

# MidCoast Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# MidCoast Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

4-10 Breese Parade  
Forster NSW 2428

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

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

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

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

## MidCoast Council

### General Purpose Financial Statements

for the year ended 30 June 2020

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

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


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

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

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

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

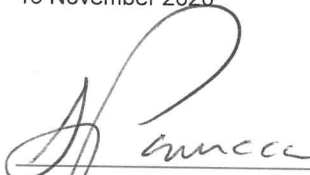
Signed in accordance with a resolution of Council made on 18 November 2020.



David West  
**Mayor**  
18 November 2020



Claire Pontin  
**Councillor**  
18 November 2020



Adrian Panuccio  
**General Manager**  
18 November 2020



Philip Brennan  
**Responsible Accounting Officer**  
18 November 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
150,594	Rates and annual charges	3a	153,224	148,220
49,082	User charges and fees	3b	51,629	53,448
9,947	Other revenues	3c	4,125	5,727
30,304	Grants and contributions provided for operating purposes	3d,3e	31,565	32,709
35,765	Grants and contributions provided for capital purposes	3d,3e	47,580	42,171
5,545	Interest and investment income	4	4,903	6,165
–	Fair value increment on investment properties	11	70	370
–	Rental income	13e	1,936	–
<b>281,237</b>	<b>Total income from continuing operations</b>		<b>295,032</b>	<b>288,810</b>
<b>Expenses from continuing operations</b>				
79,822	Employee benefits and on-costs	5a	72,351	74,418
12,400	Borrowing costs	5b	12,427	11,960
59,265	Materials and contracts	5c	54,366	51,757
77,068	Depreciation and amortisation	5d	83,385	78,250
32,475	Other expenses	5e	31,857	27,071
–	Net losses from the disposal of assets	6	4,103	2,424
–	Revaluation decrement / impairment of IPP&E	5d	–	6,225
–	Net share of interests in joint ventures and associates using the equity method	18	31	39
<b>261,030</b>	<b>Total expenses from continuing operations</b>		<b>258,520</b>	<b>252,144</b>
<b>20,207</b>	<b>Operating result from continuing operations</b>		<b>36,512</b>	<b>36,666</b>
<b>20,207</b>	<b>Net operating result for the year</b>		<b>36,512</b>	<b>36,666</b>
20,207	Net operating result attributable to council		36,512	36,666
<b>(15,558)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(11,068)</b>	<b>(5,505)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net result for the year (as per Income Statement)</b>		<b>36,512</b>	<b>36,666</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	187,702	462,732
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>187,702</b>	<b>462,732</b>
<b>Total other comprehensive income for the year</b>		<b>187,702</b>	<b>462,732</b>
<b>Total comprehensive income for the year</b>		<b>224,214</b>	<b>499,398</b>
Total comprehensive income attributable to Council		224,214	499,398

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	51,605	38,599
Investments	7(b)	112,000	157,700
Receivables	8	35,573	33,541
Inventories	9a	4,878	5,149
Other	9b	1,221	806
<b>Total current assets</b>		<u>205,277</u>	<u>235,795</u>
<b>Non-current assets</b>			
Investments	7(b)	105,540	45,250
Receivables	8	699	–
Inventories	9a	1,674	1,674
Infrastructure, property, plant and equipment	10(a)	3,581,007	3,386,770
Investment property	11	18,640	18,570
Right of use assets	13a	496	–
Investments accounted for using the equity method	18	373	404
<b>Total non-current assets</b>		<u>3,708,429</u>	<u>3,452,668</u>
<b>Total assets</b>		<u>3,913,706</u>	<u>3,688,463</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	30,318	19,324
Income received in advance	14	–	3,815
Contract liabilities	12	3,973	–
Lease liabilities	13b	101	–
Borrowings	14	20,930	21,497
Provisions	15	26,429	25,034
<b>Total current liabilities</b>		<u>81,751</u>	<u>69,670</u>
<b>Non-current liabilities</b>			
Lease liabilities	13b	356	–
Borrowings	14	191,818	201,077
Provisions	15	15,304	12,276
<b>Total non-current liabilities</b>		<u>207,478</u>	<u>213,353</u>
<b>Total liabilities</b>		<u>289,229</u>	<u>283,023</u>
<b>Net assets</b>		<u>3,624,477</u>	<u>3,405,440</u>
<b>EQUITY</b>			
Accumulated surplus	16	2,913,919	2,882,584
Revaluation reserves	16	710,558	522,856
<b>Council equity interest</b>		<u>3,624,477</u>	<u>3,405,440</u>
<b>Total equity</b>		<u>3,624,477</u>	<u>3,405,440</u>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		2,882,584	522,856	3,405,440	2,845,918	60,124	2,906,042
Changes due to AASB 1058 and AASB 15 adoption	16	(5,177)	–	(5,177)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>2,877,407</b>	<b>522,856</b>	<b>3,400,263</b>	<b>2,845,918</b>	<b>60,124</b>	<b>2,906,042</b>
<b>Net operating result for the year</b>		36,512	–	36,512	36,666	–	36,666
<b>Restated net result for the period</b>		<b>36,512</b>	<b>–</b>	<b>36,512</b>	<b>36,666</b>	<b>–</b>	<b>36,666</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	187,702	187,702	–	462,732	462,732
<b>Other comprehensive income</b>		<b>–</b>	<b>187,702</b>	<b>187,702</b>	<b>–</b>	<b>462,732</b>	<b>462,732</b>
<b>Total comprehensive income</b>		<b>36,512</b>	<b>187,702</b>	<b>224,214</b>	<b>36,666</b>	<b>462,732</b>	<b>499,398</b>
<b>Equity – balance at end of the reporting period</b>		<b>2,913,919</b>	<b>710,558</b>	<b>3,624,477</b>	<b>2,882,584</b>	<b>522,856</b>	<b>3,405,440</b>

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

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



## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
150,594	Rates and annual charges		155,745	146,559
49,082	User charges and fees		48,073	54,981
5,545	Investment and interest revenue received		5,437	5,166
66,069	Grants and contributions		68,192	64,388
–	Bonds, deposits and retention amounts received		155	1,142
9,947	Other		19,703	14,828
<b>Payments:</b>				
(79,822)	Employee benefits and on-costs		(71,233)	(72,268)
(59,265)	Materials and contracts		(46,746)	(60,603)
(12,400)	Borrowing costs		(12,401)	(13,759)
(32,475)	Other		(45,059)	(30,703)
<b>97,275</b>	<b>Net cash provided (or used in) operating activities</b>	17b	<b>121,866</b>	<b>109,731</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
250,000	Sale of investment securities		246,013	186,200
7,269	Sale of infrastructure, property, plant and equipment		1,565	1,558
<b>Payments:</b>				
(250,000)	Purchase of investment securities		(260,603)	(221,250)
(108,386)	Purchase of infrastructure, property, plant and equipment		(85,738)	(64,264)
–	Purchase of real estate assets		–	168
–	Deferred debtors and advances made		–	(10)
<b>(101,117)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(98,763)</b>	<b>(97,598)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
18,183	Proceeds from borrowings and advances		11,500	12,840
<b>Payments:</b>				
(21,308)	Repayment of borrowings and advances		(21,243)	(21,000)
–	Lease liabilities (principal repayments)		(354)	(92)
<b>(3,125)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(10,097)</b>	<b>(8,252)</b>
<b>(6,967)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,006</b>	<b>3,881</b>
38,599	Plus: cash and cash equivalents – beginning of year	17a	38,599	34,718
<b>31,632</b>	<b>Cash and cash equivalents – end of the year</b>	17a	<b>51,605</b>	<b>38,599</b>
202,950	plus: Investments on hand – end of year	7(b)	217,540	202,950
<b>234,582</b>	<b>Total cash, cash equivalents and investments</b>		<b>269,145</b>	<b>241,549</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 18 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

#### (b) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 15
- (iv) employee benefit provisions – refer Note 15.

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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 8.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- Sewerage service.

#### (b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

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

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

#### New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 2(a). Council functions/activities – financial information

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Our Unique Diverse & Culturally Rich Communities	17,872	17,495	28,319	27,621	(10,447)	(10,126)	4,752	5,665	220,487	209,094
Our Connected Community	162,723	159,292	176,162	171,817	(13,439)	(12,525)	32,673	19,128	3,457,384	3,255,720
Our Environment	7,098	6,948	11,732	11,443	(4,634)	(4,495)	2,174	2,592	21,153	20,060
Our Thriving & Growing Economy	3,530	3,455	5,990	5,843	(2,460)	(2,388)	1,325	1,580	50,560	47,948
Strong Leadership & Shared Vision	103,809	101,620	36,317	35,420	67,492	66,200	15,425	18,389	164,122	155,641
<b>Total functions and activities</b>	<b>295,032</b>	<b>288,810</b>	<b>258,520</b>	<b>252,144</b>	<b>36,512</b>	<b>36,666</b>	<b>56,349</b>	<b>47,354</b>	<b>3,913,706</b>	<b>3,688,463</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Our Unique, Diverse and Culturally Rich Communities**

- We are a diverse community that works together to care for all our members
- We will embrace the uniqueness and creativity of our communities

#### **Our Connected Community**

- We feel connected to each other
- It is safe and easy to get around our region
- We utilise technologies to connect us locally and beyond
- We protect the health and safety of our communities

#### **Our Environment**

- We protect maintain and restore our natural environment
- We manage resources wisely
- We balance the needs of our natural and built environments

#### **Our Thriving and Growing Economy**

- Our region is a popular place to visit, live, work and invest
- Our villages and business precincts are vibrant commercial, cultural and social hubs
- We encourage greater rural and agricultural diversity

#### **Strong Leadership & Shared Vision**

- We work in partnership with our community and government to ensure council is a trusted and flexible organisation that delivers on their needs
- We maintain strong organisational health that contributes to council's success and community-focussed culture
- We make opportunities available for the community to inform decisions that shape our future
- We develop and encourage community and civic leadership

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	2020	2019
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	60,792	57,746
Farmland	8,857	8,068
Business	9,492	9,452
Mining	318	301
Less: pensioner rebates (mandatory)	(2,347)	(2,344)
<b>Rates levied to ratepayers</b>	<b>77,112</b>	<b>73,223</b>
Pensioner rate subsidies received	1,320	1,272
<b>Total ordinary rates</b>	<b>78,432</b>	<b>74,495</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	19,467	19,331
Stormwater management services	817	815
Water supply services	13,981	13,614
Waste management services (non-domestic)	2,513	2,308
Sewerage services	39,071	38,780
Less: pensioner rebates (mandatory)	(2,448)	(2,498)
<b>Annual charges levied</b>	<b>73,401</b>	<b>72,350</b>
Pensioner subsidies received:		
– Water	491	497
– Sewerage	455	460
– Domestic waste management	445	418
<b>Total annual charges</b>	<b>74,792</b>	<b>73,725</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>153,224</b>	<b>148,220</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Waste management services (non-domestic)	–	235
Water supply services	25,036	25,779
Sewerage services	2,177	2,895
Trade Waste	35	55
<b>Total specific user charges</b>	<b>27,248</b>	<b>28,964</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	2,818	2,645
Section 149 certificates (EPA Act)	292	276
Section 603 certificates	247	226
Laboratory Fees	51	118
Water & Sewerage Connection Fees	522	657
Animal control	72	12
Beach vehicle licencing	538	500
Caravan park and camping grounds licence	31	27
Community health fees (food inspection fees etc.)	224	261
Engineering – fixing levels and DA fees	111	163
Freedom of information fees	10	8
On site sewer waste management fees	984	1,049
Outdoor eating licences	–	1
Section 735a charges	47	17
<b>Total fees and charges – statutory/regulatory</b>	<b>5,947</b>	<b>5,960</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	657	639
Tourism	51	51
Waste disposal tipping fees	5,946	5,343
Leaseback fees – Council vehicles	1,030	900
Library and art gallery	33	89
Saleyards	204	144
Swimming centres	177	176
Private works – section 67	182	453
Entertainment centre	231	336
Landing fees	96	103
Ageing services	1,375	2,454
Community land / property rentals	44	79
Community services	–	16
Damage bonds	118	103
Mooring fees	124	122
Other service fees and misc income	1,688	2,426
RMS fees for service	1,961	996
Parks and recreation	189	516
National disability insurance scheme	4,328	3,578
<b>Total fees and charges – other</b>	<b>18,434</b>	<b>18,524</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>51,629</b>	<b>53,448</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for user charges and fees**

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

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

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

**2019 accounting policy**

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

\$ '000	2020	2019
<b>(c) Other revenues</b>		
Fines	327	476
Legal fees recovery – rates and charges (extra charges)	147	259
Commissions and agency fees	160	116
Diesel rebate	–	172
Insurance claims recoveries	804	399
Rental income – investment property (2019 only)	–	1,042
Rental income – other council properties (2019 only)	–	1,242
Other	1,037	687
YMCA profit sharing	–	50
Recycling	426	1,050
Reimbursements	1,224	234
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>4,125</u></b>	<b><u>5,727</u></b>

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rental income is accounted for on a straight-line basis over the lease term.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	6,273	6,120	–	–
Financial assistance – local roads component	2,689	2,693	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	6,643	6,344	–	–
Financial assistance – local roads component	2,856	2,795	–	–
<b>Total general purpose</b>	<b>18,461</b>	<b>17,952</b>	<b>–</b>	<b>–</b>
<b>Specific purpose (tied)</b>				
Water supplies	552	92	2,067	365
Library	292	253	51	135
Storm/flood damage	–	–	760	–
Transport (roads to recovery)	2,720	1,114	–	–
Bushfire and emergency services	2,852	912	254	224
Community care	1,430	1,041	7	161
Employment and training programs	14	34	–	–
Heritage and cultural	–	–	118	–
LIRS subsidy	377	498	–	–
Noxious weeds	19	331	–	–
Street lighting	212	209	–	–
Transport (other roads and bridges funding)	87	–	16,582	15,483
Waste and sustainability	120	–	27	–
Environmental works	1,455	2,079	1,123	–
Recreation improvements	–	608	377	1,916
Other rebates	–	32	–	–
Stronger community funding	626	47	2,388	2,075
Civic Precinct	–	–	3,000	1,500
Other	297	293	81	–
<b>Total specific purpose</b>	<b>11,053</b>	<b>7,543</b>	<b>26,835</b>	<b>21,859</b>
<b>Total grants</b>	<b>29,514</b>	<b>25,495</b>	<b>26,835</b>	<b>21,859</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	21,114	18,949	5,410	3,661
– State funding	8,400	6,546	21,425	18,198
	<b>29,514</b>	<b>25,495</b>	<b>26,835</b>	<b>21,859</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	3,339	4,757
S 64 – sewerage service contributions		–	–	1,295	2,622
S 7.4 – contributions using planning agreements		–	–	–	83
S 64 – water supply contributions		–	–	1,521	2,791
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>6,155</b>	<b>10,253</b>
<b>Total developer contributions</b>	26	<b>–</b>	<b>–</b>	<b>6,155</b>	<b>10,253</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community services		–	2	5	–
Other		854	–	99	4
RMS contributions (regional roads, block grant)		393	6,027	4,854	1,638
Crown reserve contribution (caravan parks)		586	580	–	–
Library services		–	24	–	–
Misc. contributions		218	551	–	–
Recreational facilities		–	–	–	244
Tourism / economic development		–	2	–	–
Other waste		–	28	–	–
<b>Total other contributions – cash</b>		<b>2,051</b>	<b>7,214</b>	<b>4,958</b>	<b>1,886</b>
<b>Non-cash contributions</b>					
Sewerage (excl. section 64 contributions)		–	–	3,070	–
Water supplies (excl. section 64 contributions)		–	–	1,375	1,733
Dedications – subdivisions (other than by s7.11)		–	–	5,187	6,440
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>9,632</b>	<b>8,173</b>
<b>Total other contributions</b>		<b>2,051</b>	<b>7,214</b>	<b>14,590</b>	<b>10,059</b>
<b>Total contributions</b>		<b>2,051</b>	<b>7,214</b>	<b>20,745</b>	<b>20,312</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>31,565</b>	<b>32,709</b>	<b>47,580</b>	<b>42,171</b>

**Accounting policy for grants and contributions****Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreement but include the provision of specific services or goods to customers. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Grant income

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,240	2,583
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(247)	–
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	2,402	1,046
<b>Add:</b> operating grants received for the provision of goods and services in a future period	56	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(284)	(1,389)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>4,167</b>	<b>2,240</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	5,534	2,306
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(4,003)	–
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	4,216
<b>Add:</b> capital grants received for the provision of goods and services in a future period	2,449	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(988)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>3,980</b>	<b>5,534</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	33,726	28,522
<b>Add:</b> contributions recognised as income in the current period but not yet spent	–	–
<b>Add:</b> contributions recognised in the current period but not yet spent	3,446	11,482
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(1,760)	(6,278)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>35,412</b>	<b>33,726</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB 15 2020	AASB 1058 2020
<b>(g) Disaggregation of material revenue streams</b>		
The following shows the revenue recognition pattern for the material revenue streams of Council.		
<b>Revenue recognition at a point in time</b>		
Rates and annual charges	–	153,224
Financial assistance grants	–	18,461
User charges and fees	8,757	984
Grant revenue and non-developer contributions	206	26,862
Developer contributions	–	6,155
Other	1,810	2,315
	<u>10,773</u>	<u>208,001</u>
<b>Revenue recognised over time</b>		
Grant revenue	626	–
Grants to acquire or construct Council controlled assets	–	26,835
User charges and fees	41,888	–
	<u>42,514</u>	<u>26,835</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	580	516
– Cash and investments	4,323	5,659
<b>Amortisation of premiums and discounts</b>		
– Interest free (and interest reduced) loans provided	–	(10)
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>4,903</b>	<b>6,165</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	404	304
General Council cash and investments	2,729	3,404
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	130	252
– Section 64	–	174
Water fund operations	262	364
Sewerage fund operations	1,378	1,629
Domestic waste management operations	–	34
Other externally restricted assets	–	4
<b>Total interest and investment revenue</b>	<b>4,903</b>	<b>6,165</b>

#### Accounting policy for interest and investment revenue

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	63,538	58,331
Travel expenses	–	178
Employee leave entitlements (ELE)	7,542	10,607
Superannuation	7,972	7,782
Workers' compensation insurance	1,091	856
Fringe benefit tax (FBT)	129	161
Payroll tax	1,181	1,265
Training costs (other than salaries and wages)	163	510
Protective clothing	178	–
Other	134	555
<b>Total employee costs</b>	<b>81,928</b>	<b>80,245</b>
Less: capitalised costs	(9,577)	(5,827)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>72,351</b>	<b>74,418</b>
Number of 'full-time equivalent' employees (FTE) at year end	819	787

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

*Superannuation plans*

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		12,236	13,355
Interest on leases		14	–
<b>Total interest bearing liability costs</b>		<b>12,250</b>	<b>13,355</b>
<b>Total interest bearing liability costs expensed</b>		<b>12,250</b>	<b>13,355</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums:			
– Remediation liabilities	15	177	(1,395)
<b>Total other borrowing costs</b>		<b>177</b>	<b>(1,395)</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>12,427</b>	<b>11,960</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

**Accounting policy for borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	19,350	29,766
Contractor costs	31,720	17,875
Consultancy costs	2,147	2,668
Auditors remuneration <sup>2</sup>	260	307
<b>Legal expenses:</b>		
– Legal expenses: planning and development	181	434
– Legal expenses: debt recovery	144	171
– Legal expenses: other	157	185
Variable lease expense relating to usage (2020 only)	132	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	351
Other	275	–
<b>Total materials and contracts</b>	<b>54,366</b>	<b>51,757</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>54,366</b>	<b>51,757</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**1. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	215	292
<b>Remuneration for audit and other assurance services</b>	<b>215</b>	<b>292</b>

**Total Auditor-General remuneration**

<b>215</b>	<b>292</b>
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**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Audit and review of financial statements	–	5
Other audit and assurance services (council's internal auditor)	45	10
<b>Remuneration for audit and other assurance services</b>	<b>45</b>	<b>15</b>

**Total remuneration of non NSW Auditor-General audit firms**

<b>45</b>	<b>15</b>
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**Total Auditor remuneration**

<b>260</b>	<b>307</b>
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		5,523	5,210
Office equipment		279	391
Furniture and fittings		136	218
Computer equipment		1,087	1,161
Land improvements (depreciable)		314	313
<b>Infrastructure:</b>	10(a)		
– Buildings		8,194	8,189
– Other structures		1,086	1,077
– Roads		29,489	26,287
– Bridges		3,396	3,332
– Footpaths		592	755
– Stormwater drainage		2,893	2,033
– Water supply network		13,750	13,214
– Sewerage network		13,346	13,312
– Swimming pools		242	220
– Other open space/recreational assets		1,295	1,507
<b>Right of use assets</b>	13	218	–
<b>Other assets:</b>			
– Library books		522	476
– Cemetery assets		18	27
– Other		108	90
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	15,10(a)	894	435
– Quarry assets	15,10(a)	3	3
<b>Total gross depreciation and amortisation costs</b>		<u>83,385</u>	<u>78,250</u>
<b>Total depreciation and amortisation costs</b>		<u>83,385</u>	<u>78,250</u>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10(a)		
– Footpaths		–	6,225
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<u>–</u>	<u>6,225</u>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<u>–</u>	<u>6,225</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>83,385</u>	<u>84,475</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 13 for right of use assets.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

**Impairment of non-financial assets**

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

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

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Travel expenses	114	–
Advertising	320	304
Bank charges	434	549
– Emergency services levy	144	125
– NSW fire brigade levy	212	194
– NSW rural fire service levy	1,366	1,171
– Waste levy	7,393	7,287
– Other contributions/levies	655	–
Councillor expenses – mayoral fee	42	43
Councillor expenses – councillors' fees	227	216
Councillors' expenses (incl. mayor) – other (excluding fees above)	58	57
Donations, contributions and assistance to other organisations (Section 356)	313	628
Electricity and heating	5,300	5,170
Insurance	2,394	2,973
Postage	337	212
Printing and stationery	214	213
Street lighting	902	1,178
Subscriptions and publications	316	233
Telephone and communications	1,521	831
Valuation fees	311	472
Plant running costs	3,841	4,050
Other	5,443	1,165
<b>Total other expenses</b>	<b>31,857</b>	<b>27,071</b>
<b>TOTAL OTHER EXPENSES</b>	<b>31,857</b>	<b>27,071</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		195	260
Less: carrying amount of property assets sold/written off		(171)	(168)
<b>Net gain/(loss) on disposal</b>		<b>24</b>	<b>92</b>
<b>Plant and equipment</b>			
	10(a)		
Proceeds from disposal – plant and equipment		1,296	1,298
Less: carrying amount of plant and equipment assets sold/written off		(1,574)	(1,143)
<b>Net gain/(loss) on disposal</b>		<b>(278)</b>	<b>155</b>
<b>Infrastructure</b>			
	10(a)		
Proceeds from disposal – infrastructure		74	–
Less: carrying amount of infrastructure assets sold/written off		(3,923)	(2,671)
<b>Net gain/(loss) on disposal</b>		<b>(3,849)</b>	<b>(2,671)</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – financial assets		246,013	186,200
Less: carrying amount of financial assets sold/redeemed/matured		(246,013)	(186,200)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(4,103)</b>	<b>(2,424)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	12,824	19,636
Cash-equivalent assets		
– Deposits at call	38,781	18,963
<b>Total cash and cash equivalents</b>	<b>51,605</b>	<b>38,599</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	112,000	105,540	157,700	45,250
<b>Total Investments</b>	<b>112,000</b>	<b>105,540</b>	<b>157,700</b>	<b>45,250</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>163,605</b>	<b>105,540</b>	<b>196,299</b>	<b>45,250</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	103,000	52,750	145,950	12,000
NCD's, FRN's (with maturities > 3 months)	9,000	52,790	11,750	33,250
<b>Total</b>	<b>112,000</b>	<b>105,540</b>	<b>157,700</b>	<b>45,250</b>

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### **Fair value through other comprehensive income – equity instruments**

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

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

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

#### **Financial assets through profit or loss**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	163,605	105,540	196,299	45,250
<b>attributable to:</b>				
External restrictions	84,482	105,540	118,517	45,250
Internal restrictions	63,114	–	69,668	–
Unrestricted	16,009	–	8,114	–
	163,605	105,540	196,299	45,250

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	3,974	–
Specific purpose unexpended loans – general	12,275	7,755
Subdivision bonds	5,462	5,394
Sundry bonds and deposits	1,285	1,226
Other sale of land, planning guarantee and relocation, tender and sundry deposits	49	48
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
<b>External restrictions – included in liabilities</b>	<b>23,045</b>	<b>14,423</b>

**External restrictions – other**

Developer contributions – general	22,420	20,521
Developer contributions – water fund	1,521	–
Developer contributions – sewer fund	13,086	11,791
Specific purpose unexpended grants (recognised as revenue) – general fund	4,173	7,774
Water supplies	18,493	18,344
Water supplies –Employee Entitlements	1,034	1,034
Sewerage services	63,109	49,879
Sewerage services –Employee Entitlements	1,018	1,018
Domestic waste management	36,876	33,919
Stormwater management	2,500	1,746
Crown lands act – section 106 (boat harbour)	196	122
Other contributions to works	182	878
ARTC rail crossing	521	521
Cattai wetlands – environmental trust	457	457
Nabiac showground	161	114
MidCoast Assist	316	537
Other	914	689
<b>External restrictions – other</b>	<b>166,977</b>	<b>149,344</b>

**Total external restrictions**

	<b>190,022</b>	<b>163,767</b>
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**Internal restrictions**

Plant and vehicle replacement	5,344	8,670
Employees leave entitlement	4,282	5,290
Carry over works	9,228	10,570
Building Infrastructure Reserves	7,379	1,278
Environmental Levy Reserve	5,087	5,181
Commercial waste	1,413	2,359

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Election	571	371
Emergency management	305	305
Land & Property Reserves	2,514	3,096
IT Infrastructure Reserves	664	1,184
Budget Management Reserves	4,380	4,416
Parks Infrastructure Reserves	903	1,138
Road Infrastructure Reserves	2,631	3,366
SRV Infrastructure Reserve	5,156	2,872
FAG in advance	9,498	9,139
Government Merger Funding Reserve	1,547	7,979
Other	2,212	2,454
<b>Total internal restrictions</b>	<b>63,114</b>	<b>69,668</b>
<b>TOTAL RESTRICTIONS</b>	<b>253,136</b>	<b>233,435</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	11,231	–	10,126	–
Interest and extra charges	1,942	–	1,735	–
User charges and fees	6,983	–	4,904	–
Private works	42	–	99	–
Contributions to works	–	–	823	–
Accrued revenues				
– Interest on investments	1,006	–	1,695	–
– Water & Sewerage Accrued Income	4,410	–	4,731	–
– Other income accruals	3,620	–	2,342	–
Net investment in finance lease	–	–	–	–
Government debtors	5,044	–	4,875	–
Net GST receivable	2,168	–	1,084	–
On site sewer management charges	51	–	48	–
Building and land rentals	5	–	–	–
Foot paving charges	–	–	10	–
Kerb and gutter charges	–	–	23	–
Other receivables	34	699	1,798	–
<b>Total</b>	<b>36,536</b>	<b>699</b>	<b>34,293</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(418)	–	(380)	–
Interest and extra charges	(381)	–	(329)	–
User charges and fees	(164)	–	(43)	–
<b>Total provision for impairment – receivables</b>	<b>(963)</b>	<b>–</b>	<b>(752)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>35,573</b>	<b>699</b>	<b>33,541</b>	<b>–</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	812	–	926	–
– Other	7,766	–	7,407	–
<b>Sewerage services</b>				
– Rates and availability charges	3,579	–	4,006	–
– Other	2,210	–	2,517	–
<b>Domestic waste management</b>	1,514	–	1,629	–
<b>Stormwater management</b>	37	–	29	–
<b>Other</b>				
Other	5,566	–	4,875	–
<b>Total external restrictions</b>	<b>21,484</b>	<b>–</b>	<b>21,389</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>14,089</b>	<b>699</b>	<b>12,152</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>35,573</b>	<b>699</b>	<b>33,541</b>	<b>–</b>
<b>\$ '000</b>			<b>2020</b>	<b>2019</b>

### Movement in provision for impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables (continued)

\$ '000	2020	2019
Balance at the beginning of the year	752	644
+ new provisions recognised during the year	211	76
<b>Balance at the end of the year</b>	<b>963</b>	<b>720</b>

## Accounting policy for receivables

## Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

## Impairment

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

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

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

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

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

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

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

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	3,738	1,674	3,738	1,674
Stores and materials	826	–	1,125	–
Trading stock	314	–	286	–
<b>Total inventories at cost</b>	<b>4,878</b>	<b>1,674</b>	<b>5,149</b>	<b>1,674</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>4,878</u></b>	<b><u>1,674</u></b>	<b><u>5,149</u></b>	<b><u>1,674</u></b>

### (b) Other assets

Prepayments	1,221	–	806	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>1,221</u></b>	<b><u>–</u></b>	<b><u>806</u></b>	<b><u>–</u></b>

### (i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>				
Residential	3,092	690	3,092	690
Industrial/commercial	646	984	646	984
<b>Total real estate for resale</b>	<b>3,738</b>	<b>1,674</b>	<b>3,738</b>	<b>1,674</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	3,211	849	3,211	849
Development costs	527	825	527	825
<b>Total costs</b>	<b>3,738</b>	<b>1,674</b>	<b>3,738</b>	<b>1,674</b>
<b>Total real estate for resale</b>	<b>3,738</b>	<b>1,674</b>	<b>3,738</b>	<b>1,674</b>

### Accounting policy for inventories and other assets

#### Raw materials and stores, work in progress and finished goods

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Transfers to right of use assets	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	31,932	–	31,932	33,296	23,013	–	–	(1,086)	–	–	–	87,155	–	87,155
Plant and equipment	67,522	(30,667)	36,855	4,468	–	(1,255)	(5,523)	239	–	–	–	69,000	(34,216)	34,784
Office equipment	4,477	(3,853)	624	12	–	–	(279)	105	–	(72)	–	4,414	(4,024)	390
Furniture and fittings	3,207	(2,738)	469	10	–	–	(136)	–	–	–	–	3,217	(2,874)	343
Computer equipment	6,705	(2,250)	4,455	606	–	–	(1,087)	–	–	–	–	7,311	(3,337)	3,974
<b>Land:</b>														
– Operational land	84,163	–	84,163	–	–	(171)	–	–	–	–	–	83,992	–	83,992
– Community land	74,264	–	74,264	–	220	–	–	–	–	–	–	74,484	–	74,484
– Land under roads (post 30/6/08)	135	–	135	–	11	–	–	–	–	–	–	146	–	146
Land improvements – non-depreciable	20	–	20	–	–	–	–	–	–	–	–	20	–	20
Land improvements – depreciable	5,843	(2,166)	3,677	–	224	–	(314)	–	–	–	–	6,067	(2,480)	3,587
<b>Infrastructure:</b>														
– Buildings	358,500	(153,759)	204,741	707	–	(65)	(8,194)	–	–	–	–	359,086	(161,897)	197,189
– Other structures	27,305	(9,699)	17,606	401	–	(16)	(1,086)	71	–	–	–	27,611	(10,635)	16,976
– Roads	1,322,400	(603,809)	718,591	13,869	–	(1,743)	(29,489)	–	–	–	–	1,328,022	(626,794)	701,228
– Bridges	310,154	(133,211)	176,943	8,296	–	(291)	(3,396)	–	–	–	–	315,004	(133,452)	181,552
– Footpaths	29,910	(14,889)	15,021	–	–	–	(592)	–	–	–	–	29,913	(15,484)	14,429
– Bulk earthworks (non-depreciable)	967,378	–	967,378	–	–	–	–	–	–	–	–	967,378	–	967,378
– Stormwater drainage	291,841	(110,281)	181,560	1,028	901	(577)	(2,893)	352	–	–	9,036	352,391	(162,984)	189,407
– Water supply network	790,212	(342,096)	448,116	418	1,375	(852)	(13,750)	–	–	–	64,292	855,307	(355,708)	499,599
– Sewerage network	716,742	(329,761)	386,981	328	3,070	(380)	(13,346)	–	–	–	114,374	732,496	(241,469)	491,027
– Swimming pools	9,531	(6,171)	3,360	124	–	(2)	(242)	4	(9)	(50)	–	9,054	(5,869)	3,185
– Other open space/recreational assets	40,447	(17,770)	22,677	236	–	(180)	(1,295)	315	9	–	–	40,356	(18,594)	21,762
<b>Other assets:</b>														
– Library books	4,228	(2,795)	1,433	410	–	–	(522)	–	–	–	–	4,135	(2,814)	1,321
– Cemetery assets	1,051	(493)	558	–	–	–	(18)	–	–	–	–	1,051	(511)	540
– Other	3,877	(861)	3,016	–	35	–	(108)	–	–	–	–	3,912	(969)	2,943
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	7,186	(5,013)	2,173	2,298	–	–	(894)	–	–	–	–	9,484	(5,907)	3,577
– Quarry assets	182	(160)	22	–	–	–	(3)	–	–	–	–	182	(163)	19
– Other remediation assets	2,906	(2,906)	–	–	–	–	–	–	–	–	–	2,906	(2,906)	–
<b>Total Infrastructure, property, plant and equipment</b>	<b>5,162,118</b>	<b>(1,775,348)</b>	<b>3,386,770</b>	<b>66,507</b>	<b>28,849</b>	<b>(5,532)</b>	<b>(83,167)</b>	<b>–</b>	<b>–</b>	<b>(122)</b>	<b>187,702</b>	<b>5,374,094</b>	<b>(1,793,087)</b>	<b>3,581,007</b>

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

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

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	55,354	–	55,354	18,091	318	(202)	–	–	(54,357)	12,728	–	31,932	–	31,932
Plant and equipment	63,328	(26,942)	36,386	5,054	–	(1,143)	(5,210)	–	1,759	9	–	67,522	(30,667)	36,855
Office equipment	6,040	(5,057)	983	32	–	–	(391)	–	–	–	–	4,477	(3,853)	624
Furniture and fittings	3,133	(2,629)	504	18	–	–	(218)	–	165	–	–	3,207	(2,738)	469
Computer equipment	6,395	(1,131)	5,264	326	–	–	(1,161)	–	12	14	–	6,705	(2,250)	4,455
<b>Land:</b>														
– Operational land	84,163	–	84,163	–	–	–	–	–	–	–	–	84,163	–	84,163
– Community land	74,264	–	74,264	–	–	–	–	–	–	–	–	74,264	–	74,264
– Land under roads (post 30/6/08)	126	–	126	1	8	–	–	–	–	–	–	135	–	135
Land improvements – non-depreciable	20	–	20	–	–	–	–	–	–	–	–	20	–	20
Land improvements – depreciable	5,278	(1,773)	3,505	18	–	–	(313)	–	67	400	–	5,843	(2,166)	3,677
<b>Infrastructure:</b>														
– Buildings	352,697	(146,040)	206,657	1,192	–	(416)	(8,189)	–	–	5,497	–	358,500	(153,759)	204,741
– Other structures	27,884	(10,072)	17,812	299	–	(69)	(1,077)	–	2,977	(2,329)	(7)	27,305	(9,699)	17,606
– Roads	1,485,243	(537,804)	947,439	25,716	3,583	–	(26,287)	–	10,012	(256,269)	14,397	1,322,400	(603,809)	718,591
– Bridges	340,274	(133,187)	207,087	2,764	7	–	(3,332)	–	1,593	(49,677)	18,501	310,154	(133,211)	176,943
– Footpaths	34,023	(13,987)	20,036	762	152	–	(755)	(6,225)	163	888	–	29,910	(14,889)	15,021
– Bulk earthworks (non-depreciable)	226,157	–	226,157	–	470	–	–	–	–	327,381	413,370	967,378	–	967,378
– Stormwater drainage	203,719	(71,201)	132,518	2,382	804	–	(2,033)	–	285	47,604	–	291,841	(110,281)	181,560
– Water supply network	749,200	(325,994)	423,206	4,445	604	(1,171)	(13,214)	–	32,772	(5,091)	6,565	790,212	(342,096)	448,116
– Sewerage network	700,627	(313,060)	387,567	3,028	1,128	(783)	(13,312)	–	3,332	–	6,021	716,742	(329,761)	386,981
– Swimming pools	9,484	(5,929)	3,555	–	–	–	(220)	–	–	25	–	9,531	(6,171)	3,360
– Other open space/recreational assets	39,035	(18,984)	20,051	559	172	(30)	(1,507)	–	357	(810)	3,885	40,447	(17,770)	22,677
– Other infrastructure	137,545	(56,905)	80,640	–	–	–	–	–	–	(80,640)	–	–	–	–
<b>Other assets:</b>														
– Library books	4,099	(2,520)	1,579	301	29	–	(476)	–	–	–	–	4,228	(2,795)	1,433
– Other	3,102	(800)	2,302	6	–	–	(90)	–	863	(65)	–	3,877	(861)	3,016
– Cemetery assets	481	(231)	250	–	–	–	(27)	–	–	335	–	1,051	(493)	558
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	7,186	(4,578)	2,608	–	–	–	(435)	–	–	–	–	7,186	(5,013)	2,173
– Quarry assets	182	(157)	25	–	–	–	(3)	–	–	–	–	182	(160)	22
– Other remediation assets	2,906	(2,906)	–	–	–	–	–	–	–	–	–	2,906	(2,906)	–
<b>Total Infrastructure, property, plant and equipment</b>	<b>4,621,945</b>	<b>(1,681,887)</b>	<b>2,940,058</b>	<b>64,994</b>	<b>7,275</b>	<b>(3,814)</b>	<b>(78,250)</b>	<b>(6,225)</b>	<b>–</b>	<b>–</b>	<b>462,732</b>	<b>5,162,118</b>	<b>(1,775,348)</b>	<b>3,386,770</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for infrastructure, property, plant and equipment**

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water, there was no indexation this year due to the comprehensive revaluation.

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

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

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

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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	3 to 10	Playground equipment	5 to 15
Office furniture	3 to 10	Benches, seats etc.	10 to 20
Computer equipment	3 to 10		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	20 to 100
Other plant and equipment	5 to 15	Buildings: other	10 to 100
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 75
Sewer Pipe Network	70 to 80	Long life assets	to 200
Water Pipe Network	70 to 80		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	10 to 50	Bulk earthworks	Infinite
Sealed roads: structure	40 to 200	Swimming pools	4 to 50
Unsealed roads	10 to 50	Other open space/recreational assets	10 to 100
Bridge: concrete	60 to 200	Other infrastructure	5 to 100
Bridge: other	20 to 100		
Road pavements	40 to 200		
Kerb, gutter and footpaths	20 to 80		

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

**Land under roads**

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

NSW Council has elected not 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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Council has elected to use the Englobo valuation method for land under roads. This requires an average site value (SV) across the Council area on a dollar per square meter to be calculated.

The site value is the value of the underlying land assuming that any existing improvements have not been made. Adjustment factors for 65% and 25% respectively have been applied when calculating the englobo value.

#### **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".

The issue of control over assets used for Rural Fire Services has been the subject of considerable debate. Council has recognised assets including fleet, land and buildings as assets of the Council in these financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	–	–	–	4,513	–	4,513
Plant and equipment	4,331	2,209	2,122	4,992	2,218	2,774
Office equipment	261	158	103	208	111	97
Furniture and fittings	290	272	18	289	243	46
Land						
– Operational land	13,173	–	13,173	13,427	–	13,427
Buildings	39,105	7,916	31,189	34,014	7,270	26,744
Infrastructure	855,611	355,751	499,860	795,303	342,134	453,169
Other assets	1,161	284	877	1,777	284	1,493
<b>Total water supply</b>	<b>913,932</b>	<b>366,590</b>	<b>547,342</b>	<b>854,523</b>	<b>352,260</b>	<b>502,263</b>
<b>Sewerage services</b>						
WIP	–	–	–	2,139	–	2,139
Plant and equipment	4,331	2,208	2,123	4,993	2,218	2,775
Office equipment	261	158	103	209	111	98
Furniture and fittings	290	272	18	290	244	46
Land						
– Operational land	11,065	–	11,065	10,811	–	10,811
Buildings	15,129	3,982	11,147	15,129	3,708	11,421
Infrastructure	732,801	241,512	491,289	716,742	329,761	386,981
Other assets	1,161	285	876	1,161	211	950
<b>Total sewerage services</b>	<b>765,038</b>	<b>248,417</b>	<b>516,621</b>	<b>751,474</b>	<b>336,253</b>	<b>415,221</b>
<b>Domestic waste management</b>						
Plant and equipment	2,250	1,000	1,250	2,899	1,158	1,741
Office equipment	8	8	–	81	73	8
Furniture and fittings	3	1	2	61	26	35
Land						
– Operational land	3,430	234	3,196	4,241	–	4,241
– Improvements – depreciable	–	–	–	258	24	234
Buildings	8,057	2,057	6,000	8,418	2,210	6,208
Other structures	10,968	2,306	8,662	7,928	1,225	6,703
Other assets	–	–	–	3,503	1,018	2,485
<b>Total DWM</b>	<b>24,716</b>	<b>5,606</b>	<b>19,110</b>	<b>27,389</b>	<b>5,734</b>	<b>21,655</b>
<b>Other restricted assets</b>						
Other Assets Waterways	–	–	–	703	46	657
<b>Total other restrictions</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>703</b>	<b>46</b>	<b>657</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>1,703,686</b>	<b>620,613</b>	<b>1,083,073</b>	<b>1,634,089</b>	<b>694,293</b>	<b>939,796</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Opening balance at 1 July	18,570	18,200
Acquisitions	–	–
Capitalised subsequent expenditure	–	–
Classified as held for sale or disposals	–	–
Net gain (loss) from fair-value adjustment	70	370
Transfer to (from) inventories and owner-occupied property	–	–
<b>Total owned investment property</b>	<b>18,640</b>	<b>18,570</b>

## Valuation basis

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

The 2020 revaluations were based on independent assessments made by First State Property Valuers, AAPI, Registered Valuer Number 19471.

## Accounting policy for investment property

Investment property, principally comprising freehold office buildings, 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 a separate line item.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	3,679	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	294	–
		<b>3,973</b>	<b>–</b>

**Notes**

(i) Council has received funding to construct assets including sporting facilities, bridges, library 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.

\$ '000	2020
<b>(i) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	3,461
Operating grants (received prior to performance obligation being satisfied)	248
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>3,709</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases

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

## Council as a lessee

Council has leases over a range of assets including land, office equipment and plant and equipment. Information relating to the leases in place and associated balances and transactions is provided below.

## Terms and conditions of leases

## Land

Council leases operational land; the leases are generally between 5 and 20 years and some of them include a renewal option to allow Council to renew for up to half the noncancellable lease term at their discretion.

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

## Office Equipment

Council leases office equipment with lease terms varying from 2 to 4 years; the lease payments are fixed during the lease term and there is generally no renewal option.

## Plant and equipment

Council leases plant and equipment with lease terms generally for 4 years; the lease payments are fixed during the lease term and there is generally no renewal option.

## Extension options

Council includes options in the measurement of its land leases to provide flexibility and certainty to Council operations and reduce costs of moving operational fixtures.

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

\$ '000	Land	Office Equipment	Plant and Equipment	Total
<b>(a) Right of use assets</b>				
<b>Opening balance at 30 June 2019</b>	–	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	376	153	–	529
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 11(a)	–	72	50	122
Additions to right-of-use assets	–	31	31	62
Depreciation charge	(20)	(156)	(42)	(218)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>356</u></b>	<b><u>100</u></b>	<b><u>40</u></b>	<b><u>496</u></b>

\$ '000	2020 Current	2020 Non-current
Lease liabilities	101	356
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>101</u></b>	<b><u>356</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

**(i) The maturity analysis**

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	110	106	335	551	457
<b>\$ '000</b>					<b>2020</b>

**(c) Income Statement**

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

Interest on lease liabilities	14
Variable lease payments based on usage not included in the measurement of lease liabilities	132
Depreciation of right of use assets	218
	<b>364</b>

**(d) Statement of Cash Flows**

Total cash outflow for leases	364
	<b>364</b>

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

**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.

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

Refer to Note 5c and Note 14.

## Council as a lessor

## (e) Operating leases

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

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	1,024
<b>Other lease income</b>	
Other Council properties	912
<b>Total income relating to operating leases</b>	<b>1,936</b>
<b>(ii) Operating lease expenses</b>	
<b>Investment properties</b>	
Direct operating expenses that generated rental income	125
<b>Total expenses relating to operating leases - investment properties</b>	<b>125</b>

**(iii) Maturity analysis of contractual lease income**

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

< 1 year	1,631
1–2 years	1,382
2–3 years	1,259
3–4 years	1,143
4–5 years	1,051
> 5 years	7,081
<b>Total undiscounted contractual lease income receivable</b>	<b>13,547</b>

**Accounting policy**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Leases (continued)

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If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Prepaid rates	3,588	–	–	–
Goods and services – operating expenditure	16,729	–	3,588	–
Accrued expenses:				
– Borrowings	1,131	–	1,296	–
– Salaries and wages	346	–	970	–
– Other accruals	360	–	6,829	–
Advances	734	–	–	–
Security bonds, deposits and retentions	6,796	–	6,641	–
Other	634	–	–	–
<b>Total payables</b>	<b>30,318</b>	<b>–</b>	<b>19,324</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	3,815	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>3,815</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	20,930	191,818	21,231	201,077
Government advances	–	–	183	–
Finance lease liabilities (2019 only)	–	–	83	–
<b>Total borrowings</b>	<b>20,930</b>	<b>191,818</b>	<b>21,497</b>	<b>201,077</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>51,248</u></b>	<b><u>191,818</u></b>	<b><u>44,636</u></b>	<b><u>201,077</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 21.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	8,638	80,323	6,846	85,578
Sewer	8,375	56,795	8,042	61,298
Domestic waste management	1,832	10,102	1,738	11,934
Bonds & Deposits	6,598	–	6,449	–
Payables and borrowings relating to externally restricted assets	25,443	147,220	23,075	158,810
<b>Total payables and borrowings relating to restricted assets</b>	<b>25,443</b>	<b>147,220</b>	<b>23,075</b>	<b>158,810</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>25,805</b>	<b>44,598</b>	<b>21,561</b>	<b>42,267</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>51,248</u></b>	<b><u>191,818</u></b>	<b><u>44,636</u></b>	<b><u>201,077</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	4,150	3,932
<b>Total payables and borrowings</b>	<b>4,150</b>	<b>3,932</b>

**(c) Changes in liabilities arising from financing activities**

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	222,308	(9,560)	–	–	–	–	212,748
Government advances	183	(183)	–	–	–	–	–
Lease liabilities	83	(218)	63	–	529	–	457
<b>TOTAL</b>	<b>222,574</b>	<b>(9,961)</b>	<b>63</b>	<b>–</b>	<b>529</b>	<b>–</b>	<b>213,205</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	230,285	(7,977)	–	–	–	222,308
Government advances	366	(183)	–	–	–	183
Lease liabilities	175	(92)	–	–	–	83
<b>TOTAL</b>	<b>230,826</b>	<b>(8,252)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>222,574</b>

\$ '000	2020	2019
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	625	407
<b>Total financing arrangements</b>	<b>625</b>	<b>407</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	61	85
<b>Total drawn financing arrangements</b>	<b>61</b>	<b>85</b>

**Undrawn facilities as at balance date:**

– Credit cards/purchase cards	564	322
<b>Total undrawn financing arrangements</b>	<b>564</b>	<b>322</b>

**Additional financing arrangements information****Breaches and defaults**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Payables and borrowings (continued)

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#### **Accounting policy for payables and borrowings**

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

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

#### **Payables**

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

#### **Borrowings**

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 finance cost.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	6,979	–	6,484	–
Sick leave	–	–	139	–
Long service leave	19,150	552	18,078	–
Other Water Service Leave	–	–	33	–
Asset remediation/restoration (future works)	300	14,752	300	12,276
<b><u>TOTAL PROVISIONS</u></b>	<b><u>26,429</u></b>	<b><u>15,304</u></b>	<b><u>25,034</u></b>	<b><u>12,276</u></b>

**(a) Provisions relating to restricted assets****Externally restricted assets**

Water	3,218	70	3,389	–
Sewer	3,218	70	3,329	–
Domestic waste management	300	14,752	300	11,956
Provisions relating to externally restricted assets	<u>6,736</u>	<u>14,892</u>	<u>7,018</u>	<u>11,956</u>
<b>Total provisions relating to restricted assets</b>	<b><u>6,736</u></b>	<b><u>14,892</u></b>	<b><u>7,018</u></b>	<b><u>11,956</u></b>
<b>Total provisions relating to unrestricted assets</b>	<b><u>19,693</u></b>	<b><u>412</u></b>	<b><u>18,016</u></b>	<b><u>320</u></b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>26,429</u></b>	<b><u>15,304</u></b>	<b><u>25,034</u></b>	<b><u>12,276</u></b>

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

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

Provisions – employees benefits	<u>19,119</u>	<u>18,608</u>
	<b><u>19,119</u></b>	<b><u>18,608</u></b>

**(c) Description of and movements in provisions**

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
<b>2020</b>					
At beginning of year	6,484	139	18,078	33	24,734
Other	(1,410)	(139)	(836)	(33)	(2,418)
Additional provisions	4,874	–	2,618	–	7,492
Amounts used (payments)	(4,169)	–	(2,200)	–	(6,369)
Remeasurement effects	1,200	–	2,042	–	3,242
<b>Total ELE provisions at end of year</b>	<b><u>6,979</u></b>	<b><u>–</u></b>	<b><u>19,702</u></b>	<b><u>–</u></b>	<b><u>26,681</u></b>
<b>2019</b>					

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
At beginning of year	6,173	139	16,344	197	22,853
Additional provisions	4,622	–	2,589	–	7,211
Amounts used (payments)	(4,336)	–	(1,790)	(164)	(6,290)
Remeasurement effects	25	–	935	–	960
<b>Total ELE provisions at end of year</b>	<b>6,484</b>	<b>139</b>	<b>18,078</b>	<b>33</b>	<b>24,734</b>

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	12,576	12,576
Unwinding of discount	177	177
Other	2,299	2,299
<b>Total other provisions at end of year</b>	<b>15,052</b>	<b>15,052</b>
<b>2019</b>		
At beginning of year	13,972	13,972
Unwinding of discount	(1,470)	(1,470)
Other	74	74
<b>Total other provisions at end of year</b>	<b>12,576</b>	<b>12,576</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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#### Nature and purpose of non-employee benefit provisions

##### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

##### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

These amounts include superannuation which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

#### Asset remediation – tips and quarries

##### Restoration

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

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

#### **Rehabilitation**

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

#### (a) Nature and purpose of reserves

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

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

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

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

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

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

#### (i) AASB 15 and AASB 1058

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

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

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

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

##### **Licences**

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

##### **Prepaid rates**

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

##### **Grants – operating**

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

##### **Grants – capital**

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

##### **Changes in presentation**

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

- Additional line items of contract liabilities have been created.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	(485)
– Under AASB 1058	(4,692)
<b>Total Contract liabilities</b>	<u>(5,177)</u>

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

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

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	51,605	–	–	51,605	
Investments	112,000	–	–	112,000	
Receivables	35,573	–	–	35,573	
Inventories	4,878	–	–	4,878	
Other	1,221	–	–	1,221	
<b>Total current assets</b>	<u>205,277</u>	<u>–</u>	<u>–</u>	<u>205,277</u>	
<b>Current liabilities</b>					
Payables	30,318	–	–	30,318	
Contract liabilities	3,973	–	(3,973)	–	
Lease liabilities	101	–	–	101	
Borrowings	20,930	–	–	20,930	
Provisions	26,429	–	–	26,429	
<b>Total current liabilities</b>	<u>81,751</u>	<u>–</u>	<u>(3,973)</u>	<u>77,778</u>	
<b>Non-current assets</b>					
Investments	105,540	–	–	105,540	
Receivables	699	–	–	699	
Inventories	1,674	–	–	1,674	
Infrastructure, property, plant and equipment	3,581,007	–	–	3,581,007	
Investment property	18,640	–	–	18,640	
Right of use assets	496	–	–	496	
Investments accounted for using equity method	373	–	–	373	
<b>Total non-current assets</b>	<u>3,708,429</u>	<u>–</u>	<u>–</u>	<u>3,708,429</u>	
<b>Non-current liabilities</b>					

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Lease liabilities	356	–	–	356	
Borrowings	191,818	–	–	191,818	
Provisions	15,304	–	–	15,304	
<b>Total Non-current liabilities</b>	<b>207,478</b>	<b>–</b>	<b>–</b>	<b>207,478</b>	
<b>Net assets</b>	<b>3,624,477</b>	<b>–</b>	<b>3,973</b>	<b>3,628,450</b>	
<b>Equity</b>					
Accumulated surplus	2,913,919	–	3,973	2,917,892	
Revaluation reserves	710,558	–	–	710,558	
<b>Council equity interest</b>	<b>3,624,477</b>	<b>–</b>	<b>3,973</b>	<b>3,628,450</b>	
<b>Total equity</b>	<b>3,624,477</b>	<b>–</b>	<b>3,973</b>	<b>3,628,450</b>	

Contract liabilities have arisen on adoption of AASB 15 and AASB 1058, adjusted against opening accumulated surplus.

**Income Statement**

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	153,224	–	–	153,224	
User charges and fees	51,629	–	–	51,629	
Other revenues	4,125	–	–	4,125	
Grants and contributions provided for operating purposes	31,565	–	(191)	31,374	
Grants and contributions provided for capital purposes	47,580	–	(1,013)	46,567	
Interest and investment income	4,903	–	–	4,903	
Fair value increment on investment properties	70	–	–	70	
Rental income	1,936	–	–	1,936	
<b>Total Income from continuing operations</b>	<b>295,032</b>	<b>–</b>	<b>(1,204)</b>	<b>293,828</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	72,351	–	–	72,351	
Borrowing costs	12,427	–	–	12,427	
Materials and contracts	54,366	–	–	54,366	
Depreciation and amortisation	83,385	–	–	83,385	
Other expenses	31,857	–	–	31,857	



## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Net losses from the disposal of assets	4,103	–	–	4,103	
Net share of interests in joint ventures and associates using the equity method	31	–	–	31	
<b>Total Expenses from continuing operations</b>	<b>258,520</b>	<b>–</b>	<b>–</b>	<b>258,520</b>	
<b>Total Operating result from continuing operations</b>	<b>36,512</b>	<b>–</b>	<b>(1,204)</b>	<b>35,308</b>	
Net operating result for the year	36,512	–	(1,204)	35,308	
<b>Total other comprehensive income for the year</b>	<b>187,702</b>	<b>–</b>	<b>–</b>	<b>187,702</b>	
<b>Total comprehensive income</b>	<b>224,214</b>	<b>–</b>	<b>(1,204)</b>	<b>223,010</b>	

The adoption of AASB 15 and AASB 1058 has changed the timing of revenue recognition for operating and capital grants.

**Statement of Cash Flows for the year ended 30 June 2020**

\$ '000	AASB 15 cash flows per Statement of Cash Flows	Reclassification	Remeasurement

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

**Adjustments to the current year figures for the year ended 30 June 2020****Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total assets</b>	<b>3,688,463</b>	<b>–</b>	<b>3,688,463</b>
Contract liabilities	–	5,177	5,177
<b>Total liabilities</b>	<b>283,023</b>	<b>5,177</b>	<b>288,200</b>
Accumulated surplus	2,882,584	(5,177)	2,877,407
Revaluation reserves	522,856	–	522,856
<b>Total equity</b>	<b>3,405,440</b>	<b>(5,177)</b>	<b>3,400,263</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(ii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$529,000 at 1 July 2019 for leases previously classified as operating leases, or leases which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 2.7%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	3,108
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	3,026
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	529
Finance lease liabilities	83
<b>Less:</b>	
Other	(3,026)
<b>Lease liabilities recognised at 1 July 2019</b>	<u>612</u>

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

**Adjustments to the current year figures for the year ended 30 June 2020**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	651	651
Infrastructure, property, plant and equipment	3,386,770	(122)	3,386,648
<b>Total assets</b>	<b>3,688,463</b>	<b>529</b>	<b>3,688,992</b>
Leases	83	529	612
<b>Total liabilities</b>	<b>283,023</b>	<b>529</b>	<b>283,552</b>
Accumulated surplus	2,882,584	–	2,882,584
Revaluation reserves	522,856	–	522,856
<b>Total equity</b>	<b>3,405,440</b>	<b>–</b>	<b>3,405,440</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	51,605	38,599
<b>Balance as per the Statement of Cash Flows</b>		<b>51,605</b>	<b>38,599</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		36,512	36,666
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		83,385	78,250
Net losses/(gains) on disposal of assets		4,103	2,424
Non-cash capital grants and contributions		(9,632)	(8,173)
Adoption of AASB 15/1058		(5,177)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(70)	(370)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	6,225
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		–	10
Unwinding of discount rates on reinstatement provisions		177	(1,470)
Share of net (profits)/losses of associates/joint ventures using the equity method		31	39
Interest on leases		14	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,942)	(6,427)
Increase/(decrease) in provision for impairment of receivables		211	108
Decrease/(increase) in inventories		271	(22)
Decrease/(increase) in other current assets		(415)	1,002
Increase/(decrease) in payables		13,141	(3,833)
Increase/(decrease) in accrued interest payable		(165)	(329)
Increase/(decrease) in other accrued expenses payable		(7,093)	2,437
Increase/(decrease) in other liabilities		1,296	1,239
Increase/(decrease) in contract liabilities		3,973	–
Increase/(decrease) in provision for employee benefits		1,947	1,881
Increase/(decrease) in other provisions		2,299	74
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>121,866</b>	<b>109,731</b>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		–	1,733
Subdivider contributions 'in kind'		9,632	6,440
<b>Total non-cash investing and financing activities</b>		<b>9,632</b>	<b>8,173</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	(31)	(39)	373	404
<b>Total</b>	<b>(31)</b>	<b>(39)</b>	<b>373</b>	<b>404</b>

## Joint arrangements

## (i) Joint ventures

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

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Strategic Services Australia Ltd	Joint venture	Equity	373	404
<b>Total carrying amounts – material joint ventures</b>			<b>373</b>	<b>404</b>

## (b) Details

	Principal activity	Place of business
Strategic Services Australia Ltd	Resource sharing via commercial operations on behalf of member councils of Hunter Councils.	Thornton

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Strategic Services Australia Ltd	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%

## (d) Summarised financial information for joint ventures

\$ '000	Strategic Services Australia Ltd	
	2020	2019
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,101	5,311
Other current assets	1,446	1,606
<b>Non-current assets</b>	310	327
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	–	159
Other current liabilities	2,239	2,082
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	11	20

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities (continued)

\$ '000	Strategic Services Australia Ltd	
	2020	2019
<b>Net assets</b>	4,607	4,983
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	4,983	5,469
Profit/(loss) for the period	(376)	(486)
<b>Closing net assets</b>	4,607	4,983
<b>Council's share of net assets (%)</b>	8.1%	8.1%
<b>Council's share of net assets (\$)</b>	373	808
<b>Statement of comprehensive income</b>		
Income	5,632	5,661
Depreciation and amortisation	(105)	(111)
Other expenses	(5,903)	(6,036)
<b>Profit/(loss) from continuing operations</b>	(376)	(486)
<b>Profit/(loss) for the period</b>	(376)	(486)
<b>Total comprehensive income</b>	(376)	(486)
<b>Share of income – Council (%)</b>	8.1%	8.1%
<b>Profit/(loss) – Council (\$)</b>	(31)	(39)
<b>Total comprehensive income – Council (\$)</b>	(31)	(39)

**(i) County Councils**

County Councils as joint ventures  
Council is not a member of any county councils.

**Accounting policy for joint arrangements**

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	5,063	8,995
Plant and equipment	1,745	1,994
Land Acquisitions	–	543
Roads & Other Infrastructure	12,733	25,619
Other	2,243	3,946
<b>Total commitments</b>	<b>21,784</b>	<b>41,097</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	21,784	41,097
<b>Total payable</b>	<b>21,784</b>	<b>41,097</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	9,022	8,467
Unexpended Loans	113	7,236
Future grants and contributions	5,103	12,410
Externally restricted reserves	4,946	5,204
Internally restricted reserves	2,600	7,780
<b>Total sources of funding</b>	<b>21,784</b>	<b>41,097</b>

**(b) Finance lease commitments (2019 only)****(i) Commitments under finance leases at the reporting date are payable as follows:**

\$ '000	2020	2019
Later than one year and not later than 5 years	–	83
<b>Total minimum lease payments</b>	<b>–</b>	<b>83</b>
<b>Amount recognised as a liability</b>	<b>–</b>	<b>83</b>

**(ii) Finance lease liability recognised represent:**

\$ '000	2020	2019
Current liabilities	–	83
<b>Total finance lease liabilities disclosed</b>	<b>–</b>	<b>83</b>

**(c) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments (continued)

\$ '000	2020	2019
Within the next year	–	1,064
Later than one year and not later than 5 years	–	2,044
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>3,108</b>

**b. Non-cancellable operating leases include the following assets:****Conditions relating to finance and operating leases:**

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

Refer to Note 13 for information relating to leases for 2020.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

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

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

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

###### *Description of the funding arrangements.*

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

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 1,085,664.33. The last formal valuation of the Scheme was performed by the scheme's actuary, Mr Richard Boyfield, as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$1,207,172.24.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$772,400.00 as at 30 June 2020.

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

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

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

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	51,605	38,599	51,605	38,599
Receivables	36,272	33,541	36,272	33,541
Investments – 'Held to maturity'	217,540	202,950	217,540	202,950
<b>Total financial assets</b>	<b>305,417</b>	<b>275,090</b>	<b>305,417</b>	<b>275,090</b>
<b>Financial liabilities</b>				
Payables	26,731	19,324	26,731	19,324
Loans/advances	212,748	222,491	212,748	222,491
Lease liabilities	457	83	457	83
<b>Total financial liabilities</b>	<b>239,936</b>	<b>241,898</b>	<b>239,936</b>	<b>241,898</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Council's finance team manages the cash and Investments portfolio with the assistance of independent advisors.

NSW Council has an investment policy which complies with the s 625 of the Local Government Act and the Ministerial Investment Order. The policy is regularly reviewed by NSW Council and a monthly investment report is provided to NSW Council setting out the make-up and performance of the portfolio as required by local government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
  - **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
  - **Credit risk** – the risk that the contracting entity 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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	1,134	1,134	(1,134)	(1,134)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	836	836	(836)	(836)

## (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, interest and extra charges and on site sewer management charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	9,051	1,332	1,437	1,404	13,224

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	8,242	1,112	1,360	1,195	11,909

**Receivables - non-rates and annual charges, interest and extra charges and on site sewer management charges**

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	21,221	975	93	412	1,310	24,011
Expected loss rate (%)	0.40%	1.11%	4.29%	5.17%	3.23%	0.68%
<b>ECL provision</b>	<b>86</b>	<b>11</b>	<b>4</b>	<b>21</b>	<b>42</b>	<b>164</b>
<b>2019</b>						
Gross carrying amount	16,939	2,597	841	216	1,791	22,384
Expected loss rate (%)	0.50%	0.50%	0.50%	0.50%	1.95%	0.67%
<b>ECL provision</b>	<b>85</b>	<b>13</b>	<b>4</b>	<b>1</b>	<b>35</b>	<b>138</b>

**(c) Liquidity risk**

Payables, lease liabilities 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 be extended in extenuating circumstances.

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 for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Loans and advances	5.57%	–	32,143	104,027	166,803	302,973	212,748
Trade/other payables	0.00%	6,796	19,934	–	–	26,730	26,730
<b>Total financial liabilities</b>		<b>6,796</b>	<b>52,077</b>	<b>104,027</b>	<b>166,803</b>	<b>329,703</b>	<b>239,478</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Loans and advances	5.84%	–	33,747	110,917	180,760	325,424	222,491
Trade/other payables	0.00%	6,641	12,683	–	–	19,324	19,324
Lease liabilities	4.69%	–	83	–	–	83	83
<b>Total financial liabilities</b>		<u>6,641</u>	<u>46,513</u>	<u>110,917</u>	<u>180,760</u>	<u>344,831</u>	<u>241,898</u>

**Loan agreement breaches**

There were no occurrences of breaches to loan agreements during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget was adopted by the Council on 26/06/2019 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, change economic activity, the weather and by decisions made by the council.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>REVENUES</b>					
Rates and annual charges	150,594	153,224	2,630	2%	<b>F</b>
User charges and fees	49,082	51,629	2,547	5%	<b>F</b>
Other revenues	9,947	4,125	(5,822)	(59)%	<b>U</b>
Council's original budget over-estimated the income that would be received during 2019/2020 in some areas. This included income from the Container Deposit Scheme, Diesel Fuel Rebate and the YMCA Profit Sharing arrangement (this item being impacted by the COVID19 shutdown of the 3 Aquatic Centres under YMCA management). Other disclosures in this note were impacted by the introduction of the new Leasing Accounting Standard AASB16 which moved approximately \$1.9m to Note 13 Leases. There was also movement between the User Fees & Charges category and the Other Revenue category as the categorisation of revenue items were reviewed as part of the implementation of Council's new Finance system.					
Operating grants and contributions	30,304	31,565	1,261	4%	<b>F</b>
Capital grants and contributions	35,765	47,580	11,815	33%	<b>F</b>
Major variations from the original budget include an additional \$5.6m in non-cash developer contributed assets, \$3m in Federal Government Grant funds for the Civic Precinct development (included in the budget via the re-vote /carry forward process as it did not represent a new project), \$2.4m of Stronger Country Communities grant funding (included in the budget via the re-vote / carry forward process as it did not represent a new project) and \$2m of capital grant funding for the Water Fund for the Nabitac De-Salination plant and pipeline as part of Emergency Drought Response funding.					
Interest and investment revenue	5,545	4,903	(642)	(12)%	<b>U</b>
Council's original budget was based on typical amounts held and interest rates prevailing at the time of preparation of the budget. The 2019/2020 Financial Year saw the Reserve Bank of Australia cut the official interest rate several times to its present level of 0.25%. This impacted on the return on Council's investment portfolio significantly reducing investment revenue during the year.					
Fair value increment on investment property	-	70	70	∞	<b>F</b>
Council's original budget does not provide an estimate of movements in this item.					
Rental income	-	1,936	1,936	∞	<b>F</b>
Reflects change in disclosure following implementation of AASB16 Leases, previously in other revenues.					
<b>EXPENSES</b>					
Employee benefits and on-costs	79,822	72,351	7,471	9%	<b>F</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>Borrowing costs</b>	12,400	12,427	(27)	0% <b>U</b>
<b>Materials and contracts</b>	59,265	54,366	4,899	8% <b>F</b>
<b>Depreciation and amortisation</b>	77,068	83,385	(6,317)	(8)% <b>U</b>
<b>Other expenses</b>	32,475	31,857	618	2% <b>F</b>
<b>Net losses from disposal of assets</b>	-	4,103	(4,103)	∞ <b>U</b>
Council's original budget does not provide an estimate of movements in this item.				
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	-	-	∞ <b>F</b>
Council's original budget does not provide an estimate of movements in this item.				
<b>Joint ventures and associates – net losses</b>	-	31	(31)	∞ <b>U</b>
Council's original budget does not provide an estimate of movements in this item.				

## STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	97,275	121,866	24,591	25% <b>F</b>
Increased rates and annual charges, grants and contracts and other revenues, over budget				
<b>Cash flows from investing activities</b>	(101,117)	(98,763)	2,354	(2)% <b>F</b>
<b>Cash flows from financing activities</b>	(3,125)	(10,097)	(6,972)	223% <b>U</b>
Council's original budget was based on projected borrowings of \$18.183m (for Roadworks) and loan and lease principal repayments of \$21.308m. During the financial year the projected borrowings were not required for this purpose and were replaced with a lower borrowing of \$11.5m for the Biripi Way Office Relocation project. There was also an increase in lease liability repayments (\$354k) following the implementation of the new Leasing Accounting Standard AASB16.				

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. 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).

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>\$ '000</b>					
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Tuncurry Supermarket	30/06/20	–	16,050	–	16,050
Wallis Street Motel	30/06/20	–	2,590	–	2,590
<b>Total investment property</b>		<b>–</b>	<b>18,640</b>	<b>–</b>	<b>18,640</b>
<b>Infrastructure, property, plant and equipment</b>					
Work In Progress	30/06/20	–	–	87,155	87,155
Plant & Equipment	30/06/18	–	–	34,784	34,784
Office Equipment	30/06/17	–	–	390	390
Furniture & Fittings	30/06/17	–	–	343	343
Computer Equipment	30/06/17	–	–	3,974	3,974
Operational Land	30/06/18	–	–	83,992	83,992
Community Land	30/06/16	–	–	74,484	74,484
Land Under Roads (pre 1/7/2008)	12/05/16	–	–	146	146
Land Improvements Non depreciable	12/05/16	–	–	20	20
Land Improvements Depreciable	12/05/16	–	–	3,587	3,587
Buildings	30/06/18	–	–	197,189	197,189
Other Structures	30/06/19	–	–	16,976	16,976
Roads	30/06/19	–	–	701,228	701,228
Bridges	30/06/19	–	–	181,552	181,552
Footpaths	30/06/19	–	–	14,429	14,429
Bulk Earthworks	30/06/19	–	–	967,378	967,378
Stormwater Drainage	30/06/20	–	–	189,407	189,407
Swimming Pools	12/05/16	–	–	3,185	3,185
Other Open Space Recreational	12/05/16	–	–	21,762	21,762
Other Infrastructure	12/05/16	–	–	–	–
Library books	30/06/17	–	–	1,321	1,321
Cemetery Assets	30/06/17	–	–	540	540
Other	30/06/17	–	–	2,943	2,943
Tip Assets	30/06/17	–	–	3,577	3,577

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

2020	Fair value measurement hierarchy				
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>\$ '000</b>					
Quarry Assets	30/06/17	–	–	19	19
Water Network	30/06/20	–	–	499,599	499,599
Sewerage Network	30/06/20	–	–	491,027	491,027
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>3,581,007</b>	<b>3,581,007</b>
<b>2019</b>	<b>Fair value measurement hierarchy</b>				
	<b>Date of latest valuation</b>	<b>Level 1 Quoted prices in active mkts</b>	<b>Level 2 Significant observable inputs</b>	<b>Level 3 Significant unobservable inputs</b>	<b>Total</b>
<b>\$ '000</b>					
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Tuncurry Supermarket	30/06/19	–	16,000	–	16,000
Wallis Street Motel	30/06/19	–	2,570	–	2,570
<b>Total investment property</b>		<b>–</b>	<b>18,570</b>	<b>–</b>	<b>18,570</b>
<b>Infrastructure, property, plant and equipment</b>					
Work In Progress	30/06/19	–	–	31,932	31,932
Plant & Equipment	30/06/18	–	–	36,855	36,855
Office Equipment	30/06/17	–	–	624	624
Furniture & Fittings	30/06/17	–	–	469	469
Computer Equipment	30/06/17	–	–	4,455	4,455
Operational Land	30/06/18	–	–	84,163	84,163
Community Land	30/06/16	–	–	74,264	74,264
Land Under Roads (pre 1/7/2008)	12/05/16	–	–	135	135
Land Improvements Non depreciable	12/05/16	–	–	20	20
Land Improvements Depreciable	12/05/16	–	–	3,677	3,677
Buildings	30/06/18	–	–	204,741	204,741
Other Structures	30/06/19	–	–	17,606	17,606
Roads	30/06/19	–	–	718,591	718,591
Bridges	30/06/19	–	–	176,943	176,943
Footpaths	30/06/19	–	–	15,021	15,021
Bulk Earthworks	30/06/19	–	–	967,378	967,378
Stormwater Drainage	30/06/15	–	–	181,560	181,560
Swimming Pools	12/05/16	–	–	3,360	3,360
Other Open Space Recreational	12/05/16	–	–	22,677	22,677
Other Infrastructure	12/05/16	–	–	–	–
Library books	30/06/17	–	–	1,433	1,433
Cemetery Assets	30/06/17	–	–	558	558
Other	30/06/17	–	–	3,016	3,016
Tip Assets	30/06/17	–	–	2,173	2,173
Quarry Assets	30/06/17	–	–	22	22
Water Network	30/06/16	–	–	448,116	448,116
Sewerage Network	30/06/16	–	–	386,981	386,981
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>3,386,770</b>	<b>3,386,770</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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#### (2) Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

Council's policy for determining transfers between fair value hierarchies is:

– at the end of the reporting period.

If there are any transfers relating to level 1 and level 2 fair valuation hierarchy, details will be set out below:

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

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

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

##### Investment property

Council obtains an independent fair valuation of its investment property on an annual basis at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation.

The valuations used for the period ending 30 June 2020 were as follows:

The valuation was obtained from First State Property Valuers, AAPI, Registered Valuer Number 19471.

Tuncurry Supermarket

The current use of the Tuncurry property is considered to be its highest and best use. The capitalisation of net income was the primary method used to determine the fair value and the rate per square metre of the building as a check method.

Wallis Street Motel, Forster

The valuation was obtained from First State Property Valuers, AAPI, Registered Valuer Number 19471.

The Wallis Street Motel, Forster property was valued using a direct comparison approach relying upon sales of comparable properties with adjustments for differences.

The valuation techniques utilised Level 2 inputs.

The observable inputs included current rental income, rent reviews, capitalisation rate, price per square metre, direct comparison of the sales evidence, zoning, planning controls, land area, configuration and sale data of comparable properties.

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##### Art Works

Council currently owns individual Artworks comprising paintings, drawings, etchings, pottery, engravings, photographs and sculptures. The value of the collection has been determined through engaging external experts, the Art Gallery's trained staff and the original cost.

The valuations were completed using the replacement cost approach and market value in accordance with AASB 116. The replacement value was determined by the price the items could be purchased from a reputable dealer, gallery or retail outlet.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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This asset class is categorised as Level 3 as some of the inputs mentioned above used to value these assets required significant professional judgement and are unobservable. Valuation techniques remained unchanged during the reporting period.

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#### Cemetery Assets

Assets in this class comprise improvements to our cemeteries including columbarium walls, concrete beams and plinths. This asset class is valued at cost less depreciation and reported at fair value. Other inputs include remaining useful life, condition and residual value which require professional judgement to assess.

Cemetery assets are reviewed on a regular basis for evidence of change in condition/value.

This asset class is categorised as Level 3 as some of the inputs mentioned above used to value these assets required significant professional judgement and are unobservable. Valuation techniques remained unchanged during the reporting period.

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#### Plant, Office & Computer Equipment, Furniture & Fittings

Plant, Office & Computer Equipment and Furniture & Fittings are valued at cost. Typical examples of assets within these classes are as follows:

Plant & Equipment: Trucks, Motor Vehicles, Street Sweepers, Earthmoving and other heavy equipment.

Office Equipment: Scanners, PABX, GPS Mappers and other equipment.

Computer Equipment: Computers, Monitors, Software and other equipment.

Furniture & Fittings: Workstations, Office fit out and other fittings.

The key unobservable inputs to the valuation of these assets are the useful and remaining useful life and any residual value that may be applicable. All assets in these classes are deemed to be Level 3 inputs. The asset class is reviewed and adjusted each year for any impairment.

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#### Operational Land

Council obtains an independent fair valuation of its operational land every 5 years. The last full revaluation was on the 30 June 2018.

The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

The valuations were determined by establishing the nature of the asset, characteristics important to market participants, the appropriate market & valuation premise.

Given that some of the valuation techniques used are unobservable, the land is classified as Level 3.

Council obtains new independent valuations every five years. Any assets acquired between valuations are recorded at cost and deemed to reflect level 3.

There has been no change to the valuation process during the reporting period.

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#### Community Land

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General. These are the same values used for rating purposes. the last valuation obtained by Council is July 2016.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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As these rates were not considered to be observable market evidence they have been classified as Level 3 inputs.

There has been no change to the valuation process during the reporting period.

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#### Land Under Roads

Council has elected to recognise land under roads in accordance with AASB 1051. Council has used the "Englobo" valuation method for land under roads.

This requires an average Site Value (SV) across the Council area on a \$ per m2 to be calculated.

The site value is "the value of the underlying land assuming that any existing improvements have not been made.

Adjustment factors for 65% and 25% respectively have been applied for Englobo value. Land under roads acquired is recognised in accordance with AASB 116 - Property, Plant and Equipment.

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

Given the unobservable characteristics of valuing land under roads they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

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#### Land Improvements - Depreciable

This asset class comprises land improvements such as foreshore improvements, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach.

Inputs such as estimates of pattern of consumption, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

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#### Buildings Non Specialised & Specialised

Council obtains an independent fair valuation of all buildings, both specialised and non-specialised every 5 years. The last full revaluation was on the 30 June 2018.

The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

The valuation was determined by establishing the nature of the asset, characteristics important to market participants, the appropriate market & valuation premise. Having maximised the level of valuation input the adopted technique deemed appropriate for Non Specialised and Specialised Buildings was predominately the cost approach and as such these assets were all classified as having been valued using Level 3 valuation inputs.

The key unobservable inputs include the replacement cost, remaining useful life and condition rating.

Council obtains new independent valuations every five years, any assets acquired between valuations are recorded at cost.

There has been no change to the valuation process during the reporting period.

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#### Other Structures, Other Open Space & Recreation Assets, Swimming Pools & Other Assets

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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Council obtains an independent fair valuation of all the above asset classes every 5 years. The last full revaluation was on the 12 May 2016.

The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

Some assets within the recreation area, such as playground equipment were valued by Kico Playground Services while other assets have been valued in house using original cost and condition ratings from inspections to determine an approximate value.

The valuation was determined by establishing the nature of the asset, characteristics important to market participants, the appropriate market & valuation premise. Having maximised the level of valuation input the adopted technique deemed appropriate for these assets was predominately the cost approach and as such these assets were all classified as having been valued using Level 3 valuation inputs.

The key unobservable inputs include the replacement cost, remaining useful life and condition rating.

Council obtains new independent valuations every five years. Any assets acquired between valuations are recorded at cost.

There has been no change to the valuation process during the reporting period.

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#### Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The carrying amount of these assets is deemed to approximate the fair value without any material discrepancy due to the nature of the items.

The key unobservable inputs include the replacement cost, remaining useful life and condition rating and as such they have been classified as Level 3 inputs.

There has been no change to the valuation process during the reporting period.

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#### Landfill Remediation

Council operates landfills for the management of waste throughout the local government area.

Closure of a landfill will involve a wide range of activities including final capping of the landfill, site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An evaluation of the cost associated with the closure of the landfills was performed and a yearly tip remediation expense created to cover the future expenditure of closing the Buckets Way landfill.

The key unobservable inputs are the discount factor, timing and any escalation in costs and future environmental issues and as such the asset has been classified as level 3.

There has been no change to the valuation process during the reporting period.

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#### Infrastructure Assets

Infrastructure assets represent the bulk of Council's assets and comprise roads, bridges, footpaths, cycle ways, kerb & guttering, roundabouts and drainage.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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Infrastructure assets generally have long useful lives and as there is no ready market for their sale determining an appropriate fair value requires the use of considerable unobservable inputs.

All of Council's infrastructure assets are valued in house, using a methodology which generally follows the IPWEA (NSW) Roads Fair Valuation Guide.

The following components are included in the valuation process:

- Sealed Roads Surface (flexible seal and asphalt)
- Sealed Roads Pavement
- Unsealed Roads Pavement
- Formation/Earthworks
- Roundabouts
- Kerb & Gutter
- Footpaths and Cycle Ways
- Ancillary Assets (signs, guard fencing, line marking)
- Bridges (timber and concrete)

Standard replacement costs were developed for each of the asset components using achieved unit rates of like assets recently constructed by Council.

The useful life of assets was determined by using data from sample assets within the component types and the remaining useful life for roads were determined from a condition assessment by Council officers and independent contractors using multi laser profilometry and video and visual surveys.

As no detailed condition data was available for drainage assets the remaining useful lives was estimated on the initial construction date of the asset.

The key unobservable inputs are the unit rates, residual values, useful life and remaining useful life and as such the asset has been classified as level 3.

Council conducted a full in house revaluation in 2015 and revalued all infrastructure assets on the 30 June 2019 with the exception of drainage assets which were revalued on the 30 June 2020.

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#### Work In Progress

Assets within the category of work in progress are incomplete.

The assets are valued at cost but disclosed as fair value in the notes. Upon completion they will be transferred to the asset class that best fits the asset and subject to the valuation process for that asset class.

The key unobservable include type of asset, unit rate and as such they have been classified as level 3.

There has been no change to the valuation process during the reporting period.

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#### Sewer & Water Network Infrastructure

This asset class comprises of sewer pressure reticulation mains, rising mains, gravity mains, vent shafts, sewer manholes, and water mains, water meters. Water, sewer and stormwater were revalued by 30/6/2020 APV - Valuers & Asset Management.

Sewer Manholes are an integral part of the sewer services. The lifetime of concrete manholes is considered to be between 35 and 50 years with any defects in the manhole usually identified only a few years prior to replacement.

The pipes may have a lifespan of 30 - 70 years depending on environmental conditions. Pipes retain no residual value as once failure occur the pipes or section of pipe will be replaced. The time to replace is a short span of time as leaks and



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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breaks become more frequent and it usually indicates serious structural problems with the pipe and replacement is inevitable.

The useful life of sewer and water mains varies according to pipe material for example Ductile Iron Cement Lined (DICTL) and Vitrified Clay (VC) may reach 100 years in service. Asbestos Cement (AC) has been revised to 45 years according to WSAA standards. The material being transported has an effect on useful life and sewer rising mains are subject to fluctuations in exposure to corrosive materials and oxygen hence will experience shorter time in service than gravity mains. The ground conditions also have an effect on useful life and acid sulphate soils will corrode the exterior of the pipe. The residual value is set at zero as discussed above. The 'cost approach' using level 3 inputs was used to value the sewer and water infrastructure asset class. There has been no change to the valuation process during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Work in progress	Plant and equipment	Office equipment	Furniture and fittings	Computer equipment	Operational land	Community land	Water network	Sewerage network
<b>2019</b>									
<b>Opening balance</b>	55,354	36,386	983	504	5,264	84,163	74,264	423,206	387,567
Transfers from/(to) another asset class	–	1,768	–	165	26	–	–	27,681	3,336
Purchases (GBV)	18,416	5,054	32	18	326	–	–	5,049	4,152
Disposals (WDV)	(202)	(1,143)	–	–	–	–	–	(1,171)	(783)
Depreciation and impairment	–	(5,210)	(391)	(218)	(1,161)	–	–	(13,214)	(13,312)
FV gains – other comprehensive income	–	–	–	–	–	–	–	6,565	6,021
Transfer from Midcoast Water 1/7/2017	(41,636)	–	–	–	–	–	–	–	–
<b>Closing balance</b>	<b>31,932</b>	<b>36,855</b>	<b>624</b>	<b>469</b>	<b>4,455</b>	<b>84,163</b>	<b>74,264</b>	<b>448,116</b>	<b>386,981</b>
<b>2020</b>									
<b>Opening balance</b>	31,932	36,855	624	469	4,455	84,163	74,264	448,116	386,981
Transfers from/(to) another asset class	(1,086)	239	33	–	–	–	–	–	–
Purchases (GBV)	56,309	4,468	12	10	606	–	220	1,793	3,398
Disposals (WDV)	–	(1,255)	–	–	–	(171)	–	(852)	(380)
Depreciation and impairment	–	(5,523)	(279)	(136)	(1,087)	–	–	(13,750)	(13,346)
FV gains – other comprehensive income	–	–	–	–	–	–	–	64,292	114,374
<b>Closing balance</b>	<b>87,155</b>	<b>34,784</b>	<b>390</b>	<b>343</b>	<b>3,974</b>	<b>83,992</b>	<b>74,484</b>	<b>499,599</b>	<b>491,027</b>

\$ '000	Buildings	Roads	Bridges	Footpaths stormwater earthworks	Other structure infrastructure	Open space swimming pools	Other asset classes	Total
<b>2019</b>								
<b>Opening balance</b>	206,657	947,439	207,087	378,711	98,452	23,606	10,415	<b>2,940,058</b>
Transfers from/(to) another asset class	5,497	(246,257)	(48,084)	376,321	(79,992)	(428)	1,600	<b>41,633</b>
Purchases (GBV)	1,192	29,299	2,771	4,570	299	731	363	<b>72,272</b>
Disposals (WDV)	(416)	–	–	–	(69)	(30)	–	<b>(3,814)</b>
Depreciation and impairment	(8,189)	(26,287)	(3,332)	(2,788)	(1,077)	(1,727)	(1,344)	<b>(78,250)</b>
FV gains – other comprehensive income	–	14,397	18,501	407,145	(7)	3,885	–	<b>456,507</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

\$ '000	Buildings	Roads	Bridges	Footpaths stormwater earthworks	Other structure infrastructure	Open space swimming pools	Other asset classes	Total
Transfer from Midcoast Water 1/7/2017	–	–	–	–	–	–	–	(41,636)
<b>Closing balance</b>	204,741	718,591	176,943	1,163,959	17,606	26,037	11,034	<b>3,386,770</b>
<b>2020</b>								
<b>Opening balance</b>	204,741	718,591	176,943	1,163,959	17,606	26,037	11,034	<b>3,386,770</b>
Transfers from/(to) another asset class	–	–	–	352	71	269	–	(122)
Purchases (GBV)	707	13,869	8,296	1,929	401	360	2,978	<b>95,356</b>
Disposals (WDV)	(65)	(1,743)	(291)	(577)	(16)	(182)	–	<b>(5,532)</b>
Depreciation and impairment	(8,194)	(29,489)	(3,396)	(3,485)	(1,086)	(1,537)	(1,859)	<b>(83,167)</b>
FV gains – other comprehensive income	–	–	–	9,036	–	–	–	<b>187,702</b>
<b>Closing balance</b>	197,189	701,228	181,552	1,171,214	16,976	24,947	12,153	<b>3,581,007</b>

#### 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.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	34,784	Cost Approach	Useful life Residual value Asset condition
Office equipment	390	Cost Approach	Useful life Asset condition
Furniture and fittings	343	Cost Approach	Useful life Asset condition
Computer equipment	3,974	Cost Approach	Useful life Asset condition
Community land	74,484	Land value as supplied by Valuer-General	Land value may not reflect market value Varies significantly from asset to asset

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Operational land	83,992	Market Value /Cost Approach	Methods used by external valuers may include unobservable inputs
Land under roads	146	Price Per Square Metre	Area of Council rateable land
Land improvements depreciable	3,587	Discount factors Cost Approach	Area of Council road pattern Useful life Asset condition
Buildings specialised and non-specialised	197,189	Cost Approach	Useful life Asset condition
Other structures	16,976	Cost Approach	Methods used by external valuers may include unobservable inputs Useful life Asset condition
Other open space and recreational assets	21,762	Cost Approach	Useful life Asset condition
Swimming pools	3,185	Cost Approach	Useful life Asset condition
Other assets	2,943	Cost Approach	Useful life Asset condition
Library books	1,321	Cost Approach	Useful life Asset condition
Landfill remediation	3,577	Cost Approach	Cost Assessment Discount Rates Environmental Issues Future costs
Roads	701,228	Cost Approach	Useful life Asset condition Unit rate methodology
Earthworks	967,378	Cost Approach	Useful life Asset condition Unit rate methodology
Bridges	181,552	Cost Approach	Useful life Asset condition Unit rate methodology
Footpaths	14,429	Cost Approach	Useful life Asset condition Unit rate methodology

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Stormwater drainage	189,407	Cost Approach	Useful life Asset condition Unit rate methodology
Work in progress	87,155	Cost Approach	Incomplete work Useful life Asset condition Unit rate methodology
Other infrastructure	–	Cost Approach	Useful life Asset condition Unit rate methodology
Water network assets	499,599	Cost Approach	Useful life Asset condition Unit rate methodology
Sewerage network assets	491,027	Cost Approach	Useful life Asset condition Unit rate methodology
Cemetery assets	540	Cost Approach	Useful life Asset condition Unit rate methodology
Quarry assets	19	Cost Approach	Useful life Asset condition Unit rate methodology

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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#### (5) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Related party disclosures

## (a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,415	1,630
Post-employment benefits	109	107
<b>Total</b>	<b>1,524</b>	<b>1,737</b>

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

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
<b>2020</b>						
Employee expenses relating to close family members	1	81	–		–	–
Property rental from grazing lease	2	5	–		–	–
<b>2019</b>						
Employee expenses relating to close family members	1	81	–		–	–
Property rental from grazing lease	2	5	–		–	–

1 There is one close family member of Council's KMP employed by MidCoast Council under current Council award on an arms length basis.

2 1 KMP has an annual grazing lease over Council property which is used for agistment of cattle with rental paid on a week to week basis.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Events occurring after the reporting date

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Statement of developer contributions

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

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

## Summary of contributions and levies

\$ '000	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	376	12	–	2	–	–	390	–
Roads	7,090	879	–	43	–	–	8,012	–
Parking	687	20	–	3	–	–	710	(499)
Open space	3,512	605	–	32	–	–	4,149	499
Community facilities	2,690	426	–	15	(740)	–	2,391	–
Other	1,223	656	–	7	–	–	1,886	–
Rec & Community Facilities	124	2	–	2	(2)	–	126	–
Surf Life Saving	78	15	–	–	–	–	93	–
Bushfire facilities	382	127	–	3	–	–	512	–
Administration building	684	153	–	2	(429)	–	410	–
GLW Admin	211	64	–	2	–	–	277	–
Parking Tea Gardens	–	–	–	–	–	–	–	–
Other – Surf Life Saving Hawks Nest	38	2	–	–	–	–	40	–
Other - environmental	769	–	–	4	(230)	–	543	–
Bridges	118	–	–	1	–	–	119	–
Central Library	495	36	–	3	–	–	534	–
Library Book stocks	138	11	–	1	–	–	150	–
Aquatic Centre	64	13	–	–	–	–	77	–
Plan Preparatory	(1)	–	–	–	–	–	(1)	–
Rural Fire Fighting	855	48	–	6	–	–	909	–
Section 94 Officer	261	24	–	1	–	–	286	–
MP Community Centre	317	8	–	1	–	–	326	–
Other - Finance	33	–	–	–	–	–	33	–
Other - Finance - contra	(2)	–	–	–	–	–	(2)	–
<b>S7.11 contributions – under a plan</b>	<b>20,142</b>	<b>3,101</b>	<b>–</b>	<b>128</b>	<b>(1,401)</b>	<b>–</b>	<b>21,970</b>	<b>–</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>S7.12 levies – under a plan</b>	76	–	–	–	–	–	76	–
<b>Total S7.11 and S7.12 revenue under plans</b>	20,218	3,101	–	128	(1,401)	–	22,046	–
S7.11 not under plans	303	108	–	2	(39)	–	374	–
S64 contributions	11,791	2,816	–	–	–	–	14,607	–
<b>Total contributions</b>	<b>32,312</b>	<b>6,025</b>	<b>–</b>	<b>130</b>	<b>(1,440)</b>	<b>–</b>	<b>37,027</b>	<b>–</b>

## S7.11 Contributions – under a plan

**CONTRIBUTION PLAN (former Gloucester Sire Council)**

Roads	451	22	–	2	–	–	475	–
Parking	7	–	–	–	–	–	7	–
Rec & Community Facilities	124	2	–	2	(2)	–	126	–
<b>Total</b>	<b>582</b>	<b>24</b>	<b>–</b>	<b>4</b>	<b>(2)</b>	<b>–</b>	<b>608</b>	<b>–</b>

**CONTRIBUTION PLAN - FORSTER DISTRICT (former Great Lakes Council)**

Drainage	376	12	–	2	–	–	390	–
Roads	1,884	589	–	14	–	–	2,487	–
Parking	621	20	–	3	–	–	644	–
Open space	1,766	381	–	13	–	–	2,160	–
Community facilities	1,680	363	–	11	(250)	–	1,804	–
<b>Total</b>	<b>6,327</b>	<b>1,365</b>	<b>–</b>	<b>43</b>	<b>(250)</b>	<b>–</b>	<b>7,485</b>	<b>–</b>

**CONTRIBUTION - GREAT LAKES WIDE (former Great Lakes Council)**

Community facilities	149	50	–	1	–	–	200	–
Bushfire facilities	382	127	–	3	–	–	512	–
Administration building	684	153	–	2	(429)	–	410	–
GLW admin	211	64	–	2	–	–	277	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>Total</b>	<b>1,426</b>	<b>394</b>	<b>–</b>	<b>8</b>	<b>(429)</b>	<b>–</b>	<b>1,399</b>	<b>–</b>
<b>CONTRIBUTION PLAN - TEA GARDENS / HAWKS NEST (former Great Lakes Council)</b>								
Roads	82	25	–	1	–	–	108	–
Parking	59	–	–	–	–	–	59	(499)
Open space	293	37	–	5	–	–	335	499
Community facilities	116	13	–	1	–	–	130	–
Other – Surf Life Saving Hawks Nest	38	2	–	–	–	–	40	–
<b>Total</b>	<b>588</b>	<b>77</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>672</b>	<b>–</b>
<b>CONTRIBUTION PLAN - ROAD HAULAGE (former Great Lakes Council)</b>								
Roads	333	18	–	2	–	–	353	–
<b>Total</b>	<b>333</b>	<b>18</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>353</b>	<b>–</b>
<b>CONTRIBUTION PLAN - RURAL ROADS BULADHDELAH, STROUD &amp; RURAL OPEN SPACE (former Great Lakes Council)</b>								
Roads	421	27	–	3	–	–	451	–
Open space	84	11	–	1	–	–	96	–
<b>Total</b>	<b>505</b>	<b>38</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>547</b>	<b>–</b>
<b>CONTRIBUTION PLAN - THE BRANCH LANE (former Great Lakes Council)</b>								
Roads	100	–	–	1	–	–	101	–
<b>Total</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>101</b>	<b>–</b>
<b>CONTRIBUTION PLAN - COOMBA RD &amp; SHALLOW BAY RD (former Great Lakes Council)</b>								
Roads	180	9	–	1	–	–	190	–
<b>Total</b>	<b>180</b>	<b>9</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>190</b>	<b>–</b>
<b>CONTRIBUTION PLAN - DURALIE COAL (former Great Lakes Council)</b>								
Roads	392	–	–	2	–	–	394	–
Community facilities	745	–	–	2	(490)	–	257	–
Other – environmental	769	–	–	4	(230)	–	543	–
Bridges	118	–	–	1	–	–	119	–
<b>Total</b>	<b>2,024</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>(720)</b>	<b>–</b>	<b>1,313</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>CONTRIBUTION PLAN - 2001 PLAN GREATER TAREE (former Greater Taree City Council)</b>									
Open space	31	42	–	2	–	–	–	75	–
Surf Life Saving	78	15	–	–	–	–	–	93	–
Central Library	495	36	–	3	–	–	–	534	–
Library Book stocks	138	11	–	1	–	–	–	150	–
Aquatic Centre	64	13	–	–	–	–	–	77	–
Plan Preparatory	(1)	–	–	–	–	–	–	(1)	–
Rural Fire Fighting	438	31	–	3	–	–	–	472	–
Section 94 Officer	261	24	–	1	–	–	–	286	–
Other	28	9	–	–	–	–	–	37	–
<b>Total</b>	<b>1,532</b>	<b>181</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,723</b>	<b>–</b>
<b>CONTRIBUTION PLAN 2001 PLAN TAREE (former Greater Taree City Council)</b>									
Roads	350	26	–	2	–	–	–	378	–
Open space	175	21	–	1	–	–	–	197	–
Rural Fire Fighting	178	–	–	1	–	–	–	179	–
Other	6	–	–	–	–	–	–	6	–
<b>Total</b>	<b>709</b>	<b>47</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>760</b>	<b>–</b>
<b>CONTRIBUTION PLAN - 2001 PLAN WINGHAM (former Greater Taree City Council)</b>									
Roads	723	–	–	5	–	–	–	728	–
Open space	91	–	–	–	–	–	–	91	–
Rural Fire Fighting	(80)	–	–	–	–	–	–	(80)	–
<b>Total</b>	<b>734</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>739</b>	<b>–</b>
<b>CONTRIBUTION PLAN - 2001 HALLIDAYS POINT (former Greater Taree City Council)</b>									
Roads	251	136	–	3	–	–	–	390	–
Open space	786	18	–	5	–	–	–	809	–
Rural Fire Fighting	189	9	–	1	–	–	–	199	–
MP Community Centre	87	–	–	–	–	–	–	87	–
<b>Total</b>	<b>1,313</b>	<b>163</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,485</b>	<b>–</b>
<b>CONTRIBUTION PLAN - 2010 PLAN OLD BAR (former Greater Taree City Council)</b>									

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Roads	1,152	27	–	6	–	–	1,185	–	
Open space	115	95	–	1	–	–	211	–	
Rural Fire Fighting	45	8	–	–	–	–	53	–	
MP Community Centre	180	8	–	1	–	–	189	–	
Other - Finance	31	–	–	–	–	–	31	–	
<b>Total</b>	<b>1,523</b>	<b>138</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>1,669</b>	<b>–</b>	
<b>CONTRIBUTION PLAN - 2001 PLAN HARRINGTON (former Greater Taree City Council)</b>									
Roads	771	–	–	1	–	–	772	–	
Open space	171	–	–	4	–	–	175	–	
Rural Fire Fighting	85	–	–	1	–	–	86	–	
MP Community Centre	50	–	–	–	–	–	50	–	
Other – Finance	2	–	–	–	–	–	2	–	
Other – Finance – contra	(2)	–	–	–	–	–	(2)	–	
<b>Total</b>	<b>1,077</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>1,083</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 2016</b>									
Other	1,189	647	–	7	–	–	1,843	–	
<b>Total</b>	<b>1,189</b>	<b>647</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>1,843</b>	<b>–</b>	

### S7.12 Levies – under a plan

#### CONTRIBUTION PLAN OLD BAR (former Greater Taree City Council)

General Purpose	76	–	–	–	–	–	76	–
<b>Total</b>	<b>76</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>76</b>	<b>–</b>

### S7.11 Contributions – not under a plan

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
<b>(former Gloucester Shire Council - Duralie)</b>								
Other	144	108	–	1	(39)	–	214	–
<b>Total</b>	<b>144</b>	<b>108</b>	<b>–</b>	<b>1</b>	<b>(39)</b>	<b>–</b>	<b>214</b>	<b>–</b>
<b>(former Great Lakes Council)</b>								
Roads	159	–	–	1	–	–	160	–
<b>Total</b>	<b>159</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>160</b>	<b>–</b>
 <b>S64 contributions</b>								
<b>Former MidCoast Water Contributions</b>								
Water and Sewerage Contributions	11,791	2,816	–	–	–	–	14,607	–
<b>Total</b>	<b>11,791</b>	<b>2,816</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,607</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	101,871	13,095	38,258
User charges and fees	21,411	26,973	3,245
Interest and investment revenue	3,270	258	1,375
Other revenues	3,130	956	39
Grants and contributions provided for operating purposes	30,057	1,053	455
Grants and contributions provided for capital purposes	38,252	4,963	4,365
Fair value increment on investment property	70	–	–
Rental income	1,936	–	–
<b>Total income from continuing operations</b>	<b>199,997</b>	<b>47,298</b>	<b>47,737</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	56,556	9,779	6,016
Borrowing costs	2,758	5,477	4,192
Materials and contracts	39,717	8,969	5,680
Depreciation and amortisation	56,289	13,750	13,346
Other expenses	23,418	4,420	4,019
Net losses from the disposal of assets	2,872	852	379
Share of interests in joint ventures and associates using the equity method	31	–	–
<b>Total expenses from continuing operations</b>	<b>181,641</b>	<b>43,247</b>	<b>33,632</b>
<b>Operating result from continuing operations</b>	<b>18,356</b>	<b>4,051</b>	<b>14,105</b>
<b>Net operating result for the year</b>	<b>18,356</b>	<b>4,051</b>	<b>14,105</b>
<b>Net operating result attributable to each council fund</b>	<b>18,356</b>	<b>4,051</b>	<b>14,105</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(19,896)</b>	<b>(912)</b>	<b>9,740</b>

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

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

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	30,094	12,548	8,963
Investments	76,000	3,000	33,000
Receivables	21,206	8,578	5,789
Inventories	4,878	–	–
Other	1,221	–	–
<b>Total current assets</b>	<b>133,399</b>	<b>24,126</b>	<b>47,752</b>
<b>Non-current assets</b>			

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
Investments	64,790	5,500	35,250
Receivables	699	–	–
Inventories	1,674	–	–
Infrastructure, property, plant and equipment	2,492,614	564,040	524,353
Investments accounted for using the equity method	373	–	–
Investment property	18,640	–	–
Right of use assets	496	–	–
<b>Total non-current assets</b>	<b>2,579,286</b>	<b>569,540</b>	<b>559,603</b>
<b>TOTAL ASSETS</b>	<b>2,712,685</b>	<b>593,666</b>	<b>607,355</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	23,089	3,356	3,873
Contract liabilities	3,973	–	–
Lease liabilities	101	–	–
Borrowings	11,146	5,282	4,502
Provisions	19,993	3,218	3,218
<b>Total current liabilities</b>	<b>58,302</b>	<b>11,856</b>	<b>11,593</b>
<b>Non-current liabilities</b>			
Lease liabilities	356	–	–
Borrowings	54,700	80,323	56,795
Provisions	15,164	70	70
<b>Total non-current liabilities</b>	<b>70,220</b>	<b>80,393</b>	<b>56,865</b>
<b>TOTAL LIABILITIES</b>	<b>128,522</b>	<b>92,249</b>	<b>68,458</b>
<b>Net assets</b>	<b>2,584,163</b>	<b>501,417</b>	<b>538,897</b>
<b>EQUITY</b>			
Accumulated surplus	2,081,449	421,920	410,550
Revaluation reserves	502,714	79,497	128,347
<b>Council equity interest</b>	<b>2,584,163</b>	<b>501,417</b>	<b>538,897</b>
<b>Total equity</b>	<b>2,584,163</b>	<b>501,417</b>	<b>538,897</b>

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(7,004)</b>	<b>(2.83)%</b>	1.14%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>247,382</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>215,817</b>	<b>73.17%</b>	74.04%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>294,962</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>95,573</b>	<b>4.28x</b>	5.39x	>1.50x
Current liabilities less specific purpose liabilities	<b>22,329</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>88,808</b>	<b>2.61x</b>	2.81x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>34,024</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>12,374</b>	<b>7.49%</b>	7.05%	<10.00%
Rates, annual and extra charges collectible	<b>165,103</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>207,355</b>	<b>12.63 mths</b>	11.89 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>16,420</b>			

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(10.55)%</b>	(4.19)%	<b>(0.14)%</b>	6.70%	<b>23.33%</b>	13.90%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>65.83%</b>	65.22%	<b>87.28%</b>	90.96%	<b>89.90%</b>	91.52%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.26x</b>	3.87x	<b>2.88x</b>	4.09x	<b>5.89x</b>	8.61x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>3.01x</b>	3.85x	<b>1.81x</b>	2.10x	<b>2.83x</b>	2.32x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>7.16%</b>	5.89%	<b>6.65%</b>	7.42%	<b>8.62%</b>	9.67%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>10.95 mths</b>	10.27 mths	<b>8.75 mths</b>	8.03 mths	<b>24.74 mths</b>	23.75 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

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

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### MidCoast Council

To the Councillors of MidCoast Council

### Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

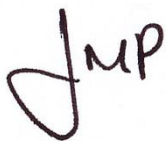
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 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.



Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

26 November 2020  
SYDNEY



Mayor David West  
MidCoast Council  
PO BOX 450  
FORSTER NSW 2358

Contact: Jan-Michael Perez  
Phone no: 02 9275 7115  
Our ref: D2021520/1759

26 November 2020

Dear Mayor West

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
MidCoast Council**

I have audited the general purpose financial statements (GPFS) of the MidCoast Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	153.2	148.2	↑ 3.4
Grants and contributions revenue	79.1	74.9	↑ 5.7
Operating result from continuing operations	36.5	36.7	↓ 0.4
Net operating result before capital grants and contributions	(11.1)	(5.5)	↓ 101.1

The operating result from continuing operations of \$36.5 million (including depreciation and amortisation expense of \$83.4 million) was slightly lower than the 2018–19 result. This year’s result is driven by a net increase in total income of \$6.2 million, primarily due to higher rates and charges, and higher grants and contributions provided for capital purposes. These increases have been largely offset by expenditure increases of around \$6.4 million, primarily attributed to higher depreciation and material and contract costs for the year.

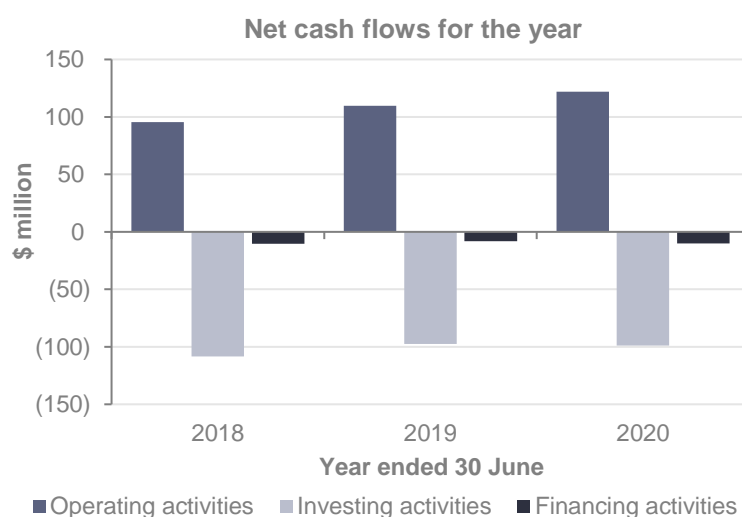
The net operating result before capital grants and contributions of deficit \$11.1 million was \$5.6 million lower than the 2018–19 result.

## STATEMENT OF CASH FLOWS

Operating activities contributed net cash inflows of \$121.9 million (\$109.7 million in 2018–19). The increase in operating activity cash flow is primarily attributed to higher rates and annual charges received compared to last year, together with increased grants and contributions offset by lower user fees and charges.

Net cash outflows from investing activities increased by \$1.2 million mainly due to higher spending on infrastructure property, plant and equipment, offset by reduced net purchases of investment securities

Cash outflows from financing activities increased by \$1.8 million mainly due to reduced new borrowings.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	190.0	163.8	Cash and investments totalled \$269.1 million at 30 June 2020 (2019: \$241.6 million). The higher cash and investment balances are mainly due to a net increase in cashflows from operating activities and purchases of financial assets.
Internal restrictions	63.1	69.7	
Unrestricted	16.0	8.1	
<b>Cash and investments</b>	<b>269.1</b>	<b>241.6</b>	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These generally include unspent development contributions and specific purpose grants, unspent loans, domestic waste management charges and funds related to Council's water and sewer operations.

Internally restricted cash and investments have been restricted in their use by resolution or policy of the Council to reflect forward plans and identified programs of works. These totalled \$63.1 million and their purpose is disclosed in Note 7(c) of the financial statements.

The Council's unrestricted cash and investments amounted to \$16.0 million, which is available to provide liquidity for day to day operations.

## Debt

At 30 June 2020, the Council has external borrowings of \$212.7 million (2019: \$222.3 million), including \$20.9 million classified as current, with the balance of \$191.8 million classified as non-current.

## PERFORMANCE

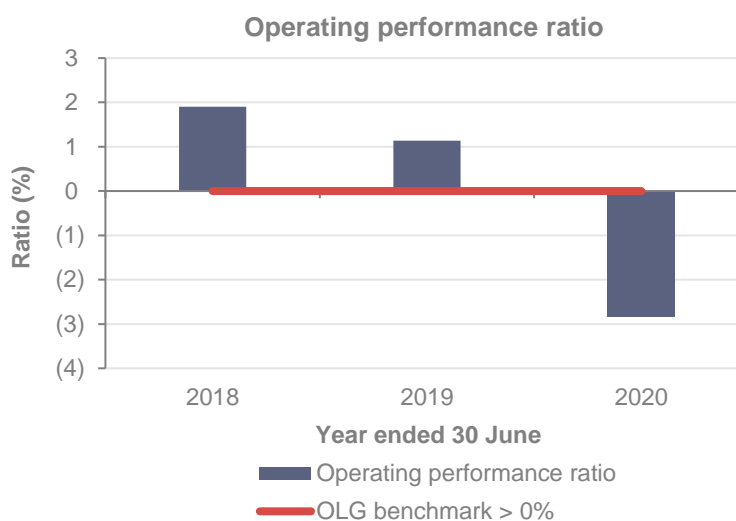
### Performance measures

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

#### Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period due to lower user fees and charges and investment income, compounded by higher depreciation and materials and contracts expenditure incurred during the year.

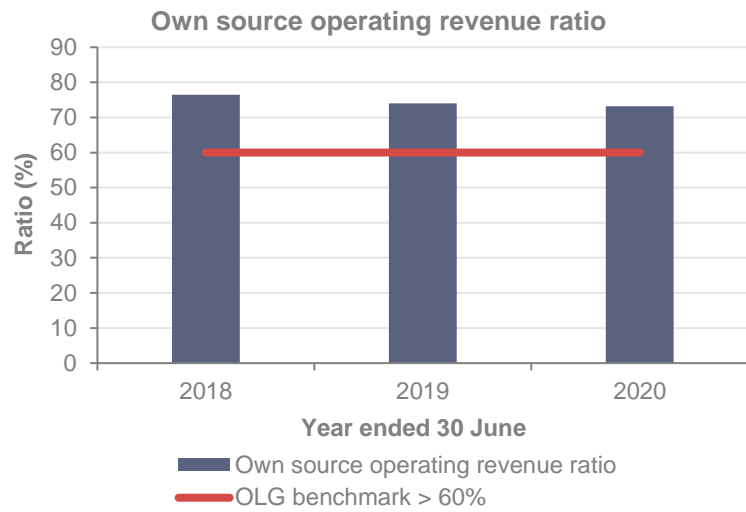




### Own source operating revenue ratio

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

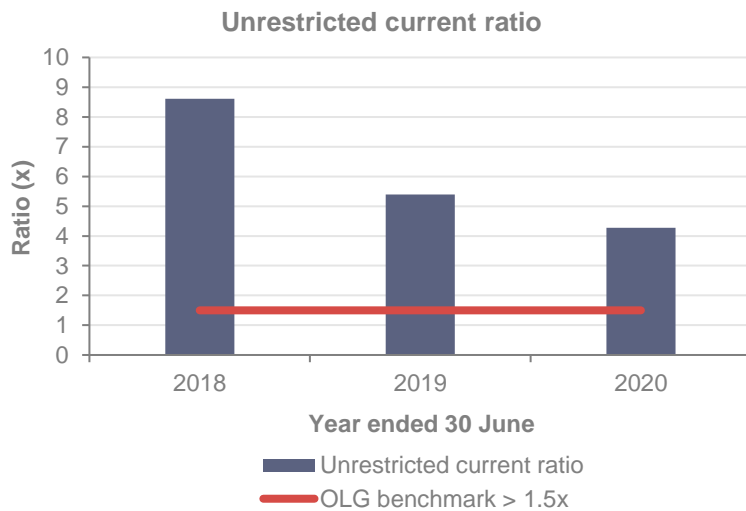
The Council met the OLG benchmark for the current reporting period.



### Unrestricted current ratio

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

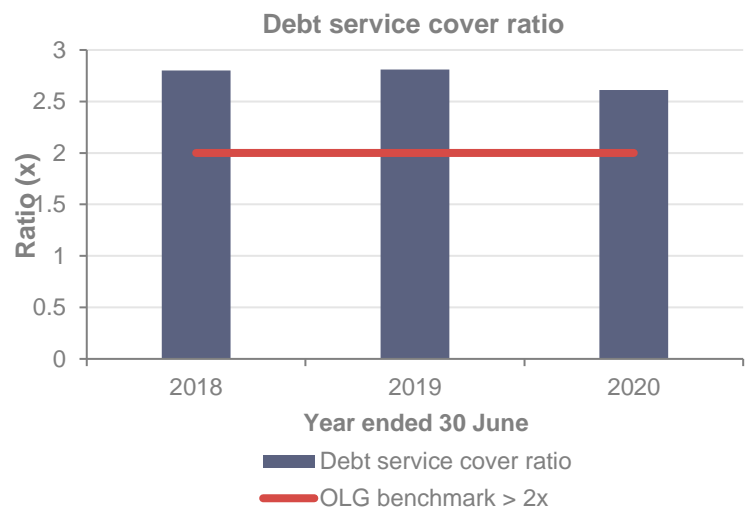
The Council met the OLG benchmark for the current reporting period. It indicates the council has sufficient liquid assets to meet its short-term obligations as and when they fall due.



### Debt service cover ratio

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

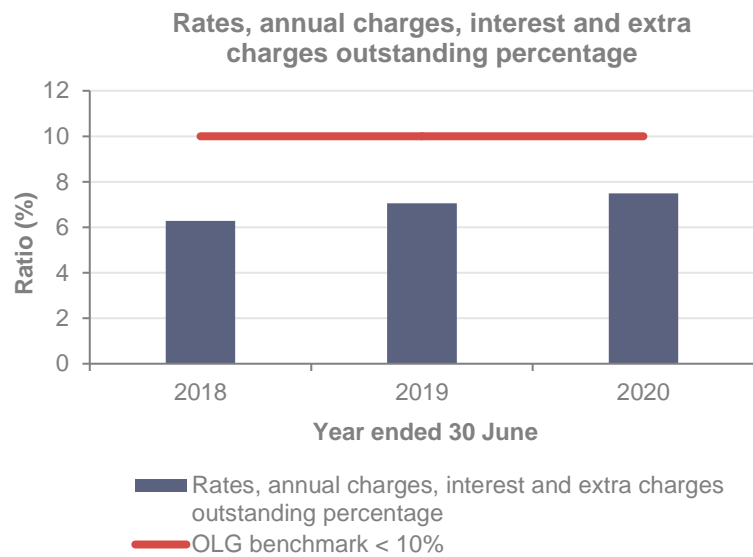
The Council met the OLG benchmark for the current reporting period.



## Rates, annual charges, interest and extra charges outstanding percentage

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

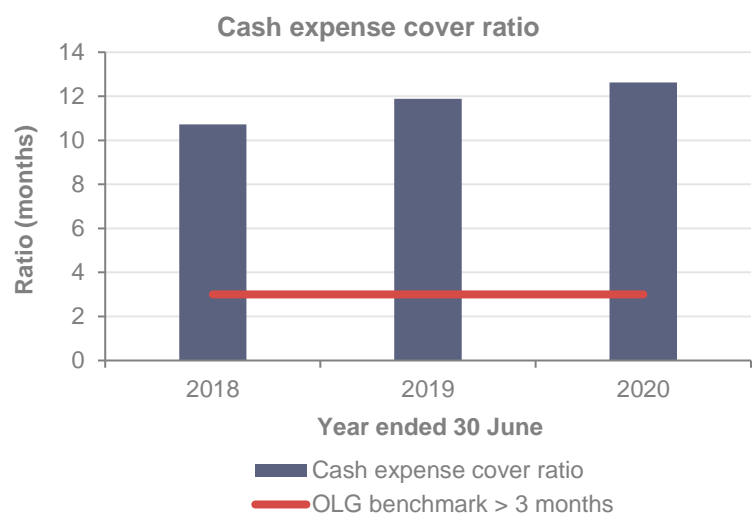
The Council met the OLG benchmark for the current reporting period.



## Cash expense cover ratio

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

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



## Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2019–20 totalled \$66.5 million compared with \$65.0 million in the previous year. The slight increase in renewal expenditure was mainly driven by higher renewals in capital works in progress \$33.3 million (2019: \$18.1 million) and bridges \$8.3 million (2019: \$2.8 million) which is offset by reduction of road assets renewal of \$13.9 million compared to \$25.7 million in 2019.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$5.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

#### **AASB 16 'Leases'**

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

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

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

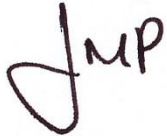
The Council recognised right-of-use assets of \$0.65 million and lease liabilities of \$0.61 million at 1 July 2019 on adoption of AASB 16.

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

## Legislative compliance

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

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

A handwritten signature in black ink, consisting of the letters 'JMP' in a stylized, cursive font.

Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Adrian Panuccio, General Manager  
Mr Stephen Coates, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# MidCoast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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

### Background

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

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

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

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

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

## MidCoast Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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#### 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.

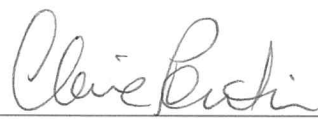
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 18 November 2020.




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David West  
**Mayor**  
18 November 2020



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Claire Pontin  
**Councillor**  
18 November 2020



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Adrian Panuccio  
**General Manager**  
18 November 2020



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Philip Brennan  
**Responsible Accounting Officer**  
18 November 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	13,095	13,614
User charges	26,036	27,329
Fees	937	722
Interest	258	365
Grants and contributions provided for non-capital purposes	1,053	497
Other income	956	1,720
<b>Total income from continuing operations</b>	<b>42,335</b>	<b>44,247</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	9,779	9,032
Borrowing costs	5,477	5,903
Materials and contracts	8,969	6,800
Depreciation, amortisation and impairment	13,750	14,373
Water purchase charges	–	74
Loss on sale of assets	852	1,178
Calculated taxation equivalents	254	255
Debt guarantee fee (if applicable)	856	899
Other expenses	4,420	5,094
<b>Total expenses from continuing operations</b>	<b>44,357</b>	<b>43,608</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2,022)</b>	<b>639</b>
Grants and contributions provided for capital purposes	4,963	3,852
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,941</b>	<b>4,491</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,941</b>	<b>4,491</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(176)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,941</b>	<b>4,315</b>
<b>Plus opening retained profits</b>	<b>417,869</b>	<b>412,224</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	254	255
– Debt guarantee fees	856	899
– Corporate taxation equivalent	–	176
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>421,920</b>	<b>417,869</b>
<b>Return on capital %</b>	<b>0.6%</b>	<b>1.3%</b>
<b>Subsidy from Council</b>	<b>1,509</b>	<b>88</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,941	4,315
Less: capital grants and contributions (excluding developer contributions)	(2,067)	(3,852)
<b>Surplus for dividend calculation purposes</b>	<b>874</b>	<b>463</b>
<b>Potential dividend calculated from surplus</b>	<b>437</b>	<b>232</b>



## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	38,258	38,780
User charges	2,658	3,007
Liquid trade waste charges	–	55
Fees	587	386
Interest	1,375	1,630
Grants and contributions provided for non-capital purposes	455	461
Other income	39	1,615
<b>Total income from continuing operations</b>	<b>43,372</b>	<b>45,934</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	6,016	8,449
Borrowing costs	4,192	4,507
Materials and contracts	5,680	6,941
Depreciation, amortisation and impairment	13,346	14,102
Loss on sale of assets	379	803
Calculated taxation equivalents	201	202
Debt guarantee fee (if applicable)	613	667
Other expenses	4,019	5,530
<b>Total expenses from continuing operations</b>	<b>34,446</b>	<b>41,201</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>8,926</b>	<b>4,733</b>
Grants and contributions provided for capital purposes	4,365	3,750
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>13,291</b>	<b>8,483</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>13,291</b>	<b>8,483</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,455)	(1,302)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>10,836</b>	<b>7,181</b>
<b>Plus opening retained profits</b>	<b>396,445</b>	<b>387,093</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	201	202
– Debt guarantee fees	613	667
– Corporate taxation equivalent	2,455	1,302
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>410,550</b>	<b>396,445</b>
<b>Return on capital %</b>	<b>2.5%</b>	<b>2.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	10,836	7,181
Less: capital grants and contributions (excluding developer contributions)	–	(3,750)
<b>Surplus for dividend calculation purposes</b>	<b>10,836</b>	<b>3,431</b>
<b>Potential dividend calculated from surplus</b>	<b>5,418</b>	<b>1,716</b>

## Income Statement – Midcoast Assist

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
Fees	6,377	6,463
Grants and contributions provided for non-capital purposes	1,228	882
Other income	112	–
<b>Total income from continuing operations</b>	<b>7,717</b>	<b>7,345</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	5,151	4,811
Materials and contracts	813	1,793
Depreciation, amortisation and impairment	–	126
Calculated taxation equivalents	502	–
Other expenses	738	497
<b>Total expenses from continuing operations</b>	<b>7,204</b>	<b>7,227</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>513</b>	<b>118</b>
Grants and contributions provided for capital purposes	–	161
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>513</b>	<b>279</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>513</b>	<b>279</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(141)	(32)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>372</b>	<b>247</b>
<b>Plus accumulated surplus</b>	<b>47</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments Payroll	502	(264)
– Corporate taxation equivalent	–	32
<b>Add:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>921</b>	<b>15</b>
<b>Return on capital %</b>	<b>143.7%</b>	<b>33.1%</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	12,548	10,628
Investments	3,000	8,750
Receivables	8,578	8,333
Inventories	–	258
<b>Total current assets</b>	<b>24,126</b>	<b>27,969</b>
<b>Non-current assets</b>		
Investments	5,500	–
Infrastructure, property, plant and equipment	564,040	502,263
<b>Total non-current assets</b>	<b>569,540</b>	<b>502,263</b>
<b>TOTAL ASSETS</b>	<b>593,666</b>	<b>530,232</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3,356	2,058
Income received in advance	–	507
Borrowings	5,282	4,281
Provisions	3,218	3,389
<b>Total current liabilities</b>	<b>11,856</b>	<b>10,235</b>
<b>Non-current liabilities</b>		
Borrowings	80,323	85,578
Provisions	70	–
<b>Total non-current liabilities</b>	<b>80,393</b>	<b>85,578</b>
<b>TOTAL LIABILITIES</b>	<b>92,249</b>	<b>95,813</b>
<b>NET ASSETS</b>	<b>501,417</b>	<b>434,419</b>
<b>EQUITY</b>		
Accumulated surplus	421,920	417,869
Revaluation reserves	79,497	16,550
<b>TOTAL EQUITY</b>	<b>501,417</b>	<b>434,419</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,963	6,938
Investments	33,000	55,750
Receivables	5,789	6,523
Inventories	–	2
<b>Total current assets</b>	<b>47,752</b>	<b>69,213</b>
<b>Non-current assets</b>		
Investments	35,250	–
Infrastructure, property, plant and equipment	524,353	415,220
<b>Total non-current assets</b>	<b>559,603</b>	<b>415,220</b>
<b>TOTAL ASSETS</b>	<b>607,355</b>	<b>484,433</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3,873	2,212
Income received in advance	–	507
Borrowings	4,502	5,323
Provisions	3,218	3,329
<b>Total current liabilities</b>	<b>11,593</b>	<b>11,371</b>
<b>Non-current liabilities</b>		
Borrowings	56,795	61,298
Provisions	70	–
<b>Total non-current liabilities</b>	<b>56,865</b>	<b>61,298</b>
<b>TOTAL LIABILITIES</b>	<b>68,458</b>	<b>72,669</b>
<b>NET ASSETS</b>	<b>538,897</b>	<b>411,764</b>
<b>EQUITY</b>		
Accumulated surplus	410,550	396,445
Revaluation reserves	128,347	15,319
<b>TOTAL EQUITY</b>	<b>538,897</b>	<b>411,764</b>

## Statement of Financial Position – Midcoast Assist

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,508	537
Receivables	716	484
Inventories	–	16
<b>Total current assets</b>	<b>3,224</b>	<b>1,037</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	357	357
<b>Total non-current assets</b>	<b>357</b>	<b>357</b>
<b>TOTAL ASSETS</b>	<b>3,581</b>	<b>1,394</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,818	207
Income received in advance	–	220
Provisions	434	378
<b>Total current liabilities</b>	<b>2,252</b>	<b>805</b>
<b>Non-current liabilities</b>		
Provisions	7	–
<b>Total non-current liabilities</b>	<b>7</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>2,259</b>	<b>805</b>
<b>NET ASSETS</b>	<b>1,322</b>	<b>589</b>
<b>EQUITY</b>		
Retained earnings	1,322	15
Other reserves	–	574
<b>TOTAL EQUITY</b>	<b>1,322</b>	<b>589</b>

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

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A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

###### Water Services

The provision of Water Services throughout the Midcoast Council region.

###### Sewerage Services

The provision of Sewerage Services throughout the MidCoast Council region.

###### MidCoast Assist

Council provides Ageing and Disability Services to its community as a National Disability Insurance Scheme provider.

Council declared at a Council Meeting held on 26 June 2019 that MidCoast Assist was to be considered as a Category 1 business activity.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

#### Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### 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. A rate of 1% has been used in relation to the 2019/2020 financial period.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

#### (iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

#### (iv) Dividends

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

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

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

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

In accordance with the Best Practice Management of Water Supply and Sewer 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

#### MidCoast Council

To the Councillors of MidCoast Council

### Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Midcoast Assist.

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

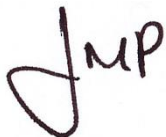
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

26 November 2020  
SYDNEY

# MidCoast Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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**Special Schedules**

for the year ended 30 June 2020

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## Permissible income for general rates

\$ '000	Notes	2020/21	2020/21	2020/21	2020/21	2019/20	2019/20	2019/20	2019/20
		Great Lakes	Greater Taree	Gloucester	MidCoast Council	Great Lakes	Greater Taree	Gloucester	MidCoast Council
<b>Notional general income calculation <sup>1</sup></b>									
Last year notional general income yield	a	37,945	35,858	6,168	79,971	36,026	33,876	5,858	75,760
Plus or minus adjustments <sup>2</sup>	b	126	160	22	308	101	288	19	408
<b>Notional general income</b>	c = a + b	<b>38,071</b>	<b>36,018</b>	<b>6,190</b>	<b>80,279</b>	<b>36,127</b>	<b>34,164</b>	<b>5,877</b>	<b>76,168</b>
<b>Permissible income calculation</b>									
Special variation percentage	d	5.00%	5.00%	5.00%		5.00%	5.00%	5.00%	
Plus special variation amount	h = d x (c + g)	1,904	1,801	310	4,015	1,806	1,708	294	3,808
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>39,975</b>	<b>37,819</b>	<b>6,500</b>	<b>84,294</b>	<b>37,933</b>	<b>35,872</b>	<b>6,171</b>	<b>79,976</b>
Plus (or minus) last year's carry forward total	l	–	3	4	7	–	–	1	1
Less valuation objections claimed in the previous year	m	(33)	–	–	(33)	(21)	(11)	–	(32)
<b>Sub-total</b>	n = (l + m)	<b>(33)</b>	<b>3</b>	<b>4</b>	<b>(26)</b>	<b>(21)</b>	<b>(11)</b>	<b>1</b>	<b>(31)</b>
<b>Total permissible income</b>	o = k + n	<b>39,942</b>	<b>37,822</b>	<b>6,504</b>	<b>84,268</b>	<b>37,912</b>	<b>35,861</b>	<b>6,172</b>	<b>79,945</b>
Less notional general income yield	p	39,928	37,819	6,497	84,244	37,945	35,858	6,168	79,971
<b>Catch-up or (excess) result</b>	q = o – p	<b>14</b>	<b>3</b>	<b>6</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Plus income lost due to valuation objections claimed	r	–	–	–	–	33	–	–	33
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>14</b>	<b>3</b>	<b>6</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes

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



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**MidCoast Council**

To the Councillors of MidCoast Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

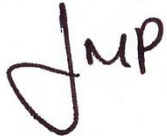
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, consisting of the letters 'JMP' in a stylized, cursive font.

Jan-Michael Perez  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

26 November 2020  
SYDNEY



## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring the agreed level of service set by Council					\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Other Buildings	5,844	5,844	1,648	204	71,020	107,192	17.0%	45.3%	28.2%	9.3%	0.2%
	Council Offices/Administration Centres	185	185	675	682	29,101	54,964	7.1%	46.8%	45.8%	0.3%	0.0%
	Council Public Halls	9,843	9,843	226	1	9,731	23,752	6.0%	29.0%	49.0%	14.2%	1.8%
	Council Works Depots	4,430	4,430	129	211	5,542	11,502	10.1%	48.9%	33.8%	5.4%	1.8%
	Cultural/Community Facilities	1,552	1,552	129	1,129	71,839	147,532	9.7%	57.8%	30.0%	2.5%	0.0%
	Libraries	1,702	1,702	231	74	9,956	14,144	62.4%	19.4%	15.4%	2.8%	0.0%
	<b>Sub-total</b>		<b>23,556</b>	<b>23,556</b>	<b>3,038</b>	<b>2,301</b>	<b>197,189</b>	<b>359,086</b>	<b>13.3%</b>	<b>48.7%</b>	<b>32.7%</b>	<b>5.1%</b>
<b>Other structures</b>	Other structures Not Included In Buildings	1,282	1,282	552	525	16,976	27,611	43.8%	8.6%	25.2%	13.3%	9.1%
	<b>Sub-total</b>	<b>1,282</b>	<b>1,282</b>	<b>552</b>	<b>525</b>	<b>16,976</b>	<b>27,611</b>	<b>43.8%</b>	<b>8.6%</b>	<b>25.2%</b>	<b>13.3%</b>	<b>9.1%</b>
<b>Roads</b>	Sealed roads	61,973	61,973	12,384	6,281	631,031	1,139,959	16.4%	43.1%	24.4%	11.1%	5.0%
	Unsealed roads	934	934	2,099	8,919	6,272	51,160	1.9%	29.6%	63.7%	2.8%	2.0%
	Bridges	3,308	3,308	1,326	827	181,552	315,004	16.5%	62.2%	16.7%	4.4%	0.2%
	Footpaths/Cycleways	378	378	211	318	14,429	29,913	34.4%	37.2%	24.4%	3.5%	0.5%
	Kerb & Guttering	4,739	4,739	219	137	63,925	136,903	25.2%	25.7%	37.8%	9.0%	2.3%
	Bulk earthworks	–	–	–	–	967,378	967,378	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>		<b>71,332</b>	<b>71,332</b>	<b>16,239</b>	<b>16,482</b>	<b>1,864,587</b>	<b>2,640,317</b>	<b>47.4%</b>	<b>28.4%</b>	<b>16.0%</b>	<b>5.9%</b>
<b>Water supply network</b>	Water Supply Network	13,831	13,831	3,081	7,786	499,599	855,307	39.8%	19.3%	15.8%	20.2%	4.9%
	<b>Sub-total</b>	<b>13,831</b>	<b>13,831</b>	<b>3,081</b>	<b>7,786</b>	<b>499,599</b>	<b>855,307</b>	<b>39.8%</b>	<b>19.3%</b>	<b>15.8%</b>	<b>20.2%</b>	<b>4.9%</b>
<b>Sewerage network</b>	Sewerage Network	13,844	13,844	5,567	7,051	491,027	732,496	41.8%	25.7%	14.8%	12.4%	5.3%
	<b>Sub-total</b>	<b>13,844</b>	<b>13,844</b>	<b>5,567</b>	<b>7,051</b>	<b>491,027</b>	<b>732,496</b>	<b>41.8%</b>	<b>25.7%</b>	<b>14.8%</b>	<b>12.4%</b>	<b>5.3%</b>
<b>Stormwater drainage</b>	Stormwater Drainage	4,700	4,700	1,727	146	189,407	352,391	14.0%	47.0%	33.9%	4.7%	0.4%
	<b>Sub-total</b>	<b>4,700</b>	<b>4,700</b>	<b>1,727</b>	<b>146</b>	<b>189,407</b>	<b>352,391</b>	<b>14.0%</b>	<b>47.0%</b>	<b>33.9%</b>	<b>4.7%</b>	<b>0.4%</b>
<b>Open space / recreational assets</b>	Swimming pools	320	320	115	772	3,185	9,054	3.0%	57.0%	38.0%	2.0%	0.0%
	Other Recreational/Open Space Assets	1,676	1,676	512	4,694	21,762	40,356	28.0%	67.0%	4.0%	1.0%	0.0%
	<b>Sub-total</b>	<b>1,996</b>	<b>1,996</b>	<b>627</b>	<b>5,466</b>	<b>24,947</b>	<b>49,410</b>	<b>23.4%</b>	<b>65.2%</b>	<b>10.2%</b>	<b>1.2%</b>	<b>0.0%</b>

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>TOTAL - ALL ASSETS</b>		<b>130,541</b>	<b>130,541</b>	<b>30,831</b>	<b>39,757</b>	<b>3,283,732</b>	<b>5,016,618</b>	<b>40.3%</b>	<b>29.4%</b>	<b>18.2%</b>	<b>9.1%</b>	<b>2.9%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>				
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>				
Asset renewals <sup>2</sup>	<b>25,407</b>	<b>34.20%</b>	58.84%	>=100.00%
Depreciation, amortisation and impairment	<b>74,283</b>			
<b>Infrastructure backlog ratio <sup>1</sup></b>				
Estimated cost to bring assets to a satisfactory standard	<b>130,541</b>	<b>3.98%</b>	6.73%	<2.00%
Net carrying amount of infrastructure assets	<b>3,283,732</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>39,757</b>	<b>128.95%</b>	88.62%	>100.00%
Required asset maintenance	<b>30,831</b>			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<b>130,541</b>	<b>2.60%</b>	4.32%	
Gross replacement cost	<b>5,016,618</b>			

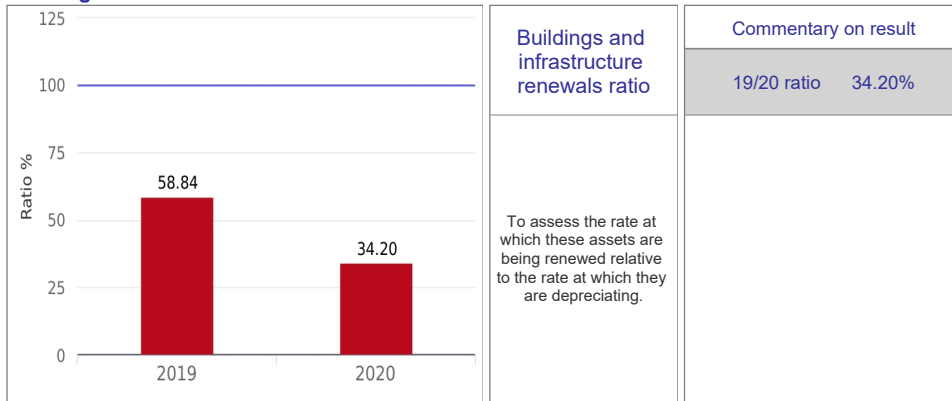
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

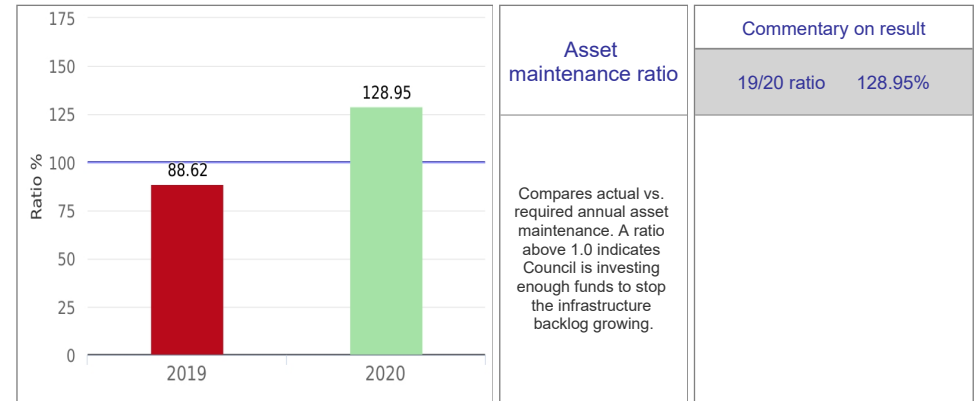
Report on Infrastructure Assets (continued)  
as at 30 June 2020

**Buildings and infrastructure renewals ratio**



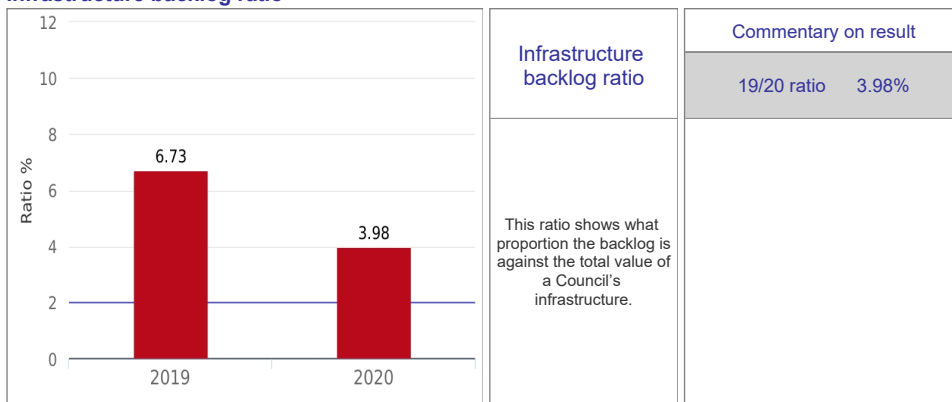
Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



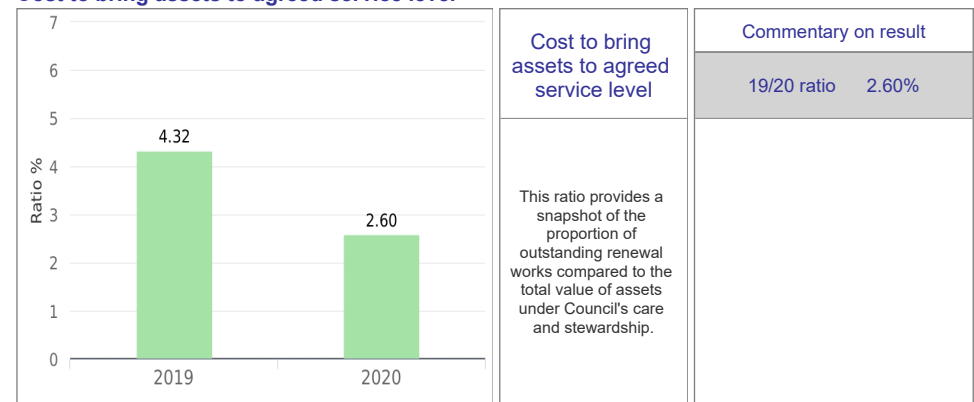
Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>52.26%</b>	77.59%	<b>3.04%</b>	33.64%	<b>2.46%</b>	22.75%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>4.49%</b>	5.65%	<b>2.77%</b>	10.75%	<b>2.82%</b>	8.51%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>112.34%</b>	84.06%	<b>252.71%</b>	79.45%	<b>126.66%</b>	109.14%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>3.00%</b>	3.84%	<b>1.62%</b>	6.10%	<b>1.89%</b>	4.59%	

(1) Excludes Work In Progress (WIP)

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