <b>2.0%</b>  | <b>78.1%</b> | <b>0.0%</b>  | <b>0.4%</b> |
| Open space / recreational assets | Swimming pools                       | 29  | 29  | 504                                       | 481                        | 5,888               | 11,063                       | 29.3%   | 23.0%        | 46.9%        | 0.6%         | 0.2%        |
|                                  | Other Recreational/Open Space        | 488   | 488   | 2,345                                     | 1,956                      | 15,623              | 21,445                       | 44.2%   | 29.2%        | 18.3%        | 8.2%         | 0.1%        |
|                                  | <b>Sub-total</b>                     | <b>517</b>  | <b>517</b>  | <b>2,849</b>                              | <b>2,437</b>               | <b>21,511</b>       | <b>32,508</b>                | <b>39.1%</b>  | <b>27.1%</b> | <b>28.0%</b> | <b>5.6%</b>  | <b>0.1%</b> |
| Other infrastructure assets      | Other                                | 269   | 269   | 736                                       | 706                        | 12,485              | 20,491                       | 26.3%   | 31.4%        | 38.8%        | 2.8%         | 0.7%        |
|                                  | <b>Sub-total</b>                     | <b>269</b>  | <b>269</b>  | <b>736</b>                                | <b>706</b>                 | <b>12,485</b>       | <b>20,491</b>                | <b>26.3%</b>  | <b>31.4%</b> | <b>38.8%</b> | <b>2.8%</b>  | <b>0.7%</b> |
| <b>Total – all assets</b>        |                                      | <b>36,609</b>   | <b>36,609</b>   | <b>12,416</b>                             | <b>12,102</b>              | <b>924,938</b>      | <b>1,251,688</b>             | <b>18.5%</b>  | <b>34.2%</b> | <b>34.0%</b> | <b>9.7%</b>  | <b>3.6%</b> |

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

## Mid-Western Regional Council

### Report on infrastructure assets as at 30 June 2021

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#### Infrastructure asset condition assessment 'key'

| # | Condition           | Integrated planning and reporting (IP&R) description |
|---|---------------------|--|
| 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                    |

## Mid-Western Regional Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

| \$ '000  | Amounts<br>2021 | Indicator<br>2021 | Indicators<br>2020      2019 |         | Benchmark  |
|--|-----------------|-------------------|------------------------------|---------|------------|
| Buildings and infrastructure renewals ratio                              |                 |                   |                              |         |            |
| Asset renewals <sup>1</sup>  | 17,289          | 111.51%           | 119.52%                      | 174.13% | >= 100.00% |
| Depreciation, amortisation and impairment                                | 15,504          |                   |                              |         |            |
| Infrastructure backlog ratio   |                 |                   |                              |         |            |
| Estimated cost to bring assets to a satisfactory standard                | 36,609          | 3.87%             | 3.43%                        | 4.98%   | < 2.00%    |
| Net carrying amount of infrastructure assets                             | 944,838         |                   |                              |         |            |
| Asset maintenance ratio  |                 |                   |                              |         |            |
| Actual asset maintenance   | 12,102          | 97.47%            | 101.17%                      | 105.69% | > 100.00%  |
| Required asset maintenance   | 12,416          |                   |                              |         |            |
| Cost to bring assets to agreed service level                             |                 |                   |                              |         |            |
| Estimated cost to bring assets to an agreed service level set by Council | 36,609          | 2.92%             | 2.56%                        | 3.65%   |            |
| Gross replacement cost   | 1,251,688       |                   |                              |         |            |

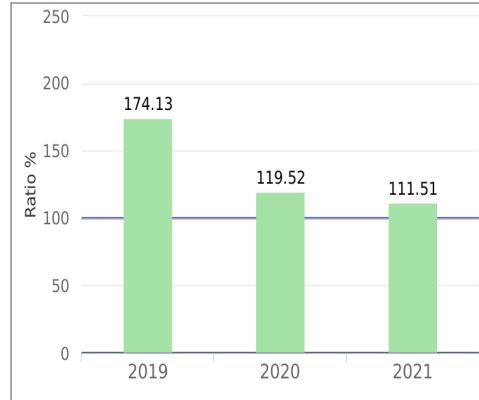
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) 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.

## Mid-Western Regional Council

### Report on infrastructure assets as at 30 June 2021

#### 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

20/21 ratio 111.51%

Council continues to renew assets at a higher rate than depreciation, reflecting the aim to reduce infrastructure backlog. The majority of the renewal expenditure was on roads, bridges and footpaths, which was \$9.7M.

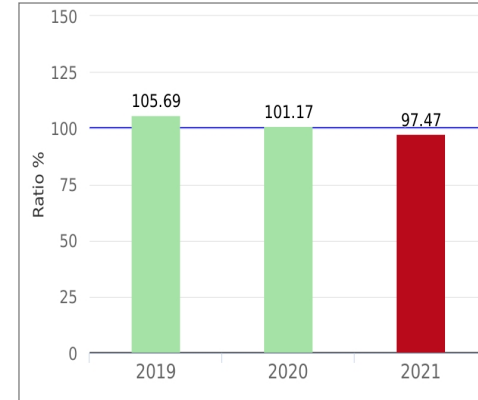
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

20/21 ratio 97.47%

Council's asset maintenance ratio still remains close to the 100% target.

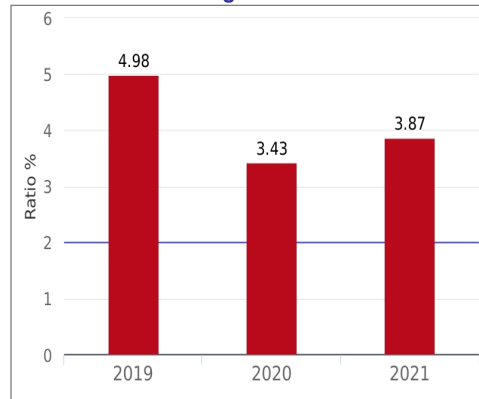
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

20/21 ratio 3.87%

Condition assessment is the main factor that results in changes in this ratio. The backlog amount increase mostly related to road and sewer assets.

Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

20/21 ratio 2.92%

This ratio has remained low, as Council is adequately renewing its existing assets.

## Mid-Western Regional Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (by fund)

| \$ '000  | General fund |         | Water fund |         | Sewer fund |         | Benchmark  |
|--|--------------|---------|------------|---------|------------|---------|------------|
|  | 2021         | 2020    | 2021       | 2020    | 2021       | 2020    |            |
| Buildings and infrastructure renewals ratio                              |              |         |            |         |            |         |            |
| Asset renewals <sup>1</sup>  |              |         |            |         |            |         |            |
| Depreciation, amortisation and impairment                                | 129.56%      | 121.12% | 79.53%     | 8.72%   | 13.58%     | 243.15% | >= 100.00% |
| Infrastructure backlog ratio   |              |         |            |         |            |         |            |
| Estimated cost to bring assets to a satisfactory standard                |              |         |            |         |            |         |            |
| Net carrying amount of infrastructure assets                             | 3.30%        | 2.76%   | 8.55%      | 9.15%   | 4.91%      | 4.33%   | < 2.00%    |
| Asset maintenance ratio  |              |         |            |         |            |         |            |
| Actual asset maintenance   |              |         |            |         |            |         |            |
| Required asset maintenance   | 97.67%       | 100.13% | 100.06%    | 100.43% | 92.01%     | 111.01% | > 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   | 2.54%        | 2.10%   | 5.36%      | 5.69%   | 3.69%      | 3.21%   |            |

(1) 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.