

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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



Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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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

Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

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 2022.

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 2022

Statement by Councillors and Management

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:

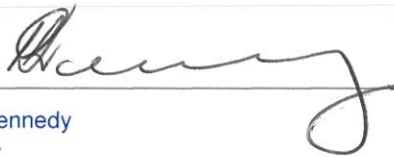
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

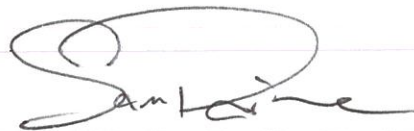
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 17 August 2022.



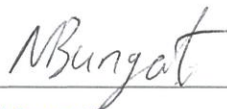
Des Kennedy
Mayor
17 August 2022



Sam Paine
Deputy Mayor
17 August 2022



Brad Cam
General Manager
17 August 2022



Neil Bungate
Acting Chief Financial Officer
17 August 2022

Mid-Western Regional Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
	Income from continuing operations			
44,782	Rates and annual charges	B2-1	44,707	43,720
14,893	User charges and fees	B2-2	16,599	19,108
4,024	Other revenues	B2-3	2,340	1,856
14,418	Grants and contributions provided for operating purposes	B2-4	16,598	14,344
33,054	Grants and contributions provided for capital purposes	B2-4	22,912	33,370
1,736	Interest and investment income	B2-5	836	974
–	Other income	B2-6	2,243	2,290
112,907	Total income from continuing operations		106,235	115,662
	Expenses from continuing operations			
30,472	Employee benefits and on-costs	B3-1	29,479	26,524
15,670	Materials and services	B3-2	24,083	22,945
545	Borrowing costs	B3-3	533	691
18,239	Depreciation, amortisation and impairment of non-financial assets	B3-4	18,380	19,511
8,556	Other expenses	B3-5	2,380	1,788
1,843	Net loss from the disposal of assets	B4-1	290	2,792
75,325	Total expenses from continuing operations		75,145	74,251
37,582	Operating result from continuing operations		31,090	41,411
37,582	Net operating result for the year attributable to Council		31,090	41,411
4,528	Net operating result for the year before grants and contributions provided for capital purposes		8,178	8,041

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 2022

	Notes	2022 \$ '000	2021 \$ '000
Net operating result for the year – from Income Statement		31,090	41,411
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	70,256	4,365
Adjustment to correct prior period errors		–	1,749
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	–	725
Total items which will not be reclassified subsequently to the operating result		70,256	6,839
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Asset Remediation provision movements		1,425	112
Total items which will be reclassified subsequently to the operating result when specific conditions are met		1,425	112
Total other comprehensive income for the year		71,681	6,951
Total comprehensive income for the year attributable to Council		102,771	48,362

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 2022

	Notes	2022 \$ '000	2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	5,343	6,807
Investments	C1-2	83,427	71,712
Receivables	C1-4	7,792	7,656
Inventories	C1-5	1,640	1,917
Contract assets and contract cost assets	C1-6	3,819	8,281
Current assets classified as held for sale	C1-7	–	653
Other	C1-11	291	94
Total current assets		102,312	97,120
Non-current assets			
Investments	C1-2	39,000	25,114
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,123,576	1,036,303
Investment property	C1-9	8,709	7,934
Intangible assets	C1-10	339	413
Right of use assets	C2-1	476	594
Total non-current assets		1,172,100	1,070,358
Total assets		1,274,412	1,167,478
LIABILITIES			
Current liabilities			
Payables	C3-1	8,962	8,285
Contract liabilities	C3-2	12,826	12,841
Lease liabilities	C2-1	74	87
Borrowings	C3-3	1,940	1,568
Employee benefit provisions	C3-4	7,427	8,312
Provisions	C3-5	2,467	56
Total current liabilities		33,696	31,149
Non-current liabilities			
Lease liabilities	C2-1	430	514
Borrowings	C3-3	14,333	8,873
Employee benefit provisions	C3-4	565	597
Provisions	C3-5	1,130	4,858
Total non-current liabilities		16,458	14,842
Total liabilities		50,154	45,991
Net assets		1,224,258	1,121,487
EQUITY			
Accumulated surplus	C4-1	546,897	513,803
IPPE revaluation reserve	C4-1	677,361	607,684
Council equity interest		1,224,258	1,121,487
Total equity		1,224,258	1,121,487

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 2022

	2022			2021 ¹		
	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July	513,803	607,684	1,121,487	467,189	605,936	1,073,125
Restated opening balance	513,803	607,684	1,121,487	467,189	605,936	1,073,125
Net operating result for the year	31,090	–	31,090	41,411	–	41,411
Net operating result for the period	31,090	–	31,090	41,411	–	41,411
Other comprehensive income						
Correction of prior period errors	–	–	–	1,990	(241)	1,749
Gain (loss) on revaluation of infrastructure, property, plant and equipment	–	70,256	70,256	–	4,365	4,365
Impairment (loss) reversal relating to IPP&E	–	–	–	–	725	725
Other movements (Asset remediation provision movement)	–	1,425	1,425	–	112	112
Other comprehensive income	–	71,681	71,681	1,990	4,961	6,951
Total comprehensive income	31,090	71,681	102,771	43,401	4,961	48,362
Transfers between equity items	2,004	(2,004)	–	3,213	(3,213)	–
Closing balance at 30 June	546,897	677,361	1,224,258	513,803	607,684	1,121,487

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 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
44,472	Rates and annual charges		45,000	43,074
15,147	User charges and fees		15,112	18,928
1,775	Interest received		725	1,151
47,139	Grants and contributions		42,907	51,176
–	Bonds, deposits and retentions received		136	752
5,950	Other		10,662	8,816
<i>Payments:</i>				
(29,976)	Payments to employees		(29,268)	(26,032)
(11,892)	Payments for materials and services		(29,443)	(29,405)
(448)	Borrowing costs		(949)	(706)
–	Bonds, deposits and retentions refunded		–	(627)
(15,809)	Other		(2,745)	(2,934)
56,358	Net cash flows from operating activities	G1-1	52,137	64,193
Cash flows from investing activities				
<i>Receipts:</i>				
3,584	Redemption of term deposits		61,100	121,000
–	Proceeds from sale of IPPE		3,045	3,087
<i>Payments:</i>				
(79)	Purchase of investments		138	(1,283)
–	Acquisition of term deposits		(87,300)	(134,414)
–	Purchase of investment property		–	(494)
(60,662)	Payments for IPPE		(36,289)	(49,529)
–	Purchase of intangible assets		(58)	(247)
(57,157)	Net cash flows from investing activities		(59,364)	(61,880)
Cash flows from financing activities				
<i>Receipts:</i>				
1,976	Proceeds from borrowings		7,400	–
<i>Payments:</i>				
(1,568)	Repayment of borrowings		(1,568)	(1,482)
–	Principal component of lease payments		(69)	(53)
408	Net cash flows from financing activities		5,763	(1,535)
(391)	Net change in cash and cash equivalents		(1,464)	778
8,246	Cash and cash equivalents at beginning of year		6,807	6,029
7,855	Cash and cash equivalents at end of year	C1-1	5,343	6,807
70,710	plus: Investments on hand at end of year	C1-2	122,427	96,826
78,565	Total cash, cash equivalents and investments		127,770	103,633

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

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 18 October 2022. 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 activities have been included as part of the Consolidated Fund:

A1-1 Basis of preparation

- 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 value of these services has been included in the financial statements estimated at \$198,000 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 2022 have been impacted by the COVID 19 pandemic. The following steps were taken in response during the year:

Grant approved for Council

Emergency Services Levy in 2021/22, \$311,709 to cover the cost increase
 Emergency Support Meals on Wheels \$21,329
 Testing clinic and pop up vaccination clinic \$19,290
 Additional LRCI funding \$3,051,864
 Mudgee Arts Precinct \$2,954

Financial Support to Regional Airline

\$65,000 was provided in 2021/22 for a regional airline service subsidy agreement related to the pandemic.

Cancellation of events

The Flavours of Mudgee event proposed to be held in September 2021 was cancelled resulting in savings of approximately \$25,000.

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.

A1-1 Basis of preparation

For assets where fair value is determined by market value Council has no evidence of material changes to these values due to the Covid 19 pandemic.

New accounting standards adopted during the year

There was no new accounting standards and interpretations (as issued by the Australian Accounting Standards Board) mandatorily effective from 30 June 2022.

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	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Functions or activities										
Looking after our community	9,653	19,792	16,510	15,526	(6,857)	4,266	8,454	18,468	127,037	117,232
Protecting our natural environment	21,289	21,976	19,817	20,485	1,472	1,491	1,719	2,294	212,808	208,595
Building a strong local economy	3,484	2,282	1,725	1,881	1,759	401	818	407	28,564	24,199
Connecting the region	21,868	25,094	21,910	24,495	(42)	599	18,079	18,572	713,270	653,020
Good government	49,941	46,518	15,183	11,864	34,758	34,654	10,490	7,973	192,889	163,876
Other	–	–	–	–	–	–	(50)	–	(156)	556
Total functions and activities	106,235	115,662	75,145	74,251	31,090	41,411	39,510	47,714	1,274,412	1,167,478

B1-2 Components of functions or activities

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.

Looking after our community

Animal control, public order & safety, emergency services levy, food control, health, community services, family day care, childcare, youth services, aged & disabled services, housing, town planning, public cemeteries, public toilets, libraries, art galleries, 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, operations administration, infrastructure planning, asset management, plant operations, private works, general purpose revenue, developer contributions and governance. Governance includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA) and legislative compliance.

B2 Sources of income

B2-1 Rates and annual charges

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	11,440	11,045
Farmland	4,964	4,882
Mining	12,400	12,464
Business	1,547	1,516
Less: pensioner rebates (mandatory)	(323)	(332)
Rates levied to ratepayers	30,028	29,575
Pensioner rate subsidies received	179	181
Total ordinary rates	30,207	29,756
Special rates		
Hunter Valley catchment special rate	67	66
Rates levied to ratepayers	67	66
Total special rates	67	66
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,470	2,375
Water supply services	1,654	1,615
Sewerage services	7,048	6,776
Waste management services (non-domestic)	3,431	3,309
Less: pensioner rebates (mandatory)	(386)	(394)
Annual charges levied	14,217	13,681
Pensioner subsidies received:		
– Water	61	62
– Sewerage	66	67
– Domestic waste management	89	88
Total annual charges	14,433	13,898
Total rates and annual charges	44,707	43,720

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.

B2-2 User charges and fees

	Timing	2022 \$ '000	2021 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	5,106	5,059
Sewerage services	1	647	731
Total specific user charges		5,753	5,790
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	1,190	1,132
Private works – section 67	2	168	106
Total fees and charges – statutory/regulatory		1,358	1,238
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	65	55
Aged care	2	107	135
Caravan park	2	984	1,238
Cemeteries	2	293	261
Community facility hire	2	171	137
Library and art gallery	2	2	–
Transport for NSW works (state roads not controlled by Council)	1	4,861	7,771
Saleyards	2	264	259
Swimming centres	2	201	223
Water connection fees	2	225	201
Children services	2	107	101
Parks and sports grounds	2	216	190
Waste depot	2	1,905	1,407
Waste water services	2	87	102
Total fees and charges – other		9,488	12,080
Total other user charges and fees		10,846	13,318
Total user charges and fees		16,599	19,108
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		10,614	13,253
User charges and fees recognised at a point in time (2)		5,985	5,855
Total user charges and fees		16,599	19,108

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 revenues

	Timing	2022 \$ '000	2021 \$ '000
Fines	2	100	98
Legal fees recovery – rates and charges (extra charges)	2	213	111
Commissions and agency fees	2	40	43
Diesel rebate	2	168	216
Insurance claims recoveries	2	150	7
Recycling income (non-domestic)	2	430	444
Sales – events	2	360	254
Sales – ironed out	2	20	32
Sales – mudgee town hall cinema	2	25	15
Sales - library	2	16	21
Volunteer services income (Community Transport & Meals on Wheels)	2	198	296
Other	2	620	319
Total other revenue		2,340	1,856
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,340	1,856
Total other revenue		2,340	1,856

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 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,309	2,049	–	–
Financial assistance – local roads component	2	1,342	1,220	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,546	2,192	–	–
Financial assistance – local roads component	2	2,070	1,309	–	–
Amount recognised as income during current year					
		9,267	6,770	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Water supplies	1	–	–	272	243
Sewerage services	1	(43)	74	37	–
Aged care	2	996	896	–	–
Bushfire and emergency services	2	378	660	–	218
Employment and training programs	2	44	6	–	–
Heritage and cultural	2	12	17	–	–
Library	2	150	108	–	–
Library – special projects	1	–	–	1	–
LIRS subsidy	2	28	48	–	–
Noxious weeds	2	190	192	–	–
Recreation and culture	1	17	5	5,736	11,369
Aerodromes	2	–	3	–	348
Transport (other roads and bridges funding)	1	–	–	7,289	4,610
Children's services	2	517	565	–	–
Environmental programs	1	5	11	220	1
Youth services	2	195	162	–	–
Street lighting	2	343	457	–	–
Transport (roads to recovery)	1	1,764	2,190	–	–
Other specific grants	1	752	702	1,266	4,406
Previously contributions:					
Occupational health and safety	2	97	84	–	–
Roads and bridges	1	306	210	368	922
Transport for NSW contributions (regional roads, block grant)	1	1,322	1,066	2,917	2,942
Other contributions	1	174	118	–	2,020
Total special purpose grants and non-developer contributions – cash					
		7,247	7,574	18,106	27,079
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	550	2,918
Other		84	–	–	–
Total other contributions – non-cash					
		84	–	550	2,918
Total special purpose grants and non-developer contributions (tied)					
		7,331	7,574	18,656	29,997
Total grants and non-developer contributions					
		16,598	14,344	18,656	29,997

B2-4 Grants and contributions

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Timing				
Comprising:				
– Commonwealth funding	12,016	9,967	7,024	10,143
– State funding	4,155	4,088	8,341	13,227
– Other funding	427	289	3,291	6,627
	16,598	14,344	18,656	29,997

B2-4 Grants and contributions

Developer contributions

	Notes	Timing	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	1,352	1,218
S 7.11 – contributions towards amenities/services		2	–	–	786	793
S 7.12 – fixed development consent levies		2	–	–	72	34
S 64 – water supply contributions		2	–	–	1,418	999
S 64 – sewerage service contributions		2	–	–	628	329
Total developer contributions – cash			–	–	4,256	3,373
Total developer contributions			–	–	4,256	3,373
Total contributions			–	–	4,256	3,373
Total grants and contributions			16,598	14,344	22,912	33,370
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			4,349	4,376	18,106	26,513
Grants and contributions recognised at a point in time (2)			12,249	9,968	4,806	6,857
Total grants and contributions			16,598	14,344	22,912	33,370

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 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	1,165	1,899	12,588	5,630
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	5,724	–	176	257
Add: Funds received and not recognised as revenue in the current year	1,110	170	8,026	12,041
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(440)	(642)	(261)	(196)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(287)	(262)	(9,159)	(5,144)
Unspent funds at 30 June	7,272	1,165	11,370	12,588

Unspent Operating grants at 30 June 2022, include bushfire recovery grants and youth services grants.

Unspent capital grants at 30 June 2022, 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	18,447	17,382	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,541	3,564	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(313)	(2,499)	–	–
Unspent contributions at 30 June	22,675	18,447	–	–

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

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

	2022	2021
	\$ '000	\$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	90	62
– Cash and investments	746	911
– Other	–	1
Total interest and investment income (losses)	836	974

Accounting policy

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

B2-6 Other income

	Notes	2022 \$ '000	2021 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		775	174
Total fair value increment on investment properties	C1-9	775	174
Fair value increment on investments			
Fair value increment on investments through profit and loss		–	969
Movements in fair value of interest in insurance mutual		140	36
Total Fair value increment on investments		140	1,005
Rental income			
Other lease income			
Buildings and other structures lease income		462	487
Leaseback fees - council vehicles		56	95
Total other lease income		518	582
Total rental income	C2-2	1,053	1,111
Other			
Other		275	–
Total other		275	–
Total other income		2,243	2,290

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	24,521	22,678
Employee termination costs	8	21
Employee leave entitlements (ELE)	4,527	4,467
Superannuation – defined contribution plans	2,656	2,272
Superannuation – defined benefit plans	238	317
Workers' compensation insurance	854	608
Fringe benefit tax (FBT)	207	188
Payroll tax	107	112
Protective clothing	158	129
Other	20	24
Total employee costs	33,296	30,816
Less: capitalised costs	(3,817)	(4,292)
Total employee costs expensed	29,479	26,524
Number of 'full-time equivalent' employees (FTE) at year end	365	364
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	397	394

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	2022 \$ '000	2021 \$ '000
Raw materials and consumables		5,579	4,458
Contractor and consultancy costs		7,695	8,371
Labour contracts		396	256
Plant hire wet		1,944	1,283
Road sealing contract		409	555
Tourism contract		625	618
Consultancy		131	556
Audit Fees	F2-1	86	76
Councillor and Mayoral fees and associated expenses	F1-2	323	287
Advertising		92	99
Bank charges		129	129
Computer software charges		1,369	1,076
Electricity and heating		1,397	1,283
Insurance		1,067	981
Postage		130	114
Printing and stationery		165	162
Street lighting		220	358
Subscriptions and publications		105	108
Telephone and communications		405	328
Family day care centre		431	459
Recruitment costs		42	29
Travel expenses (employee)		9	11
Training expenses (employee)		425	372
Volunteer services expenses (Community Transport & Meals on Wheels)		198	296
Legal expenses:			
– Legal expenses: planning and development		120	44
– Legal expenses: debt recovery		145	168
– Legal expenses: other		133	157
Expenses from leases of low value assets		313	311
Total materials and services		24,083	22,945
Total materials and services		24,083	22,945

Accounting policy

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

B3-3 Borrowing costs

	Notes	2022 \$ '000	2021 \$ '000
(i) Interest bearing liability costs			
Interest on leases		24	7
Interest on loans		420	684
Total interest bearing liability costs		444	691
Total interest bearing liability costs expensed		444	691
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	C3-5	89	–
Total other borrowing costs		89	–
Total borrowing costs expensed		533	691

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	2022 \$ '000	2021 \$ '000
Depreciation and amortisation			
Equipment, furniture and fittings	C1-8	2,954	3,175
Land improvements (depreciable)		30	14
Right of use assets	C2-1	90	61
Buildings and other structures		1,434	1,356
Buildings Council as lessor		96	96
Roads, bridges and footpaths		8,425	8,126
Other road assets		461	1,113
Stormwater drainage		278	274
Water supply network		1,523	1,905
Sewerage network		1,206	1,591
Open space/recreational assets		767	739
Other infrastructure assets		567	304
Other assets		131	67
Tip and quarry assets	C3-5,C1-8	226	585
Intangible assets	C1-10	132	105
Total depreciation and amortisation costs		18,320	19,511
Impairment / revaluation decrement of IPPE			
Plant, equipment, furniture and fittings		60	–
Infrastructure:	C1-8		
– Buildings and other structures		–	–
Total gross IPPE impairment / revaluation decrement costs		60	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		60	–
Total depreciation, amortisation and impairment for non-financial assets		18,380	19,511

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	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Other		180	1
Total impairment of receivables	C1-4	180	1
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		601	–
Total Fair value decrement on investments	C1-2	601	–
Other			
Contributions/levies to other levels of government			
– State Emergency Service levy		37	48
– NSW fire brigade levy		63	68
– NSW rural fire service levy		722	989
– Other contributions/levies		213	168
Donations, contributions and assistance			
– FlyPelican air service		84	71
– Housing plus crisis accommodation		85	85
– Mudgee Golf Club - raw water		106	–
– GP Respiratory and Vaccine Clinics - In-kind facility hire		83	–
Total other expenses		2,380	1,788

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	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	22
Less: carrying amount of property assets sold/written off		(52)	(258)
Gain (or loss) on disposal		(52)	(236)
Gain (or loss) on disposal of equipment, furniture and fittings			
Proceeds from disposal – equipment furniture and fittings	C1-8	1,049	862
Less: carrying amount of equipment, furniture and fittings sold/written off		(803)	(848)
Gain (or loss) on disposal		246	14
Gain (or loss) on disposal of infrastructure			
Proceeds from disposal – infrastructure	C1-8	–	229
Less: carrying amount of infrastructure assets sold/written off		(1,827)	(4,001)
Gain (or loss) on disposal		(1,827)	(3,772)
Gain (or loss) on disposal of term deposits			
Proceeds from disposal/redemptions/maturities – term deposits	C1-2	61,100	65,500
Less: carrying amount of term deposits sold/redeemed/matured		(61,100)	(65,500)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of non-current assets classified as 'held for sale'			
Proceeds from disposal – non-current assets 'held for sale'	C1-7	1,996	1,974
Less: carrying amount of 'held for sale' assets sold/written off		(653)	(772)
Gain (or loss) on disposal		1,343	1,202
Gain (or loss) on disposal of intangible assets			
Proceeds from disposal – intangible assets	C1-10	–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(290)	(2,792)

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 16 June 2021 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	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	44,782	44,707	(75)	0%	U
User charges and fees	14,893	16,599	1,706	11%	F
Council has higher than expected fee revenue in the following areas:					
<ul style="list-style-type: none"> • State Roads project work \$637,000 • Waste disposal fees \$409,000 • Recycling scrap sales \$421,000 • Development applications \$202,000 					
Other revenue items now classified as User charges and fees:					
<ul style="list-style-type: none"> • Caravan park fees \$984,000 • Community facility hire \$171,000 					
Revenue from residential water usage was lower than the original budget by \$1,124,000.					
Other revenues	4,024	2,340	(1,684)	(42)%	U
Council had unexpected revenue from:					
<ul style="list-style-type: none"> • Energy savings certificate from LED street lighting \$183,000 • Insurance reimbursement \$150,000 					
The other main variance of \$2 million, is due to budgeting for other income such as property rental in the other revenue items.					
Operating grants and contributions	14,418	16,598	2,180	15%	F
Council received 75% of the 2022-23 Financial Assistance Grant in advance (\$5.6 million) offset by 50% the 2021-22 allocation being paid in advance in the prior year (\$3.5 million).					
Capital grants and contributions	33,054	22,912	(10,142)	(31)%	U
Delays in capital works projects resulted in lower capital grants recognised as revenue. Some of the major project are:					
<ul style="list-style-type: none"> • Dixons Long Point Crossing \$7 million • Seal extensions \$2.2 million • Bylong Valley Way upgrade \$776,000 					
Interest and investment revenue	1,736	836	(900)	(52)%	U
Low interest rates resulted in lower than expected return on term deposits of \$300,000.					
The other variance is due to a budgeted fair value movement in the value of managed funds now reported at other income or other expense.					
Other income	-	2,243	2,243	∞	F
The main variances are due to:					
<ul style="list-style-type: none"> • \$1 million property rental was budgeted in the other revenue • \$775,000 is due to capital movement on investment property value 					

B5-1 Material budget variations

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Expenses				
Employee benefits and on-costs	30,472	29,479	993	3% F
Materials and services	15,670	24,083	(8,413)	(54)% U
The majority of the variance (\$6.5 million) is due to Other Expense items now classified under Materials and Services. The other major variance is due to a reduction in the recovery of internal plant hire charges.				
Borrowing costs	545	533	12	2% F
Council deferred new loan borrowings for the solar array project and refinanced a Sewer Fund loan at a lower interest rate than budgeted.				
Depreciation, amortisation and impairment of non-financial assets	18,239	18,380	(141)	(1)% U
Other expenses	8,556	2,380	6,176	72% F
The majority of the variance (\$6.5 million) is due to Other Expense items now classified under Materials and Services. The other major variance is a lower than expected NSW Rural Fire Service levy by \$364,000.				
Net losses from disposal of assets	1,843	290	1,553	84% F
A lower than expected write off of replaced transport infrastructure assets accounted for a \$1.7m reduction in this expense.				

Statement of cash flows

Cash flows from operating activities	56,358	52,137	(4,221)	(7)% U
Cash flows from investing activities	(57,157)	(59,364)	(2,207)	4% U
Cash flows from financing activities	408	5,763	5,355	1,313% F
Council's original budget included borrowings of \$1.97 million towards the solar array project. This project was deferred until 2022/23.				

Council then approved a budget change to borrow \$7.4 million for the expansion of the Mudgee Valley Caravan Park.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022 \$ '000	2021 \$ '000
Cash assets		
Cash on hand and at bank	260	(3)
Cash equivalent assets		
– Deposits at call	5,083	4,551
– Managed funds (TCorp Cash Management Funds)	–	2,259
Total cash and cash equivalents	5,343	6,807

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	5,343	6,807
Balance as per the Statement of Cash Flows	5,343	6,807

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Financial assets at fair value through the profit or loss				
Managed funds	10,013	–	10,612	–
Total	10,013	–	10,612	–
Debt securities at amortised cost				
Long term deposits	73,414	39,000	61,100	25,114
Total	73,414	39,000	61,100	25,114
Total financial investments	83,427	39,000	71,712	25,114
Total cash assets, cash equivalents and investments	88,770	39,000	78,519	25,114

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

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 and allocated cash, cash equivalents and investments

	2022 \$ '000	2021 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	127,770	103,633
Less: Externally restricted cash, cash equivalents and investments	<u>(69,251)</u>	<u>(62,400)</u>
Cash, cash equivalents and investments not subject to external restrictions	58,519	41,233
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Trust deposits	713	828
Specific purpose unexpended grants – general fund	12,379	12,567
Specific purpose unexpended grants – water fund	–	121
External restrictions – included in liabilities	13,092	13,516
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	9,802	7,759
Developer contributions – water fund	8,096	6,812
Developer contributions – sewer fund	4,369	3,736
Specific purpose unexpended grants (recognised as revenue) – general fund	646	1,064
Specific purpose unexpended grants (recognised as revenue) – water fund	1	1
Water fund	10,321	9,222
Sewer fund	14,377	12,597
Domestic waste management	6,230	5,538
Bequest – Simpkins park	101	101
Community services	440	388
Community tenancy scheme	251	216
Family day care	176	173
Other contributions	224	152
Public Road Closure Compensation	1,080	1,080
Other	45	45
External restrictions – other	56,159	48,884
Total external restrictions	69,251	62,400

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

	2022 \$ '000	2021 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	58,519	41,233
Less: Internally restricted cash, cash equivalents and investments	<u>(40,284)</u>	<u>(28,056)</u>
Unrestricted and unallocated cash, cash equivalents and investments	18,235	13,177

Internal allocations

At 30 June, Council has internally allocated funds to the following:

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

	2022	2021
	\$ '000	\$ '000
Plant and vehicle replacement	9,502	8,138
Employees leave entitlement	3,195	3,395
Asset replacement	4,206	2,922
Capital program	6,074	3,869
Community plan	428	–
Council elections	110	231
Future fund	1,120	820
Land development	3,565	1,682
Saleyards	34	34
State roads warranty	388	388
Seal Extension Program	2,526	3,076
Financial Assistance Grant Received in Advance	5,616	3,501
Unspent loan	3,520	–
Total internal allocations	40,284	28,056

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

	2022	2021
	\$ '000	\$ '000
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	18,235	13,177

C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	1,205	–	1,271	–
Interest and extra charges	196	–	201	–
User charges and fees	5,101	–	4,650	–
Accrued revenues				
– Interest on investments	399	–	284	–
Government grants and subsidies	218	–	410	–
Net GST receivable	627	–	791	–
Other debtors	224	–	132	–
Total	7,970	–	7,739	–
Less: provision for impairment				
Rates and annual charges	(28)	–	(28)	–
Interest and extra charges	–	–	(1)	–
User charges and fees	(150)	–	(54)	–
Total provision for impairment – receivables	(178)	–	(83)	–
Total net receivables	7,792	–	7,656	–

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	83	80
+ new provisions recognised during the year	188	14
– amounts provided for but recovered during the year	(5)	–
– amounts already provided for and written off this year	(88)	(11)
Balance at the end of the year	178	83

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(i) Inventories at cost				
Stores and materials	907	-	799	-
Gravel stockpile	733	-	1,118	-
Total inventories at cost	1,640	-	1,917	-
Total inventories	1,640	-	1,917	-

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Contract assets	3,819	-	8,282	-
Total contract assets and contract cost assets	3,819	-	8,282	-

Contract assets

Transport for NSW contract works	-	-	314	-
Grants and Contributions	3,819	-	7,967	-
Total contract assets	3,819	-	8,281	-

Significant changes in contract assets

Council has received payment for a number of grant funded projects that were in progress at the end of the prior year, the largest being Glen Willow Stage 2 (\$5.75 million) and Art Gallery and Cultural Centre (\$959,000).

As at 30 June 2022 the largest contract asset balances are for Glen Willow Stage 2 progress \$2.2 million and Wollar Road Upgrade at Munghorn Gap \$797,000.

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Non-current assets held for sale				
Land	-	-	653	-
Total non-current assets held for sale	-	-	653	-

Details of assets

Council sub-divided land at Saleyards Lane, Mudgee in 2020/21 for the purpose of selling 26 residential lots in Stage 1. The remaining 13 lots in Stage 1 were sold during 2021/22.

	2022 Assets 'held for sale' \$ '000	2021 Assets 'held for sale' \$ '000
Opening balance	653	-
Less: carrying value of assets/operations sold	(653)	-
Balance still unsold after 12 months:	-	-
New transfers in:		
- Assets held for sale	-	1,425
Less:		
Less: carrying value of assets/operations sold that were re-classified this reporting period	-	(772)
Closing balance of held for sale non-current assets and operations	-	653

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 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	WIP transfers \$ '000	Adjustments and transfers ² \$ '000	Revaluation decrements to equity (ARR)/Impairment Loss ³ \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	19,900	–	19,900	5,705	6,367	–	–	–	(15,385)	(65)	–	–	16,522	2	16,524
Equipment, furniture and fittings	34,607	(14,527)	20,080	2,282	732	(803)	(2,954)	(60)	205	(8)	–	–	35,512	(16,038)	19,474
Land:															
– Operational land	45,440	–	45,440	–	–	–	–	–	2	(35)	–	4,226	49,633	–	49,633
– Community land	6,747	–	6,747	–	–	–	–	–	–	(1)	–	846	7,592	–	7,592
– Crown land	10,355	–	10,355	–	–	(52)	–	–	–	–	–	1,304	11,607	–	11,607
– Land under roads (post 30/6/08)	2,655	–	2,655	–	–	–	–	–	–	–	–	308	2,963	–	2,963
Land improvements	2,691	(312)	2,379	–	2,023	–	(30)	–	3,760	(21)	–	134	8,609	(364)	8,245
Infrastructure:															
– Buildings and other structures	97,921	(26,257)	71,664	565	3,049	–	(1,434)	–	2,711	4	(16)	9,448	113,694	(27,703)	85,991
– Buildings Council as Lessor	6,357	(2,428)	3,929	15	–	–	(96)	–	–	35	–	479	6,886	(2,524)	4,362
– Roads, bridges and footpaths	480,223	(175,718)	304,505	8,062	1,808	(1,391)	(8,425)	–	1,083	1	–	24,211	511,052	(181,198)	329,854
– Other road assets (including bulk earthworks)	338,885	(14,714)	324,171	1,444	372	(192)	(461)	–	623	3	–	25,918	367,051	(15,173)	351,878
– Open space / recreational assets	32,508	(10,997)	21,511	95	1,310	–	(767)	–	2,054	25	–	1,152	37,120	(11,740)	25,380
– Stormwater drainage	33,698	(9,451)	24,247	543	147	(38)	(278)	–	314	470	–	1,816	37,765	(10,544)	27,221
– Water supply network	122,004	(47,000)	75,004	435	353	(50)	(1,523)	–	801	(472)	(81)	4,967	142,388	(62,954)	79,434
– Sewerage network	119,601	(32,179)	87,422	311	267	(131)	(1,206)	–	1,109	74	(3,825)	–	139,109	(55,088)	84,021
– Other infrastructure assets	20,491	(8,006)	12,485	258	1,573	(2)	(567)	–	2,708	(35)	–	725	25,734	(8,589)	17,145
Other assets:															
– Other	2,006	(838)	1,168	–	57	–	(131)	–	15	89	–	–	2,079	(881)	1,198
Tip and quarry assets	5,848	(3,207)	2,641	18	–	(23)	(226)	–	–	–	(1,356)	–	3,598	(2,544)	1,054
Total infrastructure, property, plant and equipment	1,381,937	(345,634)	1,036,303	19,733	18,058	(2,682)	(18,098)	(60)	–	64	(5,278)	75,534	1,518,914	(395,338)	1,123,576

(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 \$75,000, Work in Progress transferred to Operating Expenses -\$10,000.

(3) Impairment Loss totalled -\$368,000 and related to water & sewer and building assets

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	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers ²	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '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
Land:																		
– 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
Infrastructure:																		
– Buildings Council as Lessor	–	–	–	–	–	–	(96)	–	–	–	4,025	–	–	–	–	6,357	(2,428)	3,929
– 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
– 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
– 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
– 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
– Other infrastructure	14,136	(3,324)	10,812	915	265	(220)	(304)	725	–	166	1,443	(1,025)	–	–	433	20,491	(8,006)	12,485
Other assets	1,498	(818)	680	–	83	(25)	(67)	–	–	1	(2)	–	–	–	498	–	–	–
– Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,006	(838)	1,168
Tip and quarry assets	5,908	(2,622)	3,286	–	57	–	(585)	–	–	–	–	–	–	(117)	–	5,848	(3,207)	2,641
Total infrastructure, property, plant and equipment	1,337,191	(334,411)	1,002,780	19,556	33,562	(5,105)	(19,345)	725	725	–	1,510	(1,425)	(320)	(1,592)	5,957	1,381,937	(345,634)	1,036,303

(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.

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
Equipment, furniture and fittings		Buildings	5 to 195
Office equipment	5 to 20		
Office furniture	5 to 20	Stormwater assets	
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		
Water network assets		Wastewater network assets	
Dams and reservoirs	20 to 200	Pump stations	10 to 70
Bores	10 to 50	Reticulation mains	40 to 300
Reticulation pipes and mains delivery	80	Rising mains	40 to 300
Treatment plants	5 to 100	Treatment plants	5 to 100
Pumps and telemetry	20 to 80		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 25	Bulk earthworks	infinite
Sealed roads: structure	60 to 250	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.

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

Early assets close-off

Council completes an early assets close-off process as at 31 May. Minor capital projects completed in June are capitalised in the following financial year. This 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 2021/22 that it does not have control over Rural Fire Service fleet assets, and as such we have not performed a stocktake or recognised them in the financial statements. The estimated written down value of RFS fleet assets in the Cudgegong Fire District as at 30 June 2022 was \$10.02M (based on data provided by the Rural Fire Service).

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

	Notes	2022 \$ '000	2021 \$ '000
(i) Impairment losses recognised in the Income Statement:			
Plant and Equipment		60	–
Total impairment losses		60	–
Impairment of assets – gains/(losses) in P/L			
	B3-4	60	–
(iii) Impairment losses recognised direct to equity (ARR):			
Buildings, Water supply network, Sewerage network		368	–
Total impairment losses		368	–
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
Reversal of flood damage		–	(725)
Total impairment reversals		–	(725)
Impairment of assets – direct to equity (ARR)		368	(725)

C1-9 Investment properties

	2022	2021
	\$ '000	\$ '000
Owned investment property		
Investment Property - Building	4,042	3,842
Investment Property - Land	4,667	4,092
Total owned investment property	8,709	7,934
 Owned investment property		
At fair value		
Opening balance at 1 July	7,934	7,440
– Net gain/(loss) from fair value adjustments	775	174
– Transfers from IPPE, Note C1-8	–	320
Closing balance at 30 June	8,709	7,934

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

	2022 \$ '000	2021 \$ '000
Software		
Opening values at 1 July		
Gross book value	1,077	1,649
Accumulated amortisation	(764)	(1,378)
Net book value – opening balance	313	271
Movements for the year		
Purchases	60	145
Development costs		
Amortisation charges	(132)	(105)
Gross book value written off	–	(719)
Accumulated amortisation charges written off	–	719
Other movements	(2)	2
Closing values at 30 June		
Gross book value	1,135	1,077
Accumulated amortisation	(896)	(764)
Total software – net book value	239	313
Water Licences		
Opening values at 1 July		
Gross book value	100	–
Net book value – opening balance	100	–
Movements for the year		
Purchases	–	100
Closing values at 30 June		
Gross book value	100	100
Accumulated amortisation	–	–
Total Water Licences – net book value	100	100
Total intangible assets – net book value	339	413

Accounting policy

Intangible assets are measured initially at cost.

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 with 2020/21 property acquisitions.

C1-11 Other

Other assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Prepayments	184	–	58	–
Interest in insurance mutual – CivicRisk Mutual Ltd ¹	107	–	36	–
Total other assets	291	–	94	–

(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 non-cancellable 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 & Buildings \$ '000	Total \$ '000
2022		
Opening balance at 1 July	594	594
Adjustments to right-of-use assets due to re-measurement of lease liability	(28)	(28)
Depreciation charge	(90)	(90)
Balance at 30 June	476	476
2021		
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
Balance at 30 June	594	594

(b) Lease liabilities

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Lease liabilities	74	430	87	514
Total lease liabilities	74	430	87	514

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 \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2022					
Cash flows	50	371	85	506	504
2021					
Cash flows	92	396	122	610	601

(d) Income Statement

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

	2022 \$ '000	2021 \$ '000
Interest on lease liabilities	24	7
Depreciation of right of use assets	90	61
Expenses relating to low-value leases	313	311
	427	379

(e) Statement of Cash Flows

	2022 \$ '000	2021 \$ '000
Total cash outflow for leases	427	379
	427	379

(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

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).

	2022 \$ '000	2021 \$ '000
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(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)	535	529
Total income relating to operating leases for investment property assets	535	529

Operating lease expenses

Investment properties

Direct operating expenses that generated rental income	–	–
Direct operating expenses that did not generate rental income	5	8
Total expenses relating to operating leases for investment property assets	5	8

(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)	518	582
Total income relating to operating leases for Council assets	518	582

Other leased assets expenses

Expenses relating to operating leases for IPPE	102	88
Total expenses other leased assets	102	88

Reconciliation of IPPE assets leased out as operating leases

	Buildings Council as Lessor 2022 \$ '000	Buildings Council as Lessor 2021 \$ '000
Opening balance as at 1 July	3,929	–
Additions renewals	15	–
Depreciation expense	(96)	–
Adjustments and transfers	35	–
Transfers from (to) Buildings (occupied) IPPE class (Note C1-8)	–	3,929
Revaluation decrements to equity (ARR)	479	–
Closing balance as at 30 June	4,362	3,929

C2-2 Council as a lessor

	2022	2021
	\$ '000	\$ '000
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	690	782
1–2 years	446	329
2–3 years	158	143
3–4 years	139	112
4–5 years	85	67
> 5 years	174	225
Total undiscounted lease payments to be received	1,692	1,658

C3 Liabilities of Council

C3-1 Payables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Goods and services – operating expenditure	2,547	–	2,549	–
Goods and services – capital expenditure	2,640	–	3,404	–
Accrued expenses:				
– Borrowings	60	–	109	–
– Salaries and wages	1,135	–	7	–
Prepaid rates	1,613	–	1,386	–
Security bonds, deposits and retentions	964	–	828	–
Other	3	–	2	–
Total payables	8,962	–	8,285	–

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	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	11,117	–	12,242	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,262	–	446	–
Total grants received in advance		12,379	–	12,688	–
User fees and charges received in advance:					
Other		447	–	153	–
Total user fees and charges received in advance		447	–	153	–
Total contract liabilities		12,826	–	12,841	–

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.

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Loans – secured ¹	1,940	14,333	1,568	8,873
Total borrowings	1,940	14,333	1,568	8,873

(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

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	10,441	5,832	–	–	–	–	16,273
Lease liability (Note C2-1b)	601	(93)	(28)	–	–	24	504
Total liabilities from financing activities	11,042	5,739	(28)	–	–	24	16,777

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

C3-3 Borrowings

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Bank overdraft facilities ¹	700	700
Credit cards/purchase cards	200	200
Total financing arrangements	900	900
Drawn facilities		
– Credit cards/purchase cards	66	88
Total drawn financing arrangements	66	88
Undrawn facilities		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	134	112
Total undrawn financing arrangements	834	812

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

	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	2,118	–	2,024	–
Sick leave	1,086	–	1,400	–
Long service leave	4,155	565	4,831	597
Other leave (LIL)	68	–	57	–
Total employee benefit provisions	7,427	565	8,312	597

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

	2022	2021
	\$ '000	\$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	4,684	5,564
	4,684	5,564

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

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	2,467	1,130	56	4,858
Sub-total – asset remediation/restoration	2,467	1,130	56	4,858
Total provisions	2,467	1,130	56	4,858

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	2,458	831	52	4,420
Provisions relating to externally restricted assets	2,458	831	52	4,420
Total provisions relating to restricted assets	2,458	831	52	4,420
Total provisions relating to unrestricted assets	9	299	4	438
Total provisions	2,467	1,130	56	4,858

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 remediation \$ '000	Total \$ '000
2022		
At beginning of year	4,914	4,914
Changes to provision:		
– New disturbances	19	19
– Revised discount rate	(456)	(456)
Unwinding of discount	89	89
Other	(969)	(969)
Total other provisions at end of year	3,597	3,597
2021		
At beginning of year	5,000	5,000
Other	(86)	(86)
Total other provisions at end of year	4,914	4,914

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs 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.

C3-5 Provisions

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

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

IPPE 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

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
Income from continuing operations			
Rates and annual charges	35,969	1,707	7,031
User charges and fees	10,293	5,691	615
Interest and investment revenue	646	96	94
Other revenues	2,227	(1)	114
Grants and contributions provided for operating purposes	16,605	19	(26)
Grants and contributions provided for capital purposes	20,372	1,701	839
Other income	2,243	–	–
Total income from continuing operations	88,355	9,213	8,667
Expenses from continuing operations			
Employee benefits and on-costs	26,038	1,957	1,484
Materials and services	17,512	3,685	2,886
Borrowing costs	177	64	292
Depreciation, amortisation and impairment of non-financial assets	15,659	1,515	1,206
Other expenses	2,240	116	24
Net losses from the disposal of assets	109	50	131
Total expenses from continuing operations	61,735	7,387	6,023
Operating result from continuing operations	26,620	1,826	2,644
Net operating result for the year	26,620	1,826	2,644
Net operating result attributable to each council fund	26,620	1,826	2,644
Net operating result for the year before grants and contributions provided for capital purposes	6,248	125	1,805

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	3,343	1,254	746
Investments	59,465	11,696	12,266
Receivables	6,134	1,220	438
Inventories	1,408	200	32
Contract assets and contract cost assets	3,771	38	10
Other	291	–	–
Total current assets	74,412	14,408	13,492
Non-current assets			
Investments	27,798	5,468	5,734
Infrastructure, property, plant and equipment	949,607	86,202	87,767
Investment property	8,709	–	–
Intangible assets	339	–	–
Right of use assets	476	–	–
Total non-current assets	986,929	91,670	93,501
Total assets	1,061,341	106,078	106,993
LIABILITIES			
Current liabilities			
Payables	8,013	738	211
Contract liabilities	12,826	–	–
Lease liabilities	74	–	–
Borrowings	964	356	620
Employee benefit provision	7,427	–	–
Provisions	2,467	–	–
Total current liabilities	31,771	1,094	831
Non-current liabilities			
Lease liabilities	430	–	–
Borrowings	7,487	453	6,393
Employee benefit provision	565	–	–
Provisions	1,130	–	–
Total non-current liabilities	9,612	453	6,393
Total liabilities	41,383	1,547	7,224
Net assets	1,019,958	104,531	99,769
EQUITY			
Accumulated surplus	424,098	64,741	58,058
Revaluation reserves	595,860	39,790	41,711
Council equity interest	1,019,958	104,531	99,769
Total equity	1,019,958	104,531	99,769

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	
	Orana water Utilities Alliance equity method	equity method
	2022	2021
	\$'000	\$'000
Summarised Statement of Financial Position		
Cash and cash equivalents	79	35
Net assets	79	35
Summarised Statement of Income and Other Comprehensive Income		
Revenue	131	167
Profit (/loss) from continuing operations	0	3
Summarised Statement of Cash Flows		
Cash flows from operating activities	27	3
Net increase (/decrease) in cash and cash equivalents	27	3
Council's share of % of net assets	9%	9%
Council's share of \$ of net assets	7	3

Accounting policy

The council has determined that it has only joint ventures.

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:

	2022 \$ '000	2021 \$ '000
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Mudgee Region Tourism Inc

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

Nature of risks relating to the Unconsolidated Structured Entity

Council and MRT held a four year contract, from 1 July 2017 to 30 June 2021, which was 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	624	618
Income received by Council relating to the Structured Entity		
- IT support Income	1	4

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 three year contract with Council, to provide tourism services.

	2022 \$ '000	2021 \$ '000
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Fly Pelican

Fly Pelican is a regional airline and aircraft charter company based in Newcastle on the east coast of Australia operating a fleet of 19 seat British Aerospace Jetstream 32 aircraft. Currently operating regular scheduled passenger services with destinations such as Mudgee, Newcastle, Dubbo, Sydney, Ballina, Canberra, Cobar and Port Macquarie.

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	79	71
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Non-contractual financial support provided

Council endorsed additional support for Fly Pelican this year, due to the impact of COVID-19 on the airline. Council has provided financial assistance in order to secure a minimum level of flight continuation per week. The value of this additional support was \$65,000.

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.

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 2022 \$ '000	Carrying value 2021 \$ '000	Fair value 2022 \$ '000	Fair value 2021 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,343	6,807	5,343	6,807
Receivables	7,792	7,656	7,950	7,433
Investments				
– Debt securities at amortised cost	112,414	86,214	112,414	86,200
Fair value through profit and loss				
Investments				
– Held for trading	10,013	10,612	10,013	10,620
Other financial assets	107	36	107	–
Total financial assets	135,669	111,325	135,827	111,060
Financial liabilities				
Payables	8,962	8,285	8,962	8,273
Loans/advances	16,273	10,441	16,273	10,441
Total financial liabilities	25,235	18,726	25,235	18,714

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

	2022 \$ '000	2021 \$ '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	1,146	862
Impact of a 10% movement in price of investments		
– Equity / Income Statement	1,001	1,062

(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 overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2022				
Gross carrying amount	2	1,193	10	1,205
2021				
Gross carrying amount	–	1,223	48	1,271

E1-1 Risks relating to financial instruments held

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, 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 overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2022						
Gross carrying amount	8,737	1,054	73	216	504	10,584
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	29.70%	1.41%
ECL provision	-	-	-	-	150	150
2021						
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%
ECL provision	-	-	-	-	54	54

(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 average interest rate %	Subject to no maturity \$ '000	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2022							
Payables	0.00%	964	7,997	-	-	8,961	8,962
Borrowings	4.62%	-	2,556	7,940	8,233	18,729	16,273
Total financial liabilities		964	10,553	7,940	8,233	27,690	25,235
2021							
Payables	0.00%	828	6,071	-	-	6,899	8,285
Borrowings	4.82%	-	2,019	4,830	4,408	11,257	10,441
Total financial liabilities		828	8,090	4,830	4,408	18,156	18,726

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				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021		
Recurring fair value measurements							
Financial assets							
Investments – 'Held for trading'		10,013	10,612	–	–	10,013	10,612
Total financial assets		10,013	10,612	–	–	10,013	10,612
Investment property							
	C1-9						
Buildings		4,026	3,842	–	–	4,026	3,842
Land		4,667	4,092	–	–	4,667	4,092
Total investment property		8,693	7,934	–	–	8,693	7,934
Infrastructure, property, plant and equipment							
	C1-8						
Work in progress		–	–	16,522	19,900	16,522	19,900
Plant, equipment, furniture and fittings		–	–	19,474	20,080	19,474	20,080
Operational land		49,633	45,440	–	–	49,633	45,440
Community land (including crown land)		–	–	19,199	17,102	19,199	17,102
Land under roads		–	–	2,963	2,655	2,963	2,655
Land improvements		–	–	8,245	2,379	8,245	2,379
Buildings and other structures		–	–	90,353	75,593	90,353	75,593
Roads, bridges and footpaths		–	–	329,854	304,505	329,854	304,505
Other Road Assets		–	–	351,878	324,171	351,878	324,171
Open space and recreational assets		–	–	25,380	21,511	25,380	21,511
Stormwater drainage		–	–	27,221	24,247	27,221	24,247
Water and Sewage networks ¹		–	–	163,455	162,426	163,455	162,426
Other infrastructure		–	–	17,145	12,485	17,145	12,485
Other assets		–	–	1,198	1,168	1,198	1,168
Tip and quarry assets		–	–	1,054	2,641	1,054	2,641
Total infrastructure, property, plant and equipment		49,633	45,440	1,073,941	990,863	1,123,574	1,036,303

E2-1 Fair value measurement

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021	2022	2021
	C1-7						
Non-current assets classified as held for sale							
Land		-	-	-	653	-	653

(1) 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

Investment Property 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.

Aspect Property Consultants Pty Ltd, Certified Practising Valuers revalued investment properties in 2020. Council revalues investment properties each year between external valuations.

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

Investment Property Buildings – 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 in 2020. Council revalues investment properties each year between external valuations.

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

Infrastructure, property, plant and equipment (IPPE)

Due to increases in both contractor and material prices, the majority of asset classes had an indexation revaluation completed in 2021/22 (excluding Water & Sewer which had a full revaluation). Relevant Australian Bureau of Statistics indexation factors were identified for each asset class other than land (see asset classes below for further details). The indexation factors were calculated based on the March 2022 indice compared to the June quarter indice in the last full revaluation year.

Equipment, furniture and fittings – Level 3

Valuation Techniques – Depreciated historic cost. The nature and value of equipment, furniture and fittings 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.

2022 indexation revaluation based on Valuer General NSW Annual Report on NSW Land Values increase for Central Tablelands.

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

E2-1 Fair value measurement

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 in 2018.

2022 indexation revaluation based on Valuer General NSW Annual Report on NSW Land Values increase for Central Tablelands.

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

Land improvements - Level 3

Valuation Techniques – Cost approach.

Council valued these assets in 2021.

2022 indexation revaluation based on ABS Producer Price Index - Heavy and Civil Engineering Construction Australia sub-index.

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

Unobservable inputs - Estimates of useful life and condition.

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.

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)

APV Valuers and Asset Management revalued buildings in 2018.

2022 indexation revaluation based on ABS Producer Price Index - Non-Residential and Other Residential Building Construction New South Wales sub-indices.

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. 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).

Council valued these assets in 2021.

2022 indexation revaluation based on ABS Producer Price Index - Heavy and Civil Engineering Construction Australia sub-index.

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

E2-1 Fair value measurement

Unobservable inputs - Estimates of useful life and condition.

Roads, bridges, footpaths, bulk earthworks, stormwater – 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 Council Roads and deemed level 3. This involved the following process:

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

Council valued these assets in 2020.

2022 indexation revaluation based on ABS Producer Price Index - Road and Bridge Construction New South Wales and Concrete Product Manufacturing sub-indices.

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 and condition.

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. This involved Council engaging APV Valuers and Asset Management to revalue water & sewer assets in 2022. APV used a cost approach based on their methodologies and unit rate database to determine asset gross values. An inspection of all aboveground assets was conducted, and a condition score was determined, to then determine the asset fair values and remaining useful lives. As a physical inspection of underground assets was impractical, the remaining useful lives were based on Council's previous condition score. Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. civil/structural, electrical, mechanical.

Observable inputs - APV's unit rate database and recent project capital costs.

Unobservable inputs - Estimates of useful life and condition.

Other assets – Level 3

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

Council valued these assets in 2021.

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

Unobservable inputs - Estimates of useful life and condition.

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.

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
Infrastructure, property, plant and equipment		
Plant, 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

continued on next page ...

E2-1 Fair value measurement

	Valuation technique/s	Unobservable inputs
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 and condition
Land improvements – depreciable	Cost Approach	Estimated useful life and condition
Buildings – replacement cost	Cost Approach	Estimated useful life and condition
Other structures	Cost Approach	Estimated useful life and condition
Roads, bridges and footpaths	Cost Approach	Estimated useful life and condition
Bulk earthworks	Cost Approach	Estimated useful life and condition
Stormwater drainage	Cost Approach	Estimated useful life and condition
Water and sewage networks	Cost Approach	Estimated useful life and condition
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	
	2022	2021
	\$ '000	\$ '000
Opening balance	990,863	959,079
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	66,398	5,090
Other movements		
Transfers from/(to) another asset class	97	687
Purchases (GBV)	37,791	50,438
Disposals (WDV)	(2,682)	(5,080)
Depreciation and impairment	(18,526)	(19,345)
Other movement (rounding)	–	(6)
Closing balance	1,073,941	990,863

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; 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 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% 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 31 December 2021 and \$20 million per annum from 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. 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:

E3-1 Contingencies

(i) wind-up of the plan

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 2022 was \$187,048.95. The last valuation of the Scheme was performed by Richard Boyfield on 30 June 2021.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

* 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	5.5% 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 \$3,547,247. 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:

	2022 \$ '000	2021 \$ '000
Compensation:		
Short-term benefits	1,556	1,492
Other long-term benefits	20	37
Termination benefits	212	–
Total	1,788	1,529

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

	2022	2021
	\$ '000	\$ '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	45	44
Councillors' fees	186	183
Other Councillors' expenses (including Mayor)	92	60
Total	323	287

F2 Other relationships

F2-1 Audit fees

	2022 \$ '000	2021 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	72	65
Other services	5	–
Remuneration for audit and other assurance services	77	65
Total Auditor-General remuneration	77	65
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other services	9	11
Remuneration for audit and other assurance services	9	11
Total remuneration of non NSW Auditor-General audit firms	9	11
Total audit fees	86	76

G Other matters

G1-1 Statement of Cash Flows information

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

	2022 \$ '000	2021 \$ '000
Net operating result from Income Statement	31,090	41,411
Add / (less) non-cash items:		
Depreciation and amortisation	18,320	19,511
(Gain) / loss on disposal of assets	290	2,792
Non-cash capital grants and contributions	(634)	(2,918)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
Investments classified as 'at fair value' or 'held for trading'	461	(1,179)
Investment property	(775)	–
Revaluation decrements / impairments of IPP&E direct to P&L	60	–
Other movements in reverses - IPPE adjustment and transfer	(273)	–
Unwinding of discount rates on reinstatement provisions	(367)	–
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(231)	809
Increase / (decrease) in provision for impairment of receivables	95	3
(Increase) / decrease of inventories	277	(545)
(Increase) / decrease of other current assets	(197)	(68)
(Increase) / decrease of contract asset	4,462	(1,739)
Increase / (decrease) in payables	(2)	(152)
Increase / (decrease) in accrued interest payable	(49)	(15)
Increase / (decrease) in other accrued expenses payable	1,128	7
Increase / (decrease) in other liabilities	364	(850)
Increase / (decrease) in contract liabilities	(15)	6,660
Increase / (decrease) in employee benefit provision	(917)	552
Increase / (decrease) in other provisions	(950)	(86)
Net cash flows from operating activities	52,137	64,193

(b) Non-cash investing and financing activities

Other dedications	550	2,918
Total non-cash investing and financing activities	550	2,918

G2-1 Commitments

Capital commitments (exclusive of GST)

	2022 \$ '000	2021 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	3,848	2,103
Plant and equipment	5,055	3,518
Drainage	121	26
Other assets	439	490
Recreational facilities	51	1,956
Roads and transport	2,503	2,275
Sewerage network	46	456
Water supply network	178	108
Other	-	132
Total commitments	12,241	11,064
These expenditures are payable as follows:		
Within the next year	12,241	11,064
Total payable	12,241	11,064

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

IPPE Revaluation Reserve

- A 2020/21 revaluation calculation error occurred for Other Infrastructure and Other Assets, resulting in IPPE revaluation reserve being understated by \$156,000
- This has been recognised in the Statement of Changes in Equity as a correction of prior period errors

IPPE

- A 2020/21 revaluation calculation error occurred for Other Infrastructure and Other Assets, resulting in IPPE being understated by \$53,000
- The total value of found assets is \$222,000 (\$147,000 stormwater developer contributed assets and a \$75,000 sewer asset)

Income Statement - Other Income

- A 2020/21 revaluation calculation error occurred for Other Infrastructure and Other Assets, resulting in Accumulated Surplus being overstated by \$105,000
- The total value of found assets is \$222,000 (\$147,000 stormwater developer contributed assets and a \$75,000 sewer asset)
- This has been recognised in the Income Statement as Other Income

G4-1 Correction of errors

The above error had an immaterial impact on the Statement of Financial Position at 1 July, 2021.

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.

The current impairment estimate as at 30th June 2022 is \$20K on the flooded road.

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	174	20	–	–	–	–	194	–
Open space	1,866	302	–	2	(10)	–	2,160	–
Community facilities	724	63	–	–	(3)	–	784	–
Transport facilities	963	317	–	7	–	–	1,287	–
Car parking	261	–	–	–	–	–	261	–
Administration	459	84	–	1	(50)	–	494	–
Civic improvements	21	–	–	–	–	–	21	–
S7.11 contributions – under a plan	4,468	786	–	10	(63)	–	5,201	–
S7.12 levies – under a plan	348	72	–	1	–	–	421	–
Total S7.11 and S7.12 revenue under plans	4,816	858	–	11	(63)	–	5,622	–
S7.4 planning agreements	2,942	1,353	–	3	(118)	–	4,180	–
S64 contributions	10,549	2,046	–	13	(143)	–	12,465	–
Total contributions	18,307	4,257	–	27	(324)	–	22,267	–

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 balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021								
Drainage	174	20	-	-	-	-	194	-
Open space	1,866	302	-	2	(10)	-	2,160	-
Community facilities	724	63	-	-	(3)	-	784	-
Transport management	963	317	-	7	-	-	1,287	-
Car parking	261	-	-	-	-	-	261	-
Administration	459	84	-	1	(50)	-	494	-
Civic improvements	21	-	-	-	-	-	21	-
Total	4,468	786	-	10	(63)	-	5,201	-

S7.12 Levies – under a plan

CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

94A	348	72	-	1	-	-	421	-
Total	348	72	-	1	-	-	421	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	8,394	10.19%	11.90%	15.57%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	82,408				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	65,810	62.49%	58.32%	60.10%	> 60.00%
Total continuing operating revenue ¹	105,320				
3. Unrestricted current ratio					
Current assets less all external restrictions	65,631	5.98x	4.06x	3.47x	> 1.50x
Current liabilities less specific purpose liabilities	10,982				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	27,247	12.56x	13.41x	10.59x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,170				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,373	2.96%	3.16%	4.37%	< 10.00%
Rates and annual charges collectable	46,453				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	117,757	22.06	18.23	16.21	> 3.00
Monthly payments from cash flow of operating and financing activities	5,337	months	months	months	months

(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 ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	9.37%	12.01%	2.33%	2.22%	24.73%	20.47%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	57.71%	53.35%	81.33%	83.73%	90.62%	84.54%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.98x	4.06x	13.14x	12.81x	16.22x	13.47x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	22.04x	24.20x	4.41x	5.42x	4.45x	4.44x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	2.89%	3.08%	3.25%	3.32%	3.22%	3.54%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.87	14.91	51.69	46.66	48.95	28.05	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	months

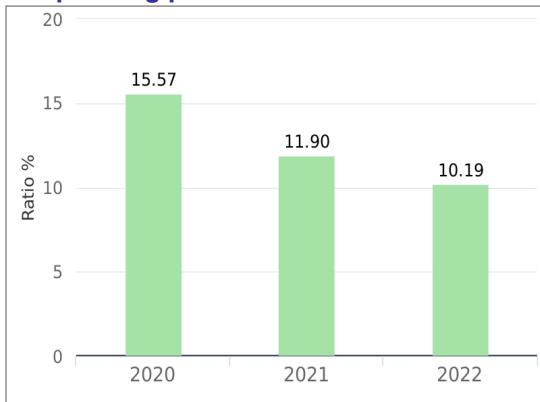
(1)Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(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.

End of the audited financial statements

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result	
2021/22 ratio	10.19%

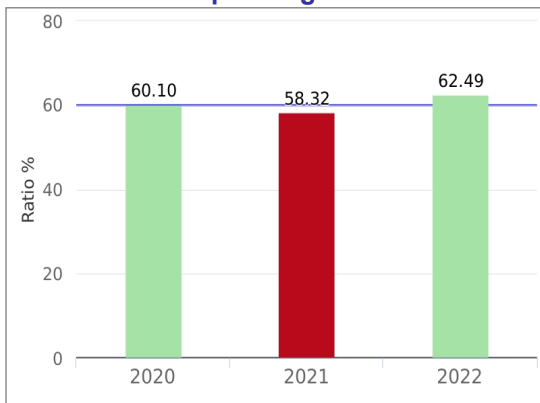
Benchmark: — > 0.00%

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 2021/22 result	
2021/22 ratio	62.49%

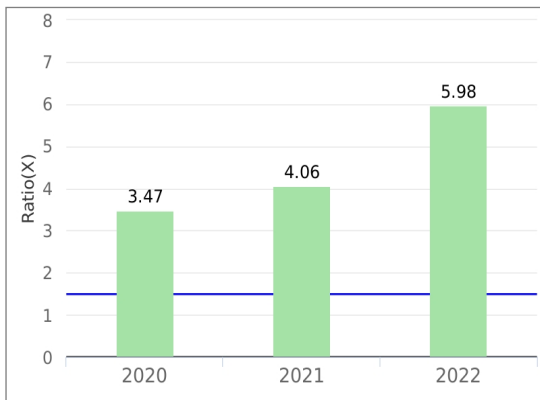
Benchmark: — > 60.00%

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 2021/22 result	
2021/22 ratio	5.98x

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

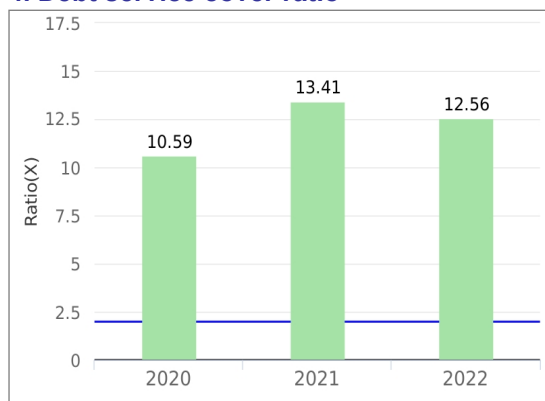
Ratio achieves benchmark

Ratio is outside benchmark

H Additional Council disclosures (unaudited)

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 2021/22 result

2021/22 ratio 12.56x

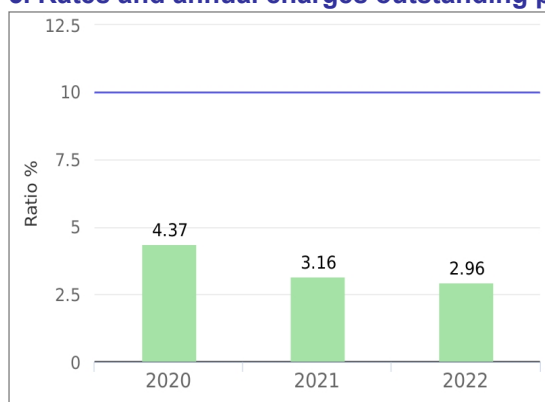
Benchmark: — > 2.00x

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 2021/22 result

2021/22 ratio 2.96%

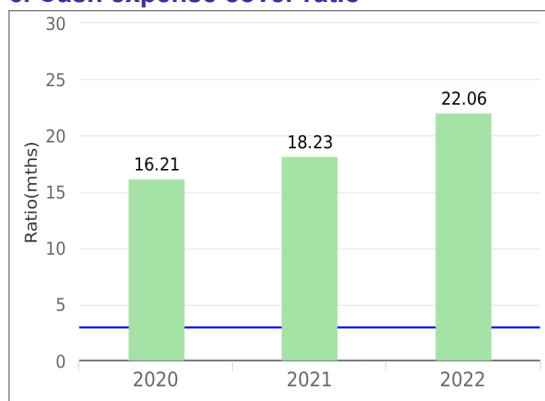
Benchmark: — < 10.00%

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 2021/22 result

2021/22 ratio 22.06 months

Benchmark: — > 3.00months

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

	2022 \$ '000	2021 \$ '000	2020 \$ '000	2019 \$ '000	2018 \$ '000
Inflows:					
Rates and annual charges revenue	44,707	43,720	39,281	31,043	29,196
User charges revenue	16,599	19,108	16,919	15,018	18,629
Interest and investment revenue (losses)	836	974	1,650	2,373	1,693
Grants income – operating and capital	35,254	44,341	37,253	19,937	20,165
Total income from continuing operations	106,235	115,662	102,168	84,178	81,944
Sale proceeds from IPPE	3,045	3,087	543	2,054	1,810
New loan borrowings and advances	7,400	–	1,000	–	–
Outflows:					
Employee benefits and on-cost expenses	29,479	26,524	25,321	23,759	22,521
Borrowing costs	533	691	832	926	1,064
Materials and contracts expenses	24,083	22,945	23,221	12,723	14,181
Total expenses from continuing operations	75,145	74,251	77,207	65,199	65,579
Total cash purchases of IPPE	36,289	49,529	36,392	24,768	33,985
Total loan repayments (incl. finance leases)	1,658	1,535	2,093	1,689	1,589
Operating surplus/(deficit) (excl. capital income)	8,178	8,041	5,328	1,143	2,171
Financial position figures					
Current assets	102,312	97,120	92,587	82,914	69,937
Current liabilities	33,696	31,149	24,844	16,234	14,411
Net current assets	68,616	65,971	67,743	66,680	55,526
Available working capital (Unrestricted net current assets)	19,122	12,400	11,463	12,883	9,716
Cash and investments – unrestricted	18,235	13,177	14,344	9,565	10,614
Cash and investments – internal restrictions	40,284	28,056	20,426	16,628	14,816
Cash and investments – total	127,770	103,633	86,979	77,848	72,305
Total borrowings outstanding (loans, advances and finance leases)	16,273	10,441	11,923	12,980	14,669
Total value of IPPE (excl. land and earthworks)	1,458,726	1,327,095	1,283,824	954,016	914,358
Total accumulated depreciation	395,338	345,634	334,411	340,353	330,330
Indicative remaining useful life (as a % of GBV)	73%	74%	74%	64%	64%

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

H1-3 Council information and contact details

Principal place of business:

86 Market Street
Mudgee NSW 2850

Contact details

Mailing Address:

PO Box 156
Mudgee NSW 2850

Telephone: 02 6378 2850

Facsimile: 02 6378 2815

Opening hours:

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

Internet: www.midwestern.nsw.gov.au

Email: council@midwestern.nsw.gov.au

Officers

General Manager

Brad Cam

Acting Chief Financial Officer

Neil Bungate

Public Officer

Mr Richard Cushway

Auditors

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

Elected members

Mayor

Des Kennedy

Councillors

Clr Paul Cavalier
Clr Katie Dicker
Clr Peter Shelley
Clr Percy Thompson
Clr Sam Paine
Clr Phil Stoddart
Clr Robbie Palmer
Clr Alex Karavas

Other information

ABN: 96 149 391 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Qualified 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 2022, the Statement of Financial Position as at 30 June 2022, 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. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

- 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 2022, 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 qualified opinion should be read in conjunction with the rest of this report.

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-8 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 July 2011.
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

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 qualified audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2022 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/ar3.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

25 October 2022
SYDNEY



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

Contact: Unaib Jeffrey
Phone no: 02 9275 7450
Our ref: D2219836/1760

25 October 2022

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2022 Mid-Western Regional Council

I have audited the general purpose financial statements (GPFS) of the Mid-Western Regional Council (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a modified 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 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting

equipment by either not entering into a service agreement, or cancelling the existing service agreement

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.





Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 GPFS to be modified.

Refer to the Independent Auditor's report on the GPFS.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	44.7	43.7	 2.3
Grants and contributions revenue	39.6	47.7	 17.0
Operating result from continuing operations	31.1	41.4	 25.0
Net operating result before capital grants and contributions	8.2	8.0	 3.8

The Council's operating result from continuing operations (\$31.1 million including depreciation and amortisation expense of \$18.4 million) was \$10.3 million lower than the 2020–21 result.

The 2021-22 results reported an increase of \$1.0 million in rates and annual charges revenue.

Delays in capital work projects during the year resulted in a decrease in grants revenue (both operating and capital) of \$8.1 million compared to the financial year 2020-21. Significant capital work projects which are on-going at year end include Dixons Long Point Crossing amounting to \$7.0 million, Seal extensions amounting to \$2.2 million, and the Bylong Valley Way upgrade amounting to \$0.7 million.

In terms of expenditure, the current year results are comparable to 2020-21 with an increase of \$0.9 million or 1 per cent.

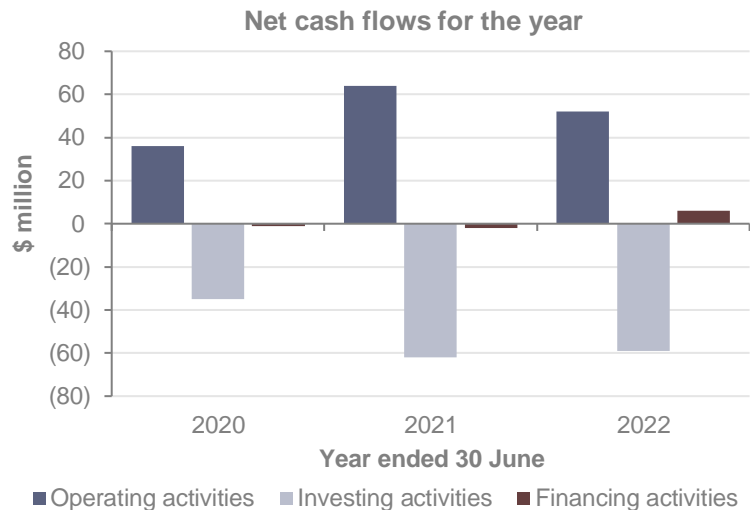
STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year with year end cash balances decreasing from \$6.8 million to \$5.3 million.

Cash inflows from operating activities decreased in 2021-22 relative to the decrease in capital grants.

Cash outflows from investing activities decreased from a combination of the noted decrease in purchase of property, plant and equipment and decrease of purchase of investments compared to prior year.

Cash flows from financing activities increased arising from the proceeds of borrowings during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	127.8	103.6	External restrictions include unspent specific purpose grants, developer contributions, and domestic waste and stormwater management charges and unspent levies. The increase is primarily attributable to an increase in developer contributions, water and sewer funds and domestic waste management.
Restricted and allocated cash, cash equivalents and investments:			Balances are internally restricted due to Council policy or decisions for forward plans including the works program. The increase is primarily attributable to plant and vehicle replacement, allocation for the Council's capital programs and land development.
• External restrictions	69.3	62.4	Unrestricted balances provide liquidity for day to day operations and increased by \$5.0 million compared to 2020-21.
• Internal allocations	40.3	28.0	
• Unrestricted	18.2	13.2	

Debt

The Council has an approved bank overdraft facility with a maximum amount of \$0.7 million which was not utilised for the 2021-22 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 and Environment.

Operating performance ratio

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

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.

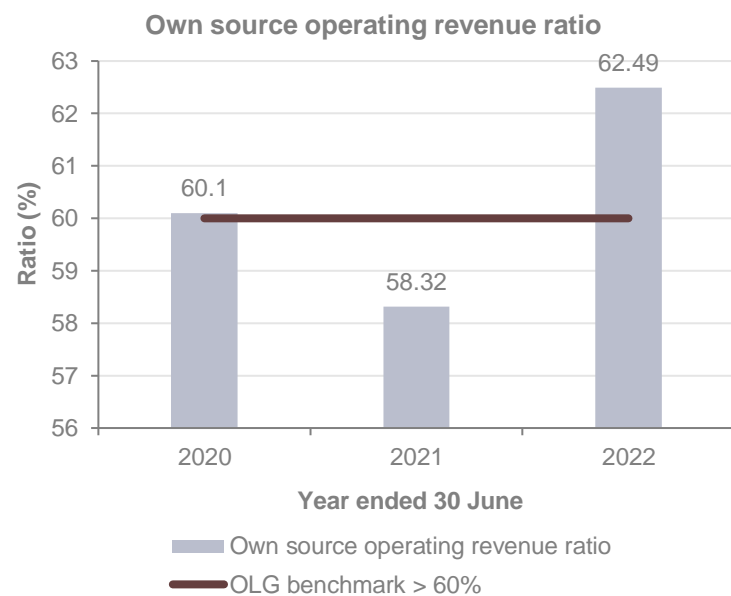


Own source operating revenue ratio

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

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.

Council's own source operating revenue ratio of 62.49 per cent exceeded the industry benchmark of 60.0 per cent during the year.



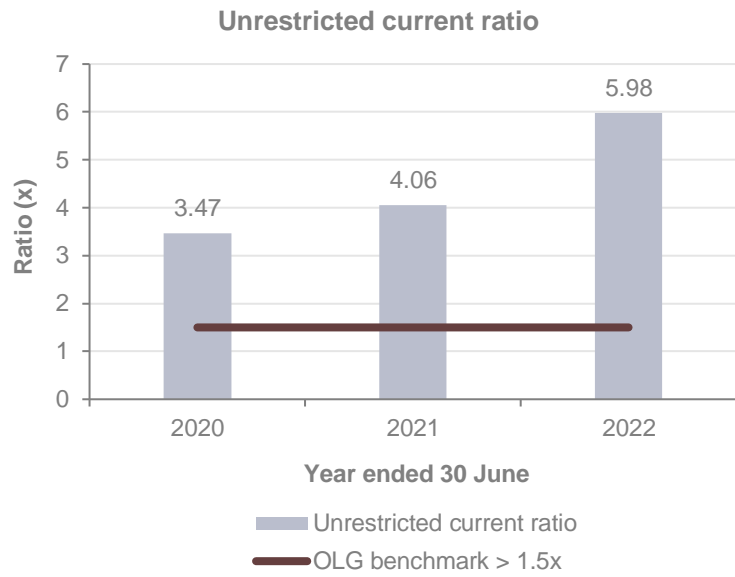
Unrestricted current ratio

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

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

Council's unrestricted current ratio of 5.9 times exceeded the industry benchmark of 1.5 times for the past three years.

This ratio indicates that Council currently has \$5.98 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.



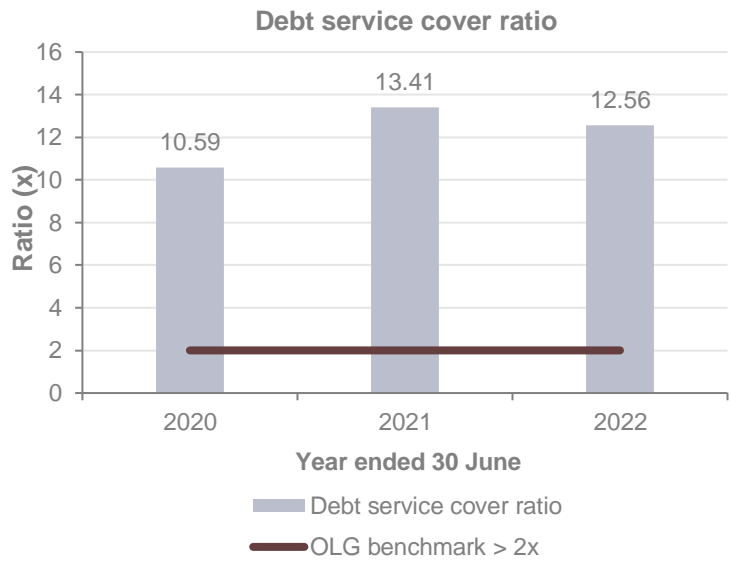
Debt service cover ratio

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

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.

Council's debt service cover ratio of 12.56 times exceeded the industry benchmark of 2.0 times for 2021-22.

The current year result reflects continued strength in the Council's ability to repay its borrowings.

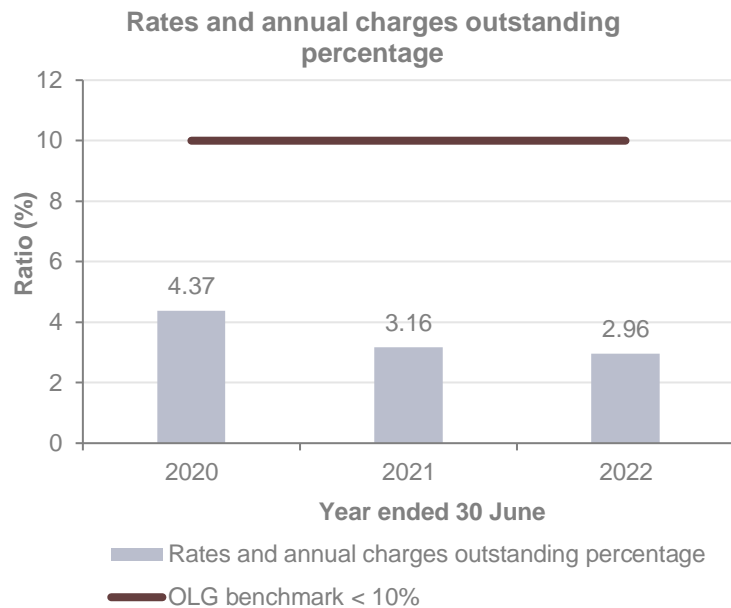


Rates and annual charges outstanding percentage

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

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.

Council's rates and annual charges outstanding percentage of 2.96 per cent met the industry benchmark of < 10% for 2021-22.



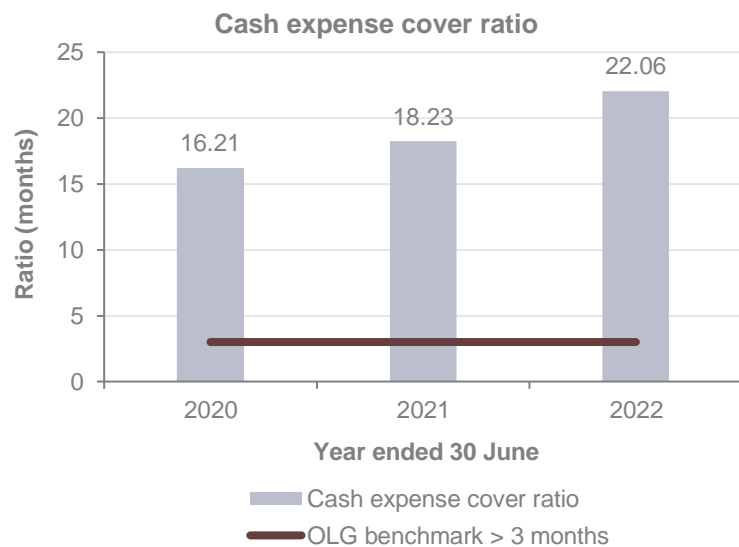
Cash expense cover ratio

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

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.

Council's cash expense cover ratio of 22 months exceeded the industry benchmark of 3.0 months for the past three years.

This indicates that Council had the capacity to cover 22.0 months of cash expenditure without additional cash inflows at 30 June 2022.



Infrastructure, property, plant and equipment renewals

Council spent \$19.7 million on asset renewals in 2021-22 compared to \$19.6 million in 2020-21. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

Asset renewals in 2021-22 were carried out in accordance with Council's capital works program and were primarily related to road and footpath assets.

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment was not recognised in the financial statements.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.



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

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

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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



Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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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 2022

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:

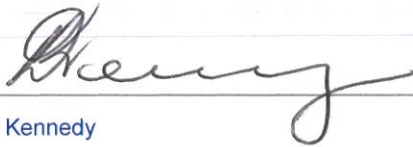
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

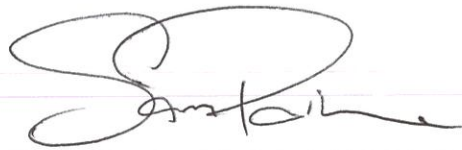
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 17 August 2022.



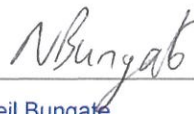
Des Kennedy
Mayor
17 August 2022



Sam Paine
Deputy Mayor
17 August 2022



Brad Cam
General Manager
17 August 2022



Neil Bungate
Acting Chief Financial Officer
17 August 2022

Mid-Western Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Access charges	1,707	1,650
User charges	5,691	5,716
Interest and investment income	96	326
Grants and contributions provided for operating purposes	19	3
Other income	(1)	19
Total income from continuing operations	7,512	7,714
Employee benefits and on-costs	1,957	1,886
Borrowing costs	64	85
Materials and services	3,685	3,670
Depreciation, amortisation and impairment	1,515	1,902
Net loss from the disposal of assets	50	5
Other expenses	116	–
Total expenses from continuing operations	7,387	7,548
Surplus (deficit) from continuing operations before capital amounts	125	166
Grants and contributions provided for capital purposes	1,701	1,495
Surplus (deficit) from continuing operations after capital amounts	1,826	1,661
Surplus (deficit) from all operations before tax	1,826	1,661
Less: corporate taxation equivalent (25%) [based on result before capital]	(31)	(43)
Surplus (deficit) after tax	1,795	1,618
Plus accumulated surplus	62,941	61,426
Plus/less: prior period error	(40)	(156)
Plus/less: Transfer to retained earnings for asset disposals	14	10
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	31	43
Return on capital %	0.2%	0.3%
Subsidy from Council	2,966	964
Calculation of dividend payable:		
Surplus (deficit) after tax	1,795	1,618
Less: capital grants and contributions (excluding developer contributions)	(1,701)	(1,495)
Surplus for dividend calculation purposes	94	123
Potential dividend calculated from surplus	47	62

Mid-Western Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Access charges	7,031	6,753
User charges	615	728
Interest and investment income	94	323
Grants and contributions provided for operating purposes	(26)	76
Other income	114	39
Total income from continuing operations	7,828	7,919
Employee benefits and on-costs	1,484	1,484
Borrowing costs	292	502
Materials and services	2,886	2,713
Depreciation, amortisation and impairment	1,206	1,593
Net loss from the disposal of assets	131	19
Other expenses	24	–
Total expenses from continuing operations	6,023	6,311
Surplus (deficit) from continuing operations before capital amounts	1,805	1,608
Grants and contributions provided for capital purposes	839	1,358
Surplus (deficit) from continuing operations after capital amounts	2,644	2,966
Surplus (deficit) from all operations before tax	2,644	2,966
Less: corporate taxation equivalent (25%) [based on result before capital]	(451)	(418)
Surplus (deficit) after tax	2,193	2,548
Plus accumulated surplus	55,329	52,559
Plus/less: prior period adjustments	–	(206)
Plus/less: Transfer to retained earnings for asset disposals	85	10
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	451	418
Return on capital %	2.4%	2.3%
Subsidy from Council	1,115	–
Calculation of dividend payable:		
Surplus (deficit) after tax	2,193	2,548
Less: capital grants and contributions (excluding developer contributions)	(839)	(1,358)
Surplus for dividend calculation purposes	1,354	1,190
Potential dividend calculated from surplus	677	595

Mid-Western Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	38	–
Cash and cash equivalents	1,254	1,105
Investments	11,696	11,149
Receivables	1,220	1,443
Inventories	200	202
Total current assets	14,408	13,899
Non-current assets		
Investments	5,468	3,902
Infrastructure, property, plant and equipment	86,202	81,556
Total non-current assets	91,670	85,458
Total assets	106,078	99,357
LIABILITIES		
Current liabilities		
Contract liabilities	–	121
Payables	738	606
Borrowings	356	479
Total current liabilities	1,094	1,206
Non-current liabilities		
Borrowings	453	665
Total non-current liabilities	453	665
Total liabilities	1,547	1,871
Net assets	104,531	97,486
EQUITY		
Accumulated surplus	64,741	62,941
Revaluation reserves	39,790	34,545
Total equity	104,531	97,486

Mid-Western Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	10	55
Cash and cash equivalents	746	1,076
Investments	12,266	11,301
Receivables	438	483
Inventories	32	20
Total current assets	13,492	12,935
Non-current assets		
Investments	5,734	3,956
Infrastructure, property, plant and equipment	87,767	91,927
Total non-current assets	93,501	95,883
Total assets	106,993	108,818
LIABILITIES		
Current liabilities		
Payables	211	622
Borrowings	620	334
Total current liabilities	831	956
Non-current liabilities		
Borrowings	6,393	7,158
Total non-current liabilities	6,393	7,158
Total liabilities	7,224	8,114
Net assets	99,769	100,704
EQUITY		
Accumulated surplus	58,058	55,329
Revaluation reserves	41,711	45,375
Total equity	99,769	100,704

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 – 25% (20/21 26%)

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 25% (20/21 26%).

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.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

Note – Significant Accounting Policies

(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 2022 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 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note 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 2022 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 the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

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

25 October 2022
SYDNEY

Mid-Western Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

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



Mid-Western Regional Council

Special Schedules

for the year ended 30 June 2022

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Mid-Western Regional Council

Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	30,041	30,265
Plus or minus adjustments ²	b	135	219
Notional general income	c = a + b	30,176	30,484
Permissible income calculation			
Or rate peg percentage	e	2.00%	0.70%
Or plus rate peg amount	i = e x (c + g)	604	213
Sub-total	k = (c + g + h + i + j)	30,780	30,697
Plus (or minus) last year's carry forward total	l	34	-
Less valuation objections claimed in the previous year	m	(1,483)	(935)
Sub-total	n = (l + m)	(1,449)	(935)
Total permissible income	o = k + n	29,331	29,762
Less notional general income yield	p	30,265	29,741
Catch-up or (excess) result	q = o - p	(935)	21
Plus income lost due to valuation objections claimed ⁴	r	935	6
Carry forward to next year ⁶	t = q + r + s	-	27

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 (NSW)*.
- (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 Act. 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 2023.

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 2021–22 (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 2022 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 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

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

25 October 2022
SYDNEY

Mid-Western Regional Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings and other structures	-	617	617	1,712	1,543	90,353	120,580	16.5%	1.8%	79.9%	1.8%	0.0%
	Sub-total	617	617	1,712	1,543	90,353	120,580	16.5%	1.8%	79.9%	1.8%	0.0%
Roads	Roads	21,007	21,007	3,879	4,409	562,032	683,049	16.8%	41.7%	28.5%	8.2%	4.8%
	Bridges	583	583	175	11	65,453	119,913	16.3%	30.8%	49.5%	3.4%	0.0%
	Footpaths and Cycleways	202	202	63	16	9,042	14,697	44.2%	24.8%	21.6%	9.4%	0.0%
	Other road assets	2,232	2,232	36	20	45,205	60,444	22.7%	20.3%	25.1%	29.6%	2.3%
	Sub-total	24,024	24,024	4,153	4,456	681,732	878,103	17.6%	38.5%	31.0%	9.0%	3.9%
Water supply network	-	7,814	7,814	1,734	1,651	79,434	142,388	22.9%	30.1%	30.5%	10.4%	6.1%
	Sub-total	7,814	7,814	1,734	1,651	79,434	142,388	22.9%	30.1%	30.5%	10.4%	6.1%
Sewerage network	-	6,799	6,799	1,118	1,182	84,021	139,109	29.3%	32.1%	6.0%	24.7%	7.9%
	Sub-total	6,799	6,799	1,118	1,182	84,021	139,109	29.3%	32.1%	6.0%	24.7%	7.9%
Stormwater drainage	-	54	54	723	816	27,221	37,765	21.6%	2.0%	76.1%	0.0%	0.3%
	Sub-total	54	54	723	816	27,221	37,765	21.6%	2.0%	76.1%	0.0%	0.3%
Open space / recreational assets	Swimming pools	29	29	475	443	5,951	11,312	29.3%	23.0%	46.9%	0.6%	0.2%
	Other Recreational/Open Space	509	509	2,592	2,453	19,429	25,809	54.8%	22.8%	15.7%	6.6%	0.1%
	Sub-total	538	538	3,067	2,896	25,380	37,121	47.0%	22.9%	25.2%	4.8%	0.1%
Other infrastructure assets	-	423	423	754	733	17,145	25,734	37.7%	26.2%	31.5%	2.8%	1.8%
	Sub-total	423	423	754	733	17,145	25,734	37.7%	26.2%	31.5%	2.8%	1.8%
	Total – all assets	40,269	40,269	13,261	13,277	1,005,286	1,380,800	20.5%	32.1%	33.8%	9.6%	3.9%

(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 2022

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 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	14,403	97.60%	111.51%	119.52%	>= 100.00%
Depreciation, amortisation and impairment	14,757				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	40,269	3.94%	3.87%	3.43%	< 2.00%
Net carrying amount of infrastructure assets	1,021,810				
Asset maintenance ratio					
Actual asset maintenance	13,277	100.12%	97.47%	101.17%	> 100.00%
Required asset maintenance	13,261				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	40,269	2.92%	2.92%	2.56%	
Gross replacement cost	1,380,800				

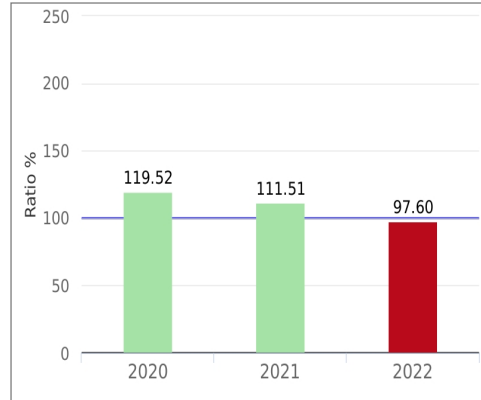
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2022

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

21/22 ratio 97.60%

Council continues to renew assets at a rate close to depreciation, reflecting the aim to maintain or reduce the infrastructure backlog. The majority of the renewal expenditure was on roads, bridges and footpaths, which was \$9.5M.

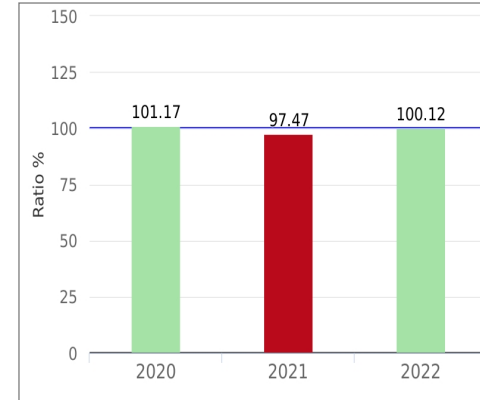
Benchmark: — $\geq 100.00\%$

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

21/22 ratio 100.12%

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

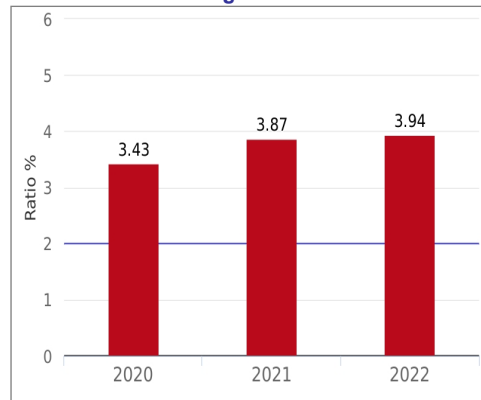
Benchmark: — $> 100.00\%$

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

21/22 ratio 3.94%

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

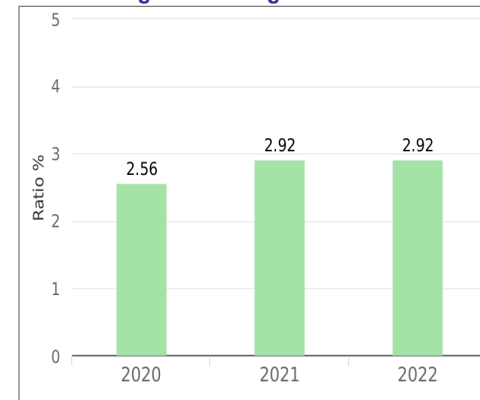
Benchmark: — $< 2.00\%$

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

21/22 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 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	119.75%	129.56%	0.00%	79.53%	0.00%	13.58%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	2.99%	3.30%	9.84%	8.55%	8.09%	4.91%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.34%	97.67%	95.21%	100.06%	105.72%	92.01%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	2.33%	2.54%	5.49%	5.36%	4.89%	3.69%	
Gross replacement cost							

(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.