

# MidCoast Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# MidCoast Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# MidCoast Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

Yalawanyi Ganya  
2 Biripi Way  
Taree NSW 2430

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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

## MidCoast Council

### General Purpose Financial Statements for the year ended 30 June 2021

#### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 November 2021.



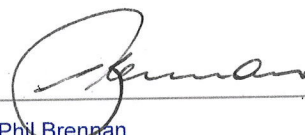
David West  
**Mayor**  
24 November 2021



Claire Pontin  
**Councillor**  
24 November 2021



Adrian Panuccio  
**General Manager**  
24 November 2021



Phil Brennan  
**Responsible Accounting Officer**  
24 November 2021



## MidCoast Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Net result for the year (as per Income Statement)</b>		<b>37,077</b>	<b>36,512</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>35,173</u>	<u>187,702</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>35,173</b>	<b>187,702</b>
<b>Total other comprehensive income for the year</b>		<b>35,173</b>	<b>187,702</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>72,250</b>	<b>224,214</b>

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

## MidCoast Council

### Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	71,392	51,605
Investments	C1-2	81,550	112,000
Receivables	C1-4	48,443	35,573
Inventories	C1-5	5,322	4,878
Other		798	1,221
Non-current assets classified as 'held for sale'	C1-6	2,750	–
<b>Total current assets</b>		<b>210,255</b>	<b>205,277</b>
<b>Non-current assets</b>			
Investments	C1-2	122,610	105,540
Receivables	C1-4	664	699
Inventories	C1-5	1,034	1,674
Infrastructure, property, plant and equipment	C1-7	3,619,903	3,581,007
Investment property	C1-8	24,165	18,640
Right of use assets	C2-1	2,608	496
Investments accounted for using the equity method	D2-1	298	373
<b>Total non-current assets</b>		<b>3,771,282</b>	<b>3,708,429</b>
<b>Total assets</b>		<b>3,981,537</b>	<b>3,913,706</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	29,700	30,318
Contract liabilities	C3-2	14,028	3,973
Lease liabilities	C2-1	588	101
Borrowings	C3-3	20,244	20,930
Employee benefit provisions	C3-4	27,799	26,129
Provisions	C3-5	300	300
<b>Total current liabilities</b>		<b>92,659</b>	<b>81,751</b>
<b>Non-current liabilities</b>			
Lease liabilities	C2-1	2,267	356
Borrowings	C3-3	174,640	191,818
Employee benefit provisions	C3-4	557	552
Provisions	C3-5	14,687	14,752
<b>Total non-current liabilities</b>		<b>192,151</b>	<b>207,478</b>
<b>Total liabilities</b>		<b>284,810</b>	<b>289,229</b>
<b>Net assets</b>		<b>3,696,727</b>	<b>3,624,477</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	2,950,996	2,913,919
IPPE revaluation reserve	C4-1	745,731	710,558
<b>Total equity</b>		<b>3,696,727</b>	<b>3,624,477</b>

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

## MidCoast Council

### Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
<b>Opening balance at 1 July</b>		<b>2,913,919</b>	<b>710,558</b>	<b>3,624,477</b>	2,882,584	522,856	3,405,440
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(5,177)	-	(5,177)
<b>Restated opening balance</b>		<b>2,913,919</b>	<b>710,558</b>	<b>3,624,477</b>	<b>2,877,407</b>	<b>522,856</b>	<b>3,400,263</b>
<b>Net operating result for the year</b>		<b>37,077</b>	-	<b>37,077</b>	36,512	-	36,512
<b>Restated net result for the period</b>		<b>37,077</b>	-	<b>37,077</b>	<b>36,512</b>	-	<b>36,512</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	-	35,173	35,173	-	187,702	187,702
<b>Other comprehensive income</b>		<b>-</b>	<b>35,173</b>	<b>35,173</b>	<b>-</b>	<b>187,702</b>	<b>187,702</b>
<b>Total comprehensive income</b>		<b>37,077</b>	<b>35,173</b>	<b>72,250</b>	<b>36,512</b>	<b>187,702</b>	<b>224,214</b>
<b>Closing balance at 30 June</b>		<b>2,950,996</b>	<b>745,731</b>	<b>3,696,727</b>	<b>2,913,919</b>	<b>710,558</b>	<b>3,624,477</b>

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



## MidCoast Council

### Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
154,766	Rates and annual charges		150,064	155,745
51,459	User charges and fees		55,813	48,073
4,377	Other		23,283	19,703
56,178	Grants and contributions		88,605	68,192
3,418	Investment and interest revenue received		3,078	5,437
–	Bonds, deposits and retention amounts received		1,518	155
<i>Payments:</i>				
(92,211)	Employee benefits and on-costs		(79,601)	(71,233)
(46,080)	Materials and services		(96,634)	(75,588)
(11,042)	Borrowing costs		(11,326)	(12,401)
(33,143)	Other		(17,247)	(16,217)
87,722	<b>Net cash flows from operating activities</b>	G1-1a	<b>117,553</b>	<b>121,866</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Redemption of term deposits		118,000	72,500
250,000	Sale of investment securities		30,013	173,513
1,520	Sale of infrastructure, property, plant and equipment		1,971	1,565
<i>Payments:</i>				
–	Acquisition of term deposits		(100,020)	(72,500)
(250,000)	Purchase of investment securities		(34,600)	(188,103)
(111,018)	Purchase of infrastructure, property, plant and equipment		(94,883)	(85,738)
(109,498)	<b>Net cash flows from investing activities</b>		<b>(79,519)</b>	<b>(98,763)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
9,375	Proceeds from borrowings		14,253	11,500
<i>Payments:</i>				
(20,221)	Repayment of borrowings		(32,117)	(21,243)
–	Principal component of lease payments		(383)	(354)
(10,846)	<b>Net cash flows from financing activities</b>		<b>(18,247)</b>	<b>(10,097)</b>
(32,622)	<b>Net change in cash and cash equivalents</b>		<b>19,787</b>	<b>13,006</b>
51,605	Cash and cash equivalents at beginning of year		51,605	38,599
18,983	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>71,392</b>	<b>51,605</b>
217,540	plus: Investments on hand at end of year	C1-2	204,160	217,540
236,523	<b>Total cash, cash equivalents and investments</b>		<b>275,552</b>	<b>269,145</b>

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

# MidCoast Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 24 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

#### Historical cost convention

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

#### 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. fair values of investment properties – refer Note C1-8
- ii. fair values of infrastructure, property, plant and equipment – refer Note C1-7
- iii. tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

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

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

### Monies and other assets received by Council

#### The Consolidated Fund

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

## A1-1 Basis of preparation (continued)

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### 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 have been published that are not mandatory for the 30 June 2021 reporting period. Council has elected not to apply any of these pronouncements before its operative date in the annual reporting period beginning 1 July 2020.

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 all standards which were mandatorily effective for the first time at 30 June 2021. None of these standards had a significant impact on reported position or performance.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Functions or activities</b>										
Our Unique Diverse & Culturally Rich Communities	19,094	17,872	30,465	28,319	(11,371)	(10,447)	4,773	4,752	224,308	220,487
Our Connected Community	173,838	162,723	189,510	176,162	(15,672)	(13,439)	66,570	55,469	3,517,306	3,457,384
Our Environment	7,583	7,098	12,621	11,732	(5,038)	(4,634)	2,184	2,174	21,520	21,153
Our Thriving & Growing Economy	3,771	3,530	6,444	5,990	(2,673)	(2,460)	1,331	1,325	51,437	50,560
Strong Leadership & Shared Vision	110,899	103,809	39,068	36,317	71,831	67,492	15,494	15,425	166,966	164,122
<b>Total functions and activities</b>	<b>315,185</b>	<b>295,032</b>	<b>278,108</b>	<b>258,520</b>	<b>37,077</b>	<b>36,512</b>	<b>90,352</b>	<b>79,145</b>	<b>3,981,537</b>	<b>3,913,706</b>

## B1-2 Components of functions or activities

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**Details relating to the Council's functions or activities as reported in B1-1 are as follows:**

### **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

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	63,523	60,792
Farmland	9,304	8,857
Business	10,579	9,492
Mining	323	318
Less: pensioner rebates (mandatory)	(2,363)	(2,347)
<b>Rates levied to ratepayers</b>	<b>81,366</b>	<b>77,112</b>
Pensioner rate subsidies received	1,306	1,320
<b>Total ordinary rates</b>	<b>82,672</b>	<b>78,432</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	19,619	19,467
Stormwater management services	827	817
Water supply services	13,964	13,981
Waste management services (non-domestic)	2,372	2,513
Sewerage services	38,832	39,071
Less: pensioner rebates (mandatory)	(2,385)	(2,448)
<b>Annual charges levied</b>	<b>73,229</b>	<b>73,401</b>
Pensioner subsidies received:		
– Water	520	491
– Sewerage	483	455
– Domestic waste management	376	445
<b>Total annual charges</b>	<b>74,608</b>	<b>74,792</b>
<b>Total rates and annual charges</b>	<b>157,280</b>	<b>153,224</b>

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

#### Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.



## B2-2 User charges and fees

\$ '000	2021	2020
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	25,663	25,036
Sewerage services	2,565	2,177
Trade Waste	106	35
<b>Total specific user charges</b>	<b>28,334</b>	<b>27,248</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	3,037	2,818
Section 149 certificates (EPA Act)	336	292
Section 603 certificates	362	247
Laboratory Fees	43	51
Water & Sewerage Connection Fees	674	522
Animal control	80	72
Beach vehicle licencing	796	538
Caravan park and camping grounds licence	2	31
Community health fees (food inspection fees etc.)	145	224
Engineering – fixing levels and DA fees	67	111
Freedom of information fees	6	10
On site sewer waste management fees	1,023	984
Section 735a charges	43	47
<b>Total fees and charges – statutory/regulatory</b>	<b>6,614</b>	<b>5,947</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	742	657
Tourism	50	51
Waste disposal tipping fees	5,044	5,946
Leaseback fees – Council vehicles	1,073	1,030
Library and art gallery	28	33
Saleyards	221	204
Swimming centres	146	177
Private works – section 67	381	182
Entertainment centre	221	231
Landing fees	48	96
Ageing services	2,066	1,375
Community land / property rentals	30	44
Damage bonds	181	118
Mooring fees	127	124
Other service fees and misc income	1,142	1,688
Transport for NSW fees for service	3,169	1,961
Parks and recreation	169	189
National disability insurance scheme	5,631	4,328
<b>Total fees and charges – other</b>	<b>20,469</b>	<b>18,434</b>
<b>Total user charges and fees</b>	<b>55,417</b>	<b>51,629</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised over time	45,317	41,888
User charges and fees recognised at a point in time	10,100	9,741
<b>Total user charges and fees</b>	<b>55,417</b>	<b>51,629</b>
<b>Accounting policy</b>		
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.		

## B2-2 User charges and fees (continued)

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 the customer is required to pay upfront. 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 over the term of the licence.

## B2-3 Other revenues

\$ '000	2021	2020
Fines	338	327
Legal fees recovery – rates and charges (extra charges)	2	147
Commissions and agency fees	185	160
Diesel rebate	385	–
Insurance claims recoveries	1,355	804
Other	644	1,037
Recycling	584	426
Reimbursements	763	1,224
<b>Total other revenue</b>	<b>4,256</b>	<b>4,125</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	4,256	4,125
<b>Total other revenue</b>	<b>4,256</b>	<b>4,125</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	6,055	6,273	–	–
Financial assistance – local roads component	2,693	2,689	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	6,476	6,643	–	–
Financial assistance – local roads component	2,891	2,856	–	–
<b>Amount recognised as income during current year</b>	<b>18,115</b>	<b>18,461</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
Water supplies	–	552	6,800	2,067
Library	307	292	42	51
Storm/flood damage	–	–	–	760
Bushfire and emergency services	2,592	2,852	–	254
Community care	1,326	1,430	207	7
Employment and training programs	35	14	–	–
Heritage and cultural	124	–	475	118
LIRS subsidy	250	377	–	–
Noxious weeds	–	19	–	–
Street lighting	423	212	–	–
Transport for NSW contributions (regional roads, block grant)	–	393	4,854	4,854
Transport (roads to recovery)	4,065	2,720	–	–
Transport (other roads and bridges funding)	64	87	24,581	16,582
Waste and sustainability	–	120	172	27
Environmental works	1,729	1,455	123	1,123
Recreation improvements	81	–	450	377
Stronger community funding	765	626	1,163	2,388
Civic Precinct	–	–	1,500	3,000
Crown reserve contribution (caravan parks)	593	586	–	–
Community services	–	–	–	5
Misc. contributions	224	218	–	–
Other specific grants	106	297	–	81
Other contributions	1,545	854	256	99
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>14,229</b>	<b>13,104</b>	<b>40,623</b>	<b>31,793</b>
<b>Non-cash contributions</b>				
Bushfire services	–	–	347	–
Sewerage (excl. section 64 contributions)	–	–	1,341	3,070
Water supplies (excl. section 64 contributions)	–	–	1,174	1,375
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	3,246	5,187
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>6,108</b>	<b>9,632</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>14,229</b>	<b>13,104</b>	<b>46,731</b>	<b>41,425</b>
<b>Total grants and non-developer contributions</b>	<b>32,344</b>	<b>31,565</b>	<b>46,731</b>	<b>41,425</b>
<b>Comprising:</b>				
– Commonwealth funding	23,826	21,114	10,336	5,410
– State funding	7,825	9,597	30,483	26,378
– Other funding	693	854	5,912	9,637
	<b>32,344</b>	<b>31,565</b>	<b>46,731</b>	<b>41,425</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G4				
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	4,203	3,339
S 64 – sewerage service contributions		–	–	3,626	1,295
S 64 – water supply contributions		–	–	3,448	1,521
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>11,277</b>	<b>6,155</b>
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>11,277</b>	<b>6,155</b>
<b>Total contributions</b>		<b>–</b>	<b>–</b>	<b>11,277</b>	<b>6,155</b>
<b>Total grants and contributions</b>		<b>32,344</b>	<b>31,565</b>	<b>58,008</b>	<b>47,580</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time		886	626	34,993	26,835
Grants and contributions recognised at a point in time		31,458	30,939	23,015	20,745
<b>Total grants and contributions</b>		<b>32,344</b>	<b>31,565</b>	<b>58,008</b>	<b>47,580</b>

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants</b>				
Unspent funds at 1 July	4,167	2,240	3,980	5,534
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,670	2,402	501	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	186	56	12,872	2,449
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(1,176)	(284)	(10)	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(265)	(247)	(2,738)	(4,003)
<b>Unspent funds at 30 June</b>	<b>4,582</b>	<b>4,167</b>	<b>14,605</b>	<b>3,980</b>
<b>Unspent Contributions</b>				
Unspent funds at 1 July	1,439	1,561	36,978	32,165
Add: contributions recognised as revenue in the reporting year but not yet spent	160	109	11,197	6,343
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	(231)	(386)	(1,530)
<b>Unspent contributions at 30 June</b>	<b>1,599</b>	<b>1,439</b>	<b>47,789</b>	<b>36,978</b>

## B2-4 Grants and contributions (continued)

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### Accounting policy

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

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

The performance obligations vary according to the agreement but include programs, workshops, events. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

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

#### Developer contributions

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

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

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

#### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

## B2-5 Interest and investment income

\$ '000	2021	2020
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	134	580
– Cash and investments	2,610	4,323
<b>Total interest and investment income (losses)</b>	<b>2,744</b>	<b>4,903</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	134	404
General Council cash and investments	1,605	2,729
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	30	130
Water fund operations	92	262
Sewerage fund operations	883	1,378
<b>Total interest and investment income</b>	<b>2,744</b>	<b>4,903</b>

### Accounting policy

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

## B2-6 Other income

\$ '000	Notes	2021	2020
<b>Reversal of impairment losses on receivables</b>			
User charges and fees		3	–
<b>Total reversal of impairment losses on receivables</b>	C1-4	<b>3</b>	<b>–</b>
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		3,096	70
<b>Total fair value increment on investment properties</b>	C1-8	<b>3,096</b>	<b>70</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,036	1,024
Lease income relating to variable lease payments not dependent on an index or a rate		76	–
<b>Total Investment properties</b>		<b>1,112</b>	<b>1,024</b>
<b>Other lease income</b>			
Other Council properties		925	912
<b>Total Other lease income</b>		<b>925</b>	<b>912</b>
<b>Total rental income</b>	C2-2	<b>2,037</b>	<b>1,936</b>
<b>Total other income</b>		<b>5,136</b>	<b>2,006</b>

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	73,154	63,538
Employee leave entitlements (ELE)	7,797	7,542
Superannuation	8,539	7,972
Workers' compensation insurance	2,053	1,091
Fringe benefit tax (FBT)	76	129
Payroll tax	1,066	1,181
Training costs (other than salaries and wages)	159	163
Protective clothing	415	178
Other	39	134
<b>Total employee costs</b>	<b>93,298</b>	<b>81,928</b>
Less: capitalised costs	(8,406)	(9,577)
<b>Total employee costs expensed</b>	<b>84,892</b>	<b>72,351</b>
Number of 'full-time equivalent' employees (FTE) at year end	884	819

#### Accounting policy

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 E3-1 for more information.

## B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		13,588	14,600
Contractor costs		43,404	36,470
Consultancy costs		3,650	2,147
Audit Fees	F2-1	300	260
Councillor and Mayoral fees and associated expenses	F1-2	374	327
Advertising		360	320
Bank charges		383	434
Electricity and heating		5,708	5,300
Insurance		2,624	2,394
Office expenses (including computer expenses)		46	–
Postage		419	337
Printing and stationery		415	214
Street lighting		1,049	902
Subscriptions and publications		705	316
Telephone and communications		1,277	1,521
Valuation fees		346	311
Travel expenses		91	114
Other expenses		2,150	5,443
Plant running costs		3,918	3,841
<b>Legal expenses:</b>			
– Legal expenses: planning and development		401	181
– Legal expenses: debt recovery		35	144
– Legal expenses: other		207	157
Expenses from short-term leases		70	–
Expenses from leases of low value assets		145	–
Variable lease expense relating to usage		88	132
Other		165	275
<b>Total materials and services</b>		<b>81,918</b>	<b>76,140</b>
<b>Total materials and services</b>		<b>81,918</b>	<b>76,140</b>

### Accounting policy

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

## B3-3 Borrowing costs

\$ '000	Notes	2021	2020
<b>(i) Interest bearing liability costs</b>			
Interest on loans		11,174	12,236
Interest on leases		71	14
<b>Total interest bearing liability costs</b>		<b>11,245</b>	<b>12,250</b>
<b>Total interest bearing liability costs expensed</b>		<b>11,245</b>	<b>12,250</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	86	177
<b>Total other borrowing costs</b>		<b>86</b>	<b>177</b>
<b>Total borrowing costs expensed</b>		<b>11,331</b>	<b>12,427</b>

### Accounting policy

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



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

\$ '000	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Plant and equipment		5,792	5,523
Office equipment		193	279
Furniture and fittings		93	136
Computer equipment		1,341	1,087
Land improvements (depreciable)		316	314
<b>Infrastructure:</b>	C1-7		
– Buildings		8,930	8,194
– Other structures		556	1,086
– Roads		27,163	29,489
– Bridges		3,362	3,396
– Footpaths		652	592
– Stormwater drainage		3,586	2,893
– Water supply network		12,660	13,750
– Sewerage network		9,726	13,346
– Swimming pools		140	242
– Other open space/recreational assets		1,750	1,295
Right of use assets	C2-1	598	218
<b>Other assets:</b>			
– Library books		545	522
– Cemetery assets		31	18
– Other		–	108
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-7	1,713	894
– Quarry assets	C3-5,C1-7	1	3
<b>Total depreciation and amortisation costs</b>		<b>79,148</b>	<b>83,385</b>
<b>Impairment / revaluation decrement of IPPE and other non-financial assets</b>			
<b>Infrastructure:</b>	C1-7		
– Bridges		207	–
Non-current assets held for sale	C1-6	800	–
<b>Total IPPE and other non-financial assets impairment / revaluation decrement costs charged to Income Statement</b>		<b>1,007</b>	<b>–</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>80,155</b>	<b>83,385</b>

### Accounting policy

#### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C2-1 for right of use assets.

#### Impairment of non-financial assets

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

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.

## B3-5 Other expenses

\$ '000	Notes	2021	2020
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		75	31
<b>Total net share of interests in joint ventures and associates using the equity method</b>	D2-1	<b>75</b>	<b>31</b>
<b>Other</b>			
– Emergency services levy		180	144
– NSW fire brigade levy		236	212
– NSW rural fire service levy		2,100	1,366
– Waste levy		6,137	7,393
– Other contributions/levies		550	655
Donations, contributions and assistance to other organisations (Section 356)		288	313
<b>Total other</b>		<b>9,491</b>	<b>10,083</b>
<b>Total other expenses</b>		<b>9,566</b>	<b>10,114</b>

### Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		467	195
Less: carrying amount of property assets sold/written off		(692)	(171)
<b>Gain (or loss) on disposal</b>		<b>(225)</b>	<b>24</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-7		
Proceeds from disposal – plant and equipment		1,504	1,296
Less: carrying amount of plant and equipment assets sold/written off		(1,013)	(1,574)
<b>Gain (or loss) on disposal</b>		<b>491</b>	<b>(278)</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-7		
Proceeds from disposal – infrastructure		–	74
Less: carrying amount of infrastructure assets sold/written off		(10,827)	(3,923)
<b>Gain (or loss) on disposal</b>		<b>(10,827)</b>	<b>(3,849)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		587	–
Less: carrying amount of real estate assets sold/written off		(285)	–
<b>Gain (or loss) on disposal</b>		<b>302</b>	<b>–</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		30,013	172,513
Less: carrying amount of financial assets sold/redeemed/matured		(30,000)	(172,513)
<b>Gain (or loss) on disposal</b>		<b>13</b>	<b>–</b>
<b>Gain (or loss) on disposal of term deposits</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		118,000	73,500
Less: carrying amount of term deposits sold/redeemed/matured		(118,000)	(73,500)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>(10,246)</b>	<b>(4,103)</b>

**Accounting policy**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 08/07/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
<b>REVENUES</b>					
Rates and annual charges	154,766	157,280	2,514	2%	<b>F</b>
User charges and fees	51,459	55,417	3,958	8%	<b>F</b>
Other revenues	4,377	4,256	(121)	(3)%	<b>U</b>
Operating grants and contributions	32,255	32,344	89	0%	<b>F</b>
Capital grants and contributions	23,923	58,008	34,085	142%	<b>F</b>
Major variations from the original budget include an additional \$2.6 million in non-cash developer contributed assets, \$1.5 million in Federal Government Grant funds for the Civic Precinct development (included in the budget via re-vote / carry forward process as it did not represent a new project), \$6.8 million for the Manning Water Supply System Drought Response Stage 2 Project, \$7.7 million in section 7.11 and section 64 developer contributions, \$2.4 million for the Northern Gateway Hub project, \$5.5 million for the Bridge Renewal Program, \$1.6 million for Local Roads & Community Infrastructure projects and \$3 million for Bucketts Way upgrades through the HVSP & Restart NSW funding programs.					
Interest and investment revenue	3,418	2,744	(674)	(20)%	<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 2020-2021 Financial Year saw the Reserve Bank of Australia further cut official interest rates to a level of 0.10%. This impacted on the return on Council's investment portfolio significantly reducing investment revenue during the year.					
Interest on outstanding rates and charges was also less than budgeted as the State Government set an interest rate of 0% for the first six months of the year. This was a response to the impact of the COVID-19 pandemic on the community, designed to alleviate hardship in a period of economic uncertainty arising from lockdowns and the closure of businesses.					
Other income	-	5,136	5,136	∞	<b>F</b>
Council's original budget does not provide an estimate for this item. This classification previously covered Fair Value Increments on Investment Property and Rental Income, with rental income budgeted within Other Revenues.					
There was a significant Fair Value Increment on Investment Property at 30 June 2021 (\$3.1 million) while rental income was in line with previous year income.					
<b>EXPENSES</b>					
Employee benefits and on-costs	92,211	84,892	7,319	8%	<b>F</b>
Materials and services	46,080	81,918	(35,838)	(78)%	<b>U</b>
The variation in the Materials & Services classification is significantly off-set by the decrease in the Other Expenses classification and reflects the changes made to the layout of the Financial Statements as provided within the Local Government Code of Accounting Practice and Financial Reporting. Council's budget was prepared prior to the release of the new layout and as such reflects the former classification of expenditure items.					
Borrowing costs	11,042	11,331	(289)	(3)%	<b>U</b>

**B5-1 Material budget variations (continued)**

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>78,333</b>	<b>80,155</b>	<b>(1,822)</b>	<b>(2)%</b>	<b>U</b>
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<b>Other expenses</b>	<b>33,143</b>	<b>9,566</b>	<b>23,577</b>	<b>71%</b>	<b>F</b>
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The variation in the Other Expenses classification is significantly off-set by the increase in the Materials & Services classification and reflects the changes made to the layout of the Financial Statements as provided within the Local Government Code of Accounting Practice and Financial Reporting. Council's budget was prepared prior to the release of the new layout and as such reflects the former classification of expenditure items.

<b>Net losses from disposal of assets</b>	<b>924</b>	<b>10,246</b>	<b>(9,322)</b>	<b>(1,009)%</b>	<b>U</b>
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Council's original budget does not provide for a significant estimate of movements in this item. The original budget acknowledges some losses through the capitalisation process associated with water and sewer network assets but does not cover other asset classes. The majority of the actual result reflects the value of assets written-off as part of the capitalisation process across all asset classes.

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>87,722</b>	<b>117,553</b>	<b>29,831</b>	<b>34%</b>	<b>F</b>
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Variation is due to additional other income and grants and contributions receipts exceeding original budget estimations partially off-set by an increase in materials and services

<b>Cash flows from investing activities</b>	<b>(109,498)</b>	<b>(79,519)</b>	<b>29,979</b>	<b>(27)%</b>	<b>F</b>
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Variation in this item is predominantly related to lower than estimated cash outflow in respect of the purchase of infrastructure, property, plant and equipment items. There was also a net reduction in the holdings of term deposits.

<b>Cash flows from financing activities</b>	<b>(10,846)</b>	<b>(18,247)</b>	<b>(7,401)</b>	<b>68%</b>	<b>U</b>
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Council's original budget did not provide for an increase in lease liability repayments (\$383k) following the implementation of the new Leasing Standard AASB116. Further variations resulted from loan renewal requirements that were not included in the original budget which resulted in additional borrowings and repayments associated with refinancing existing debt.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	47,470	12,824
Cash-equivalent assets		
– Deposits at call	23,922	38,781
<b>Total cash and cash equivalents</b>	<b>71,392</b>	<b>51,605</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	71,392	51,605
<b>Balance as per the Statement of Cash Flows</b>	<b>71,392</b>	<b>51,605</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	69,050	68,720	103,000	52,750
NCD's, FRN's (with maturities > 3 months)	12,500	53,890	9,000	52,790
<b>Total</b>	<b>81,550</b>	<b>122,610</b>	<b>112,000</b>	<b>105,540</b>
<b>Total financial investments</b>	<b>81,550</b>	<b>122,610</b>	<b>112,000</b>	<b>105,540</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>152,942</b>	<b>122,610</b>	<b>163,605</b>	<b>105,540</b>

#### Accounting policy

Financial instruments are recognised initially on the date that 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.

## C1-2 Financial 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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

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

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<b>152,942</b>	<b>122,610</b>	163,605	105,540

\$ '000	2021	2020
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### Details of restrictions

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	14,028	3,974
Specific purpose unexpended loans – general	835	12,275
Subdivision bonds	5,499	5,462
Sundry bonds and deposits	2,112	1,285
Other sale of land, planning guarantee and relocation, tender and sundry deposits	49	49
<b>External restrictions – included in liabilities</b>	<b>22,523</b>	<b>23,045</b>

#### External restrictions – other

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

Developer contributions – general	26,073	22,420
Developer contributions – water fund	4,977	1,521
Developer contributions – sewer fund	16,737	13,086
Specific purpose unexpended grants (recognised as revenue) – general fund	5,159	4,173
Water fund	28,281	18,493
Water supplies –Employee Entitlements	1,034	1,034
Sewerage services –Employee Entitlements	1,018	1,018
Domestic waste management	40,758	36,876
Stormwater management	2,842	2,500
Sewer fund	66,898	63,109
Crown lands act – section 106 (boat harbour)	261	196
Other contributions to works	695	182
ARTC rail crossing	521	521
Cattai wetlands – environmental trust	457	457
Nabiac showground	185	161
MidCoast Assist	–	316
Other	989	914
<b>External restrictions – other</b>	<b>196,885</b>	<b>166,977</b>

#### Total external restrictions

**219,408**      **190,022**

#### Internal restrictions

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

Plant and vehicle replacement	4,668	5,344
Employees leave entitlement	4,282	4,282
Carry over works	5,153	9,228
Building Infrastructure Reserves	3,465	7,379
Environmental Levy Reserve	5,794	5,087
Commercial waste	1,413	1,413
Election	771	571
Emergency management	305	305
Land & Property Reserves	3,609	2,514
IT Infrastructure Reserves	101	664
Budget Management Reserves	881	4,380
Parks Infrastructure Reserves	648	903
Road Infrastructure Reserves	2,424	2,631
SRV Infrastructure Reserve	10,461	5,156
FAG in advance	9,367	9,498

continued on next page ...



**C1-3 Restricted cash, cash equivalents and investments (continued)**

<b>\$ '000</b>	<b>2021</b>	2020
Government Merger Funding Reserve	<b>52</b>	1,547
Other	<b>2,804</b>	2,212
<b>Total internal restrictions</b>	<b>56,198</b>	63,114
<b>Total restrictions</b>	<b>275,606</b>	253,136

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

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	18,737	–	11,231	–
Interest and extra charges	1,943	–	1,942	–
User charges and fees	7,907	–	6,983	–
Private works	42	–	42	–
Accrued revenues				
– Interest on investments	671	–	1,006	–
– Water & Sewerage Accrued Income	4,159	–	4,410	–
– Other income accruals	2,848	–	3,620	–
Government debtors	10,738	–	5,044	–
Net GST receivable	2,252	–	2,168	–
On site sewer management charges	46	–	51	–
Building and land rentals	5	–	5	–
Other receivables	55	664	34	699
<b>Total</b>	<b>49,403</b>	<b>664</b>	<b>36,536</b>	<b>699</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(418)	–	(418)	–
Interest and extra charges	(381)	–	(381)	–
User charges and fees	(161)	–	(164)	–
<b>Total provision for impairment – receivables</b>	<b>(960)</b>	<b>–</b>	<b>(963)</b>	<b>–</b>
<b>Total net receivables</b>	<b>48,443</b>	<b>664</b>	<b>35,573</b>	<b>699</b>

### Accounting policy

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.

## C1-4 Receivables (continued)

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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.

## C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	4,093	1,034	3,738	1,674
Stores and materials	915	–	826	–
Trading stock	314	–	314	–
<b>Total inventories at cost</b>	<b>5,322</b>	<b>1,034</b>	<b>4,878</b>	<b>1,674</b>
<b>Total inventories</b>	<b>5,322</b>	<b>1,034</b>	<b>4,878</b>	<b>1,674</b>

### (i) Other disclosures

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(a) Details for real estate development</b>				
Residential	3,656	79	3,092	690
Industrial/commercial	437	955	646	984
<b>Total real estate for resale</b>	<b>4,093</b>	<b>1,034</b>	<b>3,738</b>	<b>1,674</b>

(Valued at the lower of cost and net realisable value)

### Accounting policy

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

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

#### Land held for resale

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.

## C1-6 Non-current assets classified as held for sale

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Non-current assets held for sale</b>				
Land	855	-	-	-
Buildings	1,895	-	-	-
<b>Total non-current assets held for sale</b>	<b>2,750</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total non-current assets classified as held for sale</b>	<b>2,750</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Details of assets and disposal groups

Non-current assets held for sale comprises Land and Buildings previously classified within Infrastructure, property, plant and equipment which at reporting date Council are committed to sell the assets, the assets are available for sale in their present condition and the sale is expected to be completed within the next financial year.

### Reconciliation of non-current assets held for sale

\$ '000	2021 Assets 'held for sale'	2020 Assets 'held for sale'
<b>Opening balance</b>	-	-
<u>Plus new transfers in:</u>		
- Assets held for sale	3,550	-
<u>Less impairment losses:</u>		
- Assets held for sale (losses on reclassification)	(800)	-
<b>Closing balance of held for sale non-current assets and operations</b>	<b>2,750</b>	<b>-</b>

### Accounting policy

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

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

## C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period										At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <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	Tfrs from/to 'held for sale' category	Tfrs from/to investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	87,155	–	87,155	64,927	36,211	–	–	–	(84,096)	–	–	–	–	104,197	–	104,197
Plant and equipment	69,000	(34,216)	34,784	–	–	(1,018)	(5,619)	–	4,943	–	–	–	–	70,030	(36,940)	33,090
Office equipment	4,414	(4,024)	390	–	–	–	(193)	–	2	–	–	–	–	4,418	(4,217)	201
Furniture and fittings	3,217	(2,874)	343	–	–	–	(93)	–	–	–	–	–	–	3,217	(2,965)	252
Computer equipment	7,311	(3,337)	3,974	–	–	–	(1,341)	–	3,024	–	–	–	–	10,335	(4,679)	5,656
<b>Land:</b>																
– Operational land	83,992	–	83,992	–	–	(120)	–	–	2,082	–	(1,104)	–	(10,020)	74,830	–	74,830
– Community land	74,484	–	74,484	–	–	(19)	–	–	957	–	–	–	31,681	107,102	–	107,102
– Land under roads (post 30/6/08)	146	–	146	–	7	–	–	–	–	–	–	–	–	153	–	153
Land improvements – non-depreciable	20	–	20	–	–	–	–	–	–	–	–	–	–	20	–	20
Land improvements – depreciable	6,067	(2,480)	3,587	–	–	–	(316)	–	–	(26)	–	–	–	5,992	(2,746)	3,246
<b>Infrastructure:</b>																
– Buildings	359,086	(161,897)	197,189	–	–	(408)	(9,083)	–	26,907	8,608	(2,445)	(2,429)	–	388,609	(170,270)	218,339
– Other structures	27,611	(10,635)	16,976	–	–	(208)	(580)	–	1,041	(10,626)	–	–	4,387	12,092	(1,102)	10,990
– Roads	1,328,022	(626,794)	701,228	–	–	(4,610)	(27,143)	–	13,205	1,213	–	–	–	1,327,065	(643,169)	683,896
– Bridges	315,004	(133,452)	181,552	–	–	(511)	(3,362)	(207)	7,763	313	–	–	–	318,369	(132,819)	185,550
– Footpaths	29,913	(15,484)	14,429	–	–	(14)	(652)	–	248	116	–	–	–	30,481	(16,353)	14,128
– Bulk earthworks (non-depreciable)	967,378	–	967,378	–	–	(2,296)	–	–	108	729	–	–	–	965,918	–	965,918
– Stormwater drainage	352,391	(162,984)	189,407	–	–	(1,809)	(3,586)	–	3,061	238	–	–	–	353,456	(166,149)	187,307
– Water supply network	855,307	(355,708)	499,599	–	–	(781)	(12,660)	–	11,963	–	–	–	4,522	872,953	(370,310)	502,643
– Sewerage network	732,496	(241,469)	491,027	–	–	(598)	(9,726)	–	5,915	–	–	–	4,460	743,889	(252,812)	491,077
– Swimming pools	9,054	(5,869)	3,185	–	–	–	(140)	–	69	(104)	–	–	–	7,646	(4,638)	3,008
– Other open space/recreational assets	40,356	(18,594)	21,762	–	–	(142)	(1,764)	–	2,397	1,553	–	–	–	44,650	(20,846)	23,804
<b>Other assets:</b>																
– Library books	4,135	(2,814)	1,321	–	–	–	(545)	–	274	–	–	–	–	4,039	(2,990)	1,049
– Cemetery assets	1,051	(511)	540	–	–	–	(33)	–	9	83	–	–	–	1,249	(650)	599
– Other	3,912	(969)	2,943	–	–	(2)	–	–	128	(2,097)	–	–	143	1,117	–	1,117
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>																
– Tip assets	9,484	(5,907)	3,577	(151)	–	–	(1,713)	–	–	–	–	–	–	12,239	(10,526)	1,713
– Quarry assets	182	(163)	19	–	–	–	(1)	–	–	–	–	–	–	182	(164)	18
– Other remediation assets	2,906	(2,906)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total infrastructure, property, plant and equipment</b>	<b>5,374,094</b>	<b>(1,793,087)</b>	<b>3,581,007</b>	<b>64,776</b>	<b>36,218</b>	<b>(12,536)</b>	<b>(78,550)</b>	<b>(207)</b>	<b>–</b>	<b>–</b>	<b>(3,549)</b>	<b>(2,429)</b>	<b>35,173</b>	<b>5,464,248</b>	<b>(1,844,345)</b>	<b>3,619,903</b>

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

## C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	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 and impairment	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
– Other	3,877	(861)	3,016	–	35	–	(108)	–	–	–	–	3,912	(969)	2,943
– Cemetery assets	1,051	(493)	558	–	–	–	(18)	–	–	–	–	1,051	(511)	540
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</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).

## C1-7 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council 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>Stormwater assets</b>	
<b>Water and sewer assets</b>		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 75
Bores	20 to 40	Long life assets	to 200
Sewer Pipe Network	70 to 80		
Water Pipe Network	70 to 80		
Pumps and telemetry	15 to 20		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	Infinite
Sealed roads: surface	10 to 50	Swimming pools	4 to 50
Sealed roads: structure	40 to 200	Other open space/recreational assets	10 to 100
Unsealed roads	10 to 50	Other infrastructure	5 to 100
Bridge: concrete	60 to 200		
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

Council has elected to use the Englobio 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.



## C1-7 Infrastructure, property, plant and equipment (continued)

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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".

Council has recognised assets including fleet, land and buildings as assets of the Council in these financial statements.

## C1-8 Investment properties

### Owned investment property

\$ '000	2021	2020
<b>At fair value</b>		
Opening balance at 1 July	18,640	18,570
Net gain/(loss) from fair value adjustments	3,096	70
Transfers from/(to) owner-occupied property (Note C1-7)	2,429	–
<b>Closing balance at 30 June</b>	<b>24,165</b>	<b>18,640</b>

#### Accounting policy

Investment property, principally comprising freehold 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 part of other income.

## C2 Leasing activities

### C2-1 Council as a lessee

Council has leases over a range of assets including land, office equipment, plant and equipment, computer equipment and buildings. 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 leases contain 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 generally for 5 years. The lease payments are fixed during the lease term.

##### Plant and equipment

Council leases plant and equipment with lease terms generally for 4 years. The lease payments are fixed during the lease term.

##### Computer Equipment

Council leases computer equipment with lease terms generally for 5 years. The lease payments are fixed during the lease term.

##### Buildings

Council leases buildings with lease terms generally for 5 years. The lease payments are fixed during the lease term.

##### 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.

#### (a) Right of use assets

\$ '000	Land	Office Equipment	Plant and Equipment	Computer Equipment	Buildings	Total
<b>2021</b>						
Opening balance at 1 July	356	100	40	–	–	496
Additions to right-of-use assets	–	404	–	1,915	98	2,417
Adjustments to right-of-use assets due to re-measurement of lease liability	–	299	(6)	–	–	293
Depreciation charge	(21)	(189)	(34)	(292)	(62)	(598)
<b>Balance at 30 June</b>	<b>335</b>	<b>614</b>	<b>–</b>	<b>1,623</b>	<b>36</b>	<b>2,608</b>
<b>2020</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 IPPE from Note C1-8	–	72	50	–	–	122
Additions to right-of-use assets	–	31	31	–	–	62
Depreciation charge	(20)	(156)	(42)	–	–	(218)
<b>Balance at 30 June</b>	<b>356</b>	<b>100</b>	<b>40</b>	<b>–</b>	<b>–</b>	<b>496</b>

## C2-1 Council as a lessee (continued)

### (b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	588	2,267	101	356
<b>Total lease liabilities</b>	<b>588</b>	<b>2,267</b>	<b>101</b>	<b>356</b>

### (c) (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
<b>2021</b>					
Cash flows	668	2,135	312	3,115	2,855
2020					
Cash flows	110	106	335	551	457

### (d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	71	14
Variable lease payments based on usage not included in the measurement of lease liabilities	88	132
Depreciation of right of use assets	598	218
Expenses relating to short-term leases	70	–
Expenses relating to low-value leases	145	–
	<b>972</b>	<b>364</b>

### (e) Statement of Cash Flows

Total cash outflow for leases	685	364
	<b>685</b>	<b>364</b>

### Accounting policy

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 received. The

## C2-1 Council as a lessee (continued)

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right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

### ***Exceptions to lease accounting***

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

## C2-2 Council as a lessor

### Operating leases

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

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-8)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-7).

\$ '000	2021	2020
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#### (i) Assets held as investment property

Investment property operating leases relate to the Tuncurry Supermarket and Wallis Street Motel.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	1,036	1,024
Lease income relating to variable lease payments not dependent on an index or a rate	76	–
<b>Total income relating to operating leases for investment property assets</b>	<b>1,112</b>	<b>1,024</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	149	125
<b>Total expenses relating to operating leases - investment properties</b>	<b>149</b>	<b>125</b>

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

Lease income (excluding variable lease payments not dependent on an index or rate)	925	912
<b>Total income relating to operating leases for Council assets</b>	<b>925</b>	<b>912</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 all operating leases:

< 1 year	1,403	1,631
1–2 years	1,304	1,382
2–3 years	1,174	1,259
3–4 years	1,081	1,143
4–5 years	1,008	1,051
> 5 years	6,089	7,081
<b>Total undiscounted lease payments to be received</b>	<b>12,059</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.

If the lease contains lease and non-lease components, 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 for an operating lease and as finance income using amortised cost basis for finance leases.

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Prepaid rates	3,878	-	3,588	-
Goods and services – operating expenditure	10,613	-	16,729	-
Accrued expenses:				
– Borrowings	1,064	-	1,131	-
– Salaries and wages	4,167	-	346	-
Advances	267	-	290	-
Security bonds, deposits and retentions	9,392	-	7,874	-
Other	319	-	360	-
<b>Total payables</b>	<b>29,700</b>	<b>-</b>	<b>30,318</b>	<b>-</b>
<b>Total payables</b>	<b>29,700</b>	<b>-</b>	<b>30,318</b>	<b>-</b>

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

\$ '000	2021	2020
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	8,113	4,150
<b>Total payables</b>	<b>8,113</b>	<b>4,150</b>

#### Accounting policy

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

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

## C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	13,813	–	3,679	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	215	–	294	–
<b>Total contract liabilities</b>		<b>14,028</b>	<b>–</b>	<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.

### (i) Revenue recognised (during the financial year) from opening contract liability balances

\$ '000	2021	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	2,738	3,461
Operating grants (received prior to performance obligation being satisfied)	265	248
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>3,003</b>	<b>3,709</b>

### Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.



## C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	20,244	174,640	20,930	191,818
<b>Total borrowings</b>	<b>20,244</b>	<b>174,640</b>	<b>20,930</b>	<b>191,818</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 E1-1.

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

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	212,748	(17,864)	–	–	–	–	194,884
Lease liability (Note C2-1b)	457	(312)	2,417	–	–	293	2,855
<b>Total liabilities from financing activities</b>	<b>213,205</b>	<b>(18,176)</b>	<b>2,417</b>	<b>–</b>	<b>–</b>	<b>293</b>	<b>197,739</b>

\$ '000	2019		Non-cash movements				2020
	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 liability (Note C2-1b)	83	(218)	63	–	529	–	457
<b>Total liabilities from financing activities</b>	<b>222,574</b>	<b>(9,961)</b>	<b>63</b>	<b>–</b>	<b>529</b>	<b>–</b>	<b>213,205</b>

### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Credit cards/purchase cards	625	625
<b>Total financing arrangements</b>	<b>625</b>	<b>625</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	88	61
<b>Total drawn financing arrangements</b>	<b>88</b>	<b>61</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	537	564
<b>Total undrawn financing arrangements</b>	<b>537</b>	<b>564</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.

#### Accounting policy

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

### C3-3 Borrowings (continued)

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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.

## C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	8,472	–	6,979	–
Long service leave	19,327	557	19,150	552
<b>Total employee benefit provisions</b>	<b>27,799</b>	<b>557</b>	<b>26,129</b>	<b>552</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	19,382	19,119
	<b>19,382</b>	<b>19,119</b>

### Accounting policy

#### 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.

## C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration (future works)	300	14,687	300	14,752
<b>Total provisions</b>	<b>300</b>	<b>14,687</b>	<b>300</b>	<b>14,752</b>

### Description of and movements in provisions

Other provisions

## C3-5 Provisions (continued)

\$ '000	Asset remediation	Net carrying amount
<b>2021</b>		
At beginning of year	15,052	15,052
Unwinding of discount	86	86
Other	(151)	(151)
Total other provisions at end of year	<b>14,987</b>	<b>14,987</b>
<b>2020</b>		
At beginning of year	12,576	12,576
Unwinding of discount	177	177
Other	2,299	2,299
Total other provisions at end of year	<b>15,052</b>	<b>15,052</b>

### Nature and purpose of provisions

#### Asset remediation

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

#### Accounting policy

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

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

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

#### Asset remediation – tips and quarries

##### Restoration

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

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

##### Rehabilitation

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

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

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.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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

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

## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

#### D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>Income from continuing operations</b>			
Rates and annual charges	106,176	13,082	38,022
User charges and fees	24,137	28,016	3,264
Interest and investment revenue	1,771	91	882
Other revenues	3,925	63	268
Grants and contributions provided for operating purposes	31,341	520	483
Grants and contributions provided for capital purposes	41,619	11,422	4,967
Other income	5,136	–	–
<b>Total income from continuing operations</b>	<b>214,105</b>	<b>53,194</b>	<b>47,886</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	72,103	7,122	5,667
Materials and services	55,494	12,882	13,542
Borrowing costs	2,242	5,237	3,852
Depreciation, amortisation and impairment of non-financial assets	55,992	13,713	10,450
Other expenses	9,121	330	115
Net losses from the disposal of assets	8,867	781	598
<b>Total expenses from continuing operations</b>	<b>203,819</b>	<b>40,065</b>	<b>34,224</b>
<b>Operating result from continuing operations</b>	<b>10,286</b>	<b>13,129</b>	<b>13,662</b>
<b>Net operating result for the year</b>	<b>10,286</b>	<b>13,129</b>	<b>13,662</b>
<b>Net operating result attributable to each council fund</b>	10,286	13,129	13,662
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(31,333)</b>	<b>1,707</b>	<b>8,695</b>

#### D1-2 Statement of Financial Position by fund

##### ASSETS

##### Current assets

Cash and cash equivalents	18,197	28,792	24,403
Investments	52,050	2,500	27,000
Receivables	29,122	10,793	8,528
Inventories	5,322	–	–
Other	798	–	–
Non-current assets classified as held for sale	–	1,375	1,375
<b>Total current assets</b>	<b>105,489</b>	<b>43,460</b>	<b>61,306</b>

##### Non-current assets

Investments	86,360	3,000	33,250
Receivables	664	–	–
Inventories	1,034	–	–
Infrastructure, property, plant and equipment	2,539,419	558,100	522,384
Investments accounted for using the equity method	298	–	–
Investment property	21,855	1,155	1,155

continued on next page ...

## D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2021	Water 2021	Sewer 2021
Right of use assets	2,608	–	–
<b>Total non-current assets</b>	<b>2,652,238</b>	<b>562,255</b>	<b>556,789</b>
<b>TOTAL ASSETS</b>	<b>2,757,727</b>	<b>605,715</b>	<b>618,095</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	26,080	2,047	1,573
Contract liabilities	14,028	–	–
Lease liabilities	588	–	–
Borrowings	9,668	4,914	5,662
Employee benefit provision	20,971	3,414	3,414
Provisions	300	–	–
<b>Total current liabilities</b>	<b>71,635</b>	<b>10,375</b>	<b>10,649</b>
<b>Non-current liabilities</b>			
Lease liabilities	2,267	–	–
Borrowings	48,081	76,202	50,357
Employee benefit provision	417	70	70
Provisions	14,687	–	–
<b>Total non-current liabilities</b>	<b>65,452</b>	<b>76,272</b>	<b>50,427</b>
<b>TOTAL LIABILITIES</b>	<b>137,087</b>	<b>86,647</b>	<b>61,076</b>
<b>Net assets</b>	<b>2,620,640</b>	<b>519,068</b>	<b>557,019</b>
<b>EQUITY</b>			
Accumulated surplus	2,091,735	435,049	424,212
Revaluation reserves	528,905	84,019	132,807
<b>Council equity interest</b>	<b>2,620,640</b>	<b>519,068</b>	<b>557,019</b>
<b>Total equity</b>	<b>2,620,640</b>	<b>519,068</b>	<b>557,019</b>

## D2 Interests in other entities

### D2-1 Interests in joint arrangements

#### Summarised financial information for individually immaterial joint ventures

Council has an 8.1% interest in Arrow Collaborative Services Limited, formerly Strategic Services Australia Limited an individually immaterial joint venture accounted for using the equity method. The table below summarises the financial information of the individually immaterial joint venture.

\$ '000	2021	2020
<b>Individually immaterial joint ventures</b>		
<b>Aggregate carrying amount of individually immaterial joint ventures</b>	<b>298</b>	373
<b>Council's share of individually immaterial joint ventures:</b>		
<b>Profit/(loss) from continuing operations</b>	<b>(75)</b>	(31)
<b>Total comprehensive income – individually immaterial joint ventures</b>	<b>(75)</b>	(31)

#### Accounting policy

Council has determined that it has only joint ventures.

##### Joint ventures

Interests in joint ventures are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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 Council for the purposes of the consolidated financial statements.



## E Risks and accounting uncertainties

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

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

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.

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.

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 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.
- **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 – interest rate

\$ '000	2021	2020
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The impact on result for the year and equity of a reasonably possible movement in the interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,312	1,134

#### (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.

## E1-1 Risks relating to financial instruments held (continued)

### 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>2021</b>						
Gross carrying amount	–	15,801	2,421	1,222	1,281	20,725
2020						
Gross carrying amount	–	9,051	1,332	1,437	1,404	13,224

#### 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 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>2021</b>						
Gross carrying amount	24,053	2,720	29	698	1,842	29,342
Expected loss rate (%)	0.16%	1.27%	2.30%	4.03%	3.19%	0.55%
<b>ECL provision</b>	<b>38</b>	<b>35</b>	<b>1</b>	<b>28</b>	<b>59</b>	<b>161</b>
2020						
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>

### (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.

## E1-1 Risks relating to financial instruments held (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
\$ '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>2021</b>							
Loans and advances	5.04%	–	29,758	94,976	133,237	257,971	194,884
Trade/other payables	0.00%	9,392	16,430	–	–	25,822	25,822
<b>Total financial liabilities</b>		<b>9,392</b>	<b>46,188</b>	<b>94,976</b>	<b>133,237</b>	<b>283,793</b>	<b>220,706</b>
<b>2020</b>							
Loans and advances	5.57%	–	32,143	104,027	166,803	302,973	212,748
Trade/other payables	0.00%	7,874	19,934	–	–	27,808	26,730
<b>Total financial liabilities</b>		<b>7,874</b>	<b>52,077</b>	<b>104,027</b>	<b>166,803</b>	<b>330,781</b>	<b>239,478</b>

**Loan agreement breaches**

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

## E2-1 Fair value measurement

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Council measures the following assets at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property

During the reporting period, Council has also measured the following assets at fair value on a non-recurring basis:

- Non-current assets classified as held for sale

The carrying amount of the non-current assets held for sale was higher than its fair value and therefore the assets were written down to fair value.

### Fair value hierarchy

All assets and liabilities measured at fair value are 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 Council 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:** Unobservable inputs for the asset or liability.

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

## E2-1 Fair value measurement (continued)

\$ '000	Notes	Date of latest valuation 2021	Fair value measurement hierarchy				Total	
			Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2021	2020
			2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>								
<b>Investment property</b> C1-8								
Tuncurry Supermarket		30/06/21	18,430	16,050	–	–	18,430	16,050
Wallis Street Motel		30/06/21	3,425	2,590	–	–	3,425	2,590
Muldoon Street office building		30/06/21	2,310	–	–	–	2,310	–
<b>Total investment property</b>			<b>24,165</b>	<b>18,640</b>	<b>–</b>	<b>–</b>	<b>24,165</b>	<b>18,640</b>
<b>Infrastructure, property, plant and equipment</b> C1-7								
Work In Progress		n/a	–	–	104,197	87,155	104,197	87,155
Plant & Equipment		30/06/18	–	–	33,090	34,784	33,090	34,784
Office Equipment		n/a	–	–	201	390	201	390
Furniture & Fittings		n/a	–	–	252	343	252	343
Computer Equipment		n/a	–	–	5,656	3,974	5,656	3,974
Operational Land		30/06/18	–	–	74,830	83,992	74,830	83,992
Community Land		30/06/21	–	–	107,102	74,484	107,102	74,484
Land Under Roads (pre 1/7/2008)		12/05/16	–	–	153	146	153	146
Land Improvements Non depreciable		12/05/16	–	–	20	20	20	20
Land Improvements Depreciable		12/05/16	–	–	3,246	3,587	3,246	3,587
Buildings		30/06/18	–	–	218,339	197,189	218,339	197,189
Other Structures		30/06/21	–	–	10,990	16,976	10,990	16,976
Roads		30/06/19	–	–	683,896	701,228	683,896	701,228
Bridges		30/06/19	–	–	185,550	181,552	185,550	181,552
Footpaths		30/06/19	–	–	14,128	14,429	14,128	14,429
Bulk Earthworks		30/06/19	–	–	965,918	967,378	965,918	967,378
Stormwater Drainage		30/06/20	–	–	187,307	189,407	187,307	189,407
Swimming Pools		12/05/16	–	–	3,008	3,185	3,008	3,185
Other Open Space Recreational		30/06/19	–	–	23,804	21,762	23,804	21,762
Library books		n/a	–	–	1,049	1,321	1,049	1,321
Cemetery Assets		n/a	–	–	599	540	599	540
Other		30/06/21	–	–	1,117	2,943	1,117	2,943
Tip Assets		30/06/21	–	–	1,713	3,577	1,713	3,577
Quarry Assets		30/06/21	–	–	18	19	18	19
Water Network		30/06/21	–	–	502,643	499,599	502,643	499,599
Sewerage Network		30/06/21	–	–	491,077	491,027	491,077	491,027
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>3,619,903</b>	<b>3,581,007</b>	<b>3,619,903</b>	<b>3,581,007</b>
<b>Non-recurring fair value measurements</b>								
<b>Non-current assets classified as held for sale</b> C1-6								
Land and building		30/06/21	2,750	–	–	–	2,750	–
<b>Total NCA's classified as held for sale</b>			<b>2,750</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,750</b>	<b>–</b>

## E2-1 Fair value measurement (continued)

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### Valuation techniques

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

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

#### 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 2021 were as follows:

The valuations were obtained from First State Property Valuers, AAPI, Registered Valuer Number 19471.

Tuncurry Supermarket:

Fair value was determined using the capitalisation of net income approach.

Wallis Street Motel, Forster:

Fair value was determined using the capitalisation of net income approach and direct comparison approach relying upon sales of comparable properties with adjustments for differences.

Muldoon Street office building:

Fair value was determined using the capitalisation of net income approach.

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

Artworks were revalued as at 30 June 2021. 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.

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

## E2-1 Fair value measurement (continued)

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Plant is revalued to fair value. 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

Community land was revalued at 30 June 2021. 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 2019.

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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## E2-1 Fair value measurement (continued)

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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 and Swimming Pools

The last full revaluation for all the above asset classes was on the 12 May 2016.

Council revalued Other Structures at 30 June 2021.

Other open space/recreational assets were last revalued at 30 June 2019.

Swimming Pools was last revalued at 12 May 2016.

Council had planned to revalue the Other open space/recreational assets and Swimming Pool asset classes at 30 June 2021, however this revaluation was deferred until 30 June 2022 as a result of the flood event in March 2021. Council performed emergency / make safe works to assets impacted by the flood event, wrote off assets which were destroyed and identified damaged assets where the need for permanent repairs works will be required, some of which were completed prior to 30 June 2021. The carrying amount of assets were assessed at 30 June 2021 to confirm it is not materially different from fair 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.



## E2-1 Fair value measurement (continued)

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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.

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.

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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## E2-1 Fair value measurement (continued)

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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. Water and sewerage network assets have been indexed by 0.92% at 30/6/2021 in accordance with the Rates Reference Manual issued by the Department of Planning, Industry and Environment - Water.

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 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.

### Non-current assets classified as 'held for sale'

Council obtained an independent fair valuation of its Non-current assets classified as held for sale to measure the assets at the lower of their carrying amount and fair value less costs to sell.

The valuation used for the period ending 30 June 2021 were as follows:

The valuations were obtained from First State Property Valuers, AAPI, Registered Valuer Number 19471.

16 Breese Parade, Forster:

Fair value was determined using the capitalisation of net income approach.

## E2-1 Fair value measurement (continued)

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

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Plant and equipment	Cost Approach	Useful life Residual value Asset condition
Office equipment	Cost Approach	Useful life Asset condition
Furniture and fittings	Cost Approach	Useful life Asset condition
Computer equipment	Cost Approach	Useful life Asset condition
Community land	Land value as supplied by Valuer-General	Land value may not reflect market value Varies significantly from asset to asset
Operational land	Market Value /Cost Approach	Methods used by external valuers may include unobservable inputs
Land under roads	Price Per Square Metre	Area of Council rateable land
Land improvements depreciable	Discount factors	Area of Council road pattern
	Cost Approach	Useful life Asset condition
Buildings specialised and non-specialised	Cost Approach	Useful life Asset condition
		Methods used by external valuers may include unobservable inputs
Other structures	Cost Approach	Useful life Asset condition
Other open space and recreational assets	Cost Approach	Useful life Asset condition
Swimming pools	Cost Approach	Useful life Asset condition
Other assets	Cost Approach	Useful life Asset condition
Library books	Cost Approach	Useful life Asset condition

## E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Landfill remediation	Cost Approach	Cost Assessment Discount Rates Environmental Issues Future costs
Roads	Cost Approach	Useful life Asset condition Unit rate methodology
Earthworks	Cost Approach	Useful life Asset condition Unit rate methodology
Bridges	Cost Approach	Useful life Asset condition Unit rate methodology
Footpaths	Cost Approach	Useful life Asset condition Unit rate methodology
Stormwater drainage	Cost Approach	Useful life Asset condition Unit rate methodology
Work in progress	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	Cost Approach	Useful life Asset condition Unit rate methodology
Sewerage network assets	Cost Approach	Useful life Asset condition Unit rate methodology
Cemetery assets	Cost Approach	Useful life Asset condition Unit rate methodology
Quarry assets	Cost Approach	Useful life Asset condition Unit rate methodology

## E2-1 Fair value measurement (continued)

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

\$ '000	Work in progress		Plant and equipment		Office equipment		Furniture and fittings		Computer equipment		Operational land		Community land	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>87,155</b>	31,932	<b>34,784</b>	36,855	<b>390</b>	624	<b>343</b>	469	<b>3,974</b>	4,455	<b>83,992</b>	84,163	<b>74,484</b>	74,264
<b>Total gains or losses for the period</b>														
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	–	–	–	–	(10,020)	–	31,681	–
<b>Other movements</b>														
Transfer to another asset category	–	–	–	–	–	–	–	–	–	–	(1,104)	–	–	–
Transfers from/(to) another asset class	(84,096)	(1,086)	4,943	239	2	33	–	–	3,024	–	2,082	–	957	–
Purchases (GBV)	101,138	56,309	–	4,468	–	12	–	10	–	606	–	–	–	220
Disposals (WDV)	–	–	(1,018)	(1,255)	–	–	–	–	–	–	(120)	(171)	(19)	–
Depreciation and impairment	–	–	(5,619)	(5,523)	(193)	(279)	(93)	(136)	(1,341)	(1,087)	–	–	–	–
<b>Closing balance</b>	<b>104,197</b>	87,155	<b>33,090</b>	34,784	<b>199</b>	390	<b>250</b>	343	<b>5,657</b>	3,974	<b>74,830</b>	83,992	<b>107,103</b>	74,484

\$ '000	Water network		Sewerage network		Buildings		Roads		Bridges		Footpaths stormwater earthworks		Other structure infrastructure	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>499,599</b>	448,116	<b>491,027</b>	386,981	<b>197,189</b>	204,741	<b>701,228</b>	718,591	<b>181,552</b>	176,943	<b>1,171,214</b>	1,163,959	<b>16,976</b>	17,606
<b>Total gains or losses for the period</b>														
Recognised in other comprehensive income – revaluation surplus	4,522	64,292	4,460	114,374	–	–	–	–	–	–	–	9,036	4,387	–
<b>Other movements</b>														
Transfer to another asset category	–	–	–	–	(4,874)	–	–	–	–	–	–	–	–	–
Transfers from/(to) another asset class	11,963	–	5,915	–	35,515	–	14,418	–	8,076	–	4,500	352	(9,585)	71
Purchases (GBV)	–	1,793	–	3,398	–	707	–	13,869	–	8,296	–	1,929	–	401
Disposals (WDV)	(781)	(852)	(598)	(380)	(408)	(65)	(4,610)	(1,743)	(511)	(291)	(4,119)	(577)	(208)	(16)
Depreciation and impairment	(12,660)	(13,750)	(9,726)	(13,346)	(9,083)	(8,194)	(27,143)	(29,489)	(3,569)	(3,396)	(4,238)	(3,485)	(580)	(1,086)
<b>Closing balance</b>	<b>502,643</b>	499,599	<b>491,078</b>	491,027	<b>218,339</b>	197,189	<b>683,893</b>	701,228	<b>185,548</b>	181,552	<b>1,167,357</b>	1,171,214	<b>10,990</b>	16,976

\$ '000	Open space swimming pools		Other asset classes		Total	
	2021	2020	2021	2020	2021	2020

## E2-1 Fair value measurement (continued)

\$ '000	Open space swimming pools		Other asset classes		Total	
	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>24,947</b>	26,037	<b>12,153</b>	11,034	<b>3,581,007</b>	<b>3,386,770</b>
Recognised in other comprehensive income – revaluation surplus	–	–	<b>143</b>	–	<b>35,173</b>	<b>187,702</b>
Transfer to another asset category	–	–	–	–	<b>(5,978)</b>	–
Transfers from/(to) another asset class	<b>3,915</b>	269	<b>(1,629)</b>	–	–	<b>(122)</b>
Purchases (GBV)	–	360	<b>(144)</b>	2,978	<b>100,994</b>	<b>95,356</b>
Disposals (WDV)	<b>(142)</b>	(182)	<b>(2)</b>	–	<b>(12,536)</b>	<b>(5,532)</b>
Depreciation and impairment	<b>(1,904)</b>	(1,537)	<b>(2,608)</b>	(1,859)	<b>(78,757)</b>	<b>(83,167)</b>
<b>Closing balance</b>	<b>26,816</b>	24,947	<b>7,913</b>	12,153	<b>3,619,903</b>	<b>3,581,007</b>

## E2-1 Fair value measurement (continued)

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### Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

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

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

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

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

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

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

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

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

For 180 Point Members, employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 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 past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 1,135,358.57. The last formal valuation of the Scheme was performed by the scheme's actuary, Mr Richard Boyfield, as at 30 June 2021.



## E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$1,054,619.64.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$734,900 as at 30 June 2021.

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.

### (iv) Other guarantees

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

## E3-1 Contingencies (continued)

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### 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.

## F People and relationships

### F1 Related party disclosures

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

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

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits	1,478	1,415
Post-employment benefits	110	109
<b>Total</b>	<b>1,588</b>	<b>1,524</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		Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref					
<b>2021</b>						
Employee expenses relating to close family members	1	185	-		-	-
Property rental from grazing lease	2	5	1		-	-
<b>2020</b>						
Employee expenses relating to close family members	1	81	-		-	-
Property rental from grazing lease	2	5	-		-	-

1 There are three (2020: one) close family members 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 quarterly basis.

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

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	60	42
Councillors' fees	254	227
Other Councillors' expenses (including Mayor)	60	58
<b>Total</b>	<b>374</b>	<b>327</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	210	215
<b>Remuneration for audit and other assurance services</b>	<b>210</b>	<b>215</b>
<b>Total Auditor-General remuneration</b>	<b>210</b>	<b>215</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Other audit and assurance services (council's internal auditor)	90	45
<b>Remuneration for audit and other assurance services</b>	<b>90</b>	<b>45</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>90</b>	<b>45</b>
<b>Total audit fees</b>	<b>300</b>	<b>260</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>37,077</b>	36,512
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	79,148	83,385
Net losses/(gains) on disposal of assets	10,246	4,103
Non-cash capital grants and contributions	(6,108)	(9,632)
Adoption of AASB 15/1058	–	(5,177)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(3,096)	(70)
– Revaluation decrements / impairments of IPP&E direct to P&L	1,007	–
Unwinding of discount rates on reinstatement provisions	86	177
Share of net (profits)/losses of associates/joint ventures using the equity method	75	31
Interest on leases	71	14
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(12,245)	(2,942)
Increase/(decrease) in provision for impairment of receivables	(3)	211
Decrease/(increase) in inventories	(89)	271
Decrease/(increase) in other current assets	423	(415)
Increase/(decrease) in payables	(6,116)	13,141
Increase/(decrease) in accrued interest payable	(67)	(165)
Increase/(decrease) in other accrued expenses payable	3,821	(7,093)
Increase/(decrease) in other liabilities	1,744	1,296
Increase/(decrease) in contract liabilities	10,055	3,973
Increase/(decrease) in provision for employee benefits	1,675	1,947
Increase/(decrease) in other provisions	(151)	2,299
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>117,553</b>	<b>121,866</b>

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

Bushfire services	347	–
Subdivider contributions 'in kind'	5,761	9,632
<b>Total non-cash investing and financing activities</b>	<b>6,108</b>	<b>9,632</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Sewerage and water infrastructure	5,519	1,745
Road infrastructure	18,008	9,213
Buildings	9,039	5,868
Other	9,524	4,958
<b>Total commitments</b>	<b>42,090</b>	<b>21,784</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	42,090	21,784
<b>Total payable</b>	<b>42,090</b>	<b>21,784</b>
<b>Sources for funding of capital commitments:</b>		
Unexpended Loans	61	113
Future grants and contributions	9,574	5,103
Externally restricted reserves	23,278	4,946
Internally restricted reserves	9,177	11,622
<b>Total sources of funding</b>	<b>42,090</b>	<b>21,784</b>

### G3-1 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.



## G4 Statement of developer contributions as at 30 June 2021

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	390	91	–	1	(12)	–	470	–
Roads	8,012	798	–	14	14	–	8,838	–
Parking	710	–	–	1	–	–	711	–
Open space	4,149	369	–	6	28	–	4,552	–
Community facilities	2,391	427	–	2	(120)	–	2,700	–
Other	1,886	2,118	–	6	–	–	4,010	–
Rec & Community Facilities	126	2	–	–	1	–	129	–
Surf Life Saving	93	–	–	–	–	–	93	–
Bushfire facilities	512	35	–	1	1	–	549	–
Administration building	410	52	–	–	(307)	–	155	–
GLW Admin	277	–	–	–	50	–	327	–
Parking Tea Gardens	–	–	–	–	–	–	–	–
Other – Surf Life Saving Hawks Nest	40	1	–	–	–	–	41	–
Other - environmental	543	–	–	1	1	–	545	–
Bridges	119	–	–	–	–	–	119	–
Central Library	534	–	–	1	–	–	535	–
Library Book stocks	150	–	–	–	–	–	150	–
Aquatic Centre	77	–	–	–	–	–	77	–
Plan Preparatory	(1)	–	–	–	–	–	(1)	–
Rural Fire Fighting	909	–	–	1	(1)	–	909	–
Section 94 Officer	286	–	–	–	–	–	286	–
MP Community Centre	326	–	–	–	(144)	–	182	–
Other - Finance	33	–	–	–	–	–	33	–
Other - Finance - contra	(2)	–	–	–	–	–	(2)	–
<b>S7.11 contributions – under a plan</b>	<b>21,970</b>	<b>3,893</b>	<b>–</b>	<b>34</b>	<b>(489)</b>	<b>–</b>	<b>25,408</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>76</b>	<b>50</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>126</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>22,046</b>	<b>3,943</b>	<b>–</b>	<b>34</b>	<b>(489)</b>	<b>–</b>	<b>25,534</b>	<b>–</b>
S7.11 not under plans	374	182	–	–	(17)	–	539	–
S64 contributions	14,607	7,074	–	33	–	–	21,714	–
<b>Total contributions</b>	<b>37,027</b>	<b>11,199</b>	<b>–</b>	<b>67</b>	<b>(506)</b>	<b>–</b>	<b>47,787</b>	<b>–</b>

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

## G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN (former Gloucester Sire Council)</b>								
Roads	475	53	-	1	2	-	531	-
Parking	7	-	-	-	-	-	7	-
Rec & Community Facilities	126	2	-	-	1	-	129	-
<b>Total</b>	<b>608</b>	<b>55</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>667</b>	<b>-</b>
<b>CONTRIBUTION PLAN - FORSTER DISTRICT (former Great Lakes Council)</b>								
Drainage	390	91	-	1	(12)	-	470	-
Roads	2,487	634	-	6	(1)	-	3,126	-
Parking	644	-	-	1	-	-	645	-
Open space	2,160	342	-	4	22	-	2,528	-
Community facilities	1,804	400	-	2	3	-	2,209	-
<b>Total</b>	<b>7,485</b>	<b>1,467</b>	<b>-</b>	<b>14</b>	<b>12</b>	<b>-</b>	<b>8,978</b>	<b>-</b>
<b>CONTRIBUTION - GREAT LAKES WIDE (former Great Lakes Council)</b>								
Community facilities	200	23	-	-	(28)	-	195	-
Bushfire facilities	512	35	-	1	1	-	549	-
Administration building	410	52	-	-	(307)	-	155	-
GLW admin	277	-	-	-	50	-	327	-
<b>Total</b>	<b>1,399</b>	<b>110</b>	<b>-</b>	<b>1</b>	<b>(284)</b>	<b>-</b>	<b>1,226</b>	<b>-</b>
<b>CONTRIBUTION PLAN - TEA GARDENS / HAWKS NEST (former Great Lakes Council)</b>								
Roads	108	9	-	-	(1)	-	116	-
Parking	59	-	-	-	-	-	59	-
Open space	335	10	-	1	7	-	353	-
Community facilities	130	4	-	-	2	-	136	-
Other – Surf Life Saving Hawks Nest	40	1	-	-	-	-	41	-
<b>Total</b>	<b>672</b>	<b>24</b>	<b>-</b>	<b>1</b>	<b>8</b>	<b>-</b>	<b>705</b>	<b>-</b>
<b>CONTRIBUTION PLAN - ROAD HAULAGE (former Great Lakes Council)</b>								
Roads	353	33	-	1	-	-	387	-
<b>Total</b>	<b>353</b>	<b>33</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>387</b>	<b>-</b>
<b>CONTRIBUTION PLAN - RURAL ROADS BULADHDELAH, STROUD &amp; RURAL OPEN SPACE (former Great Lakes Council)</b>								
Roads	451	31	-	1	-	-	483	-
Open space	96	11	-	-	(1)	-	106	-
<b>Total</b>	<b>547</b>	<b>42</b>	<b>-</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>589</b>	<b>-</b>

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## G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN - THE BRANCH LANE (former Great Lakes Council)</b>								
Roads	101	-	-	-	-	-	101	-
<b>Total</b>	<b>101</b>	<b>-</b>	<b>-</b>	<b>-</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	190	-	-	-	-	-	190	-
<b>Total</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>-</b>
<b>CONTRIBUTION PLAN - DURALIE COAL (former Great Lakes Council)</b>								
Roads	394	38	-	1	-	-	433	-
Community facilities	257	-	-	-	(97)	-	160	-
Other – environmental	543	-	-	1	1	-	545	-
Bridges	119	-	-	-	-	-	119	-
<b>Total</b>	<b>1,313</b>	<b>38</b>	<b>-</b>	<b>2</b>	<b>(96)</b>	<b>-</b>	<b>1,257</b>	<b>-</b>
<b>CONTRIBUTION PLAN - 2001 PLAN GREATER TAREE (former Greater Taree City Council)</b>								
Open space	75	-	-	-	(1)	-	74	-
Surf Life Saving	93	-	-	-	-	-	93	-
Central Library	534	-	-	1	-	-	535	-
Library Book stocks	150	-	-	-	-	-	150	-
Aquatic Centre	77	-	-	-	-	-	77	-
Plan Preparatory	(1)	-	-	-	-	-	(1)	-
Rural Fire Fighting	472	-	-	1	-	-	473	-
Section 94 Officer	286	-	-	-	-	-	286	-
Other	37	2	-	-	-	-	39	-
<b>Total</b>	<b>1,723</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>-</b>	<b>1,726</b>	<b>-</b>
<b>CONTRIBUTION PLAN 2001 PLAN TAREE (former Greater Taree City Council)</b>								
Roads	378	-	-	-	-	-	378	-
Open space	197	-	-	-	-	-	197	-
Rural Fire Fighting	179	-	-	-	-	-	179	-
Other	6	-	-	-	-	-	6	-
<b>Total</b>	<b>760</b>	<b>-</b>	<b>-</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	728	-	-	-	-	-	728	-
Open space	91	-	-	-	-	-	91	-
Rural Fire Fighting	(80)	-	-	-	(1)	-	(81)	-
<b>Total</b>	<b>739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>738</b>	<b>-</b>

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## G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN - 2001 HALLIDAYS POINT (former Greater Taree City Council)</b>								
Roads	390	-	-	-	(2)	-	388	-
Open space	809	6	-	1	-	-	816	-
Rural Fire Fighting	199	-	-	-	-	-	199	-
MP Community Centre	87	-	-	-	1	-	88	-
<b>Total</b>	<b>1,485</b>	<b>6</b>	<b>-</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>1,491</b>	<b>-</b>
<b>CONTRIBUTION PLAN - 2010 PLAN OLD BAR (former Greater Taree City Council)</b>								
Roads	1,185	-	-	2	14	-	1,201	-
Open space	211	-	-	-	1	-	212	-
Rural Fire Fighting	53	-	-	-	-	-	53	-
MP Community Centre	189	-	-	-	(145)	-	44	-
Other - Finance	31	-	-	-	-	-	31	-
<b>Total</b>	<b>1,669</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(130)</b>	<b>-</b>	<b>1,541</b>	<b>-</b>
<b>CONTRIBUTION PLAN - 2001 PLAN HARRINGTON (former Greater Taree City Council)</b>								
Roads	772	-	-	2	2	-	776	-
Open space	175	-	-	-	-	-	175	-
Rural Fire Fighting	86	-	-	-	-	-	86	-
MP Community Centre	50	-	-	-	-	-	50	-
Other – Finance	2	-	-	-	-	-	2	-
Other – Finance – contra	(2)	-	-	-	-	-	(2)	-
<b>Total</b>	<b>1,083</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>1,087</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 2016</b>								
Other	1,843	2,116	-	6	-	-	3,965	-
<b>Total</b>	<b>1,843</b>	<b>2,116</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>3,965</b>	<b>-</b>

## S7.12 Levies – under a plan

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

General Purpose	76	50	-	-	-	-	126	-
<b>Total</b>	<b>76</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126</b>	<b>-</b>

### G4-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>(former Gloucester Shire Council - Duralie)</b>								
Roads	–	98	–	–	–	–	98	–
Other	214	84	–	–	(17)	–	281	–
<b>Total</b>	<b>214</b>	<b>182</b>	<b>–</b>	<b>–</b>	<b>(17)</b>	<b>–</b>	<b>379</b>	<b>–</b>
<b>(former Great Lakes Council)</b>								
Roads	160	–	–	–	–	–	160	–
<b>Total</b>	<b>160</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>160</b>	<b>–</b>

### G4-4 S64 contributions

#### Former MidCoast Water Contributions

Water and Sewerage Contributions	14,607	7,074	–	33	–	–	21,714	–
<b>Total</b>	<b>14,607</b>	<b>7,074</b>	<b>–</b>	<b>33</b>	<b>–</b>	<b>–</b>	<b>21,714</b>	<b>–</b>

## G5 Statement of performance measures

### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(12,702)</b>	<b>(5.00)%</b>	(2.83)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>254,078</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>221,734</b>	<b>71.05%</b>	73.17%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>312,086</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>81,440</b>	<b>3.09x</b>	4.28x	> 1.50x
Current liabilities less specific purpose liabilities	<b>26,348</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>77,777</b>	<b>1.77x</b>	2.61x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>43,831</b>			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	<b>19,881</b>	<b>11.71%</b>	7.49%	< 10.00%
Rates and annual charges collectable	<b>169,790</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>209,162</b>	<b>10.58 mths</b>	12.63 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>19,776</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

## G5-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(14.45)%</b>	(10.55)%	<b>5.96%</b>	(0.14)%	<b>21.65%</b>	23.33%	> 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>65.42%</b>	65.83%	<b>77.55%</b>	87.28%	<b>88.62%</b>	89.90%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.99x</b>	3.26x	<b>4.19x</b>	2.88x	<b>5.76x</b>	5.89x	> 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>2.52x</b>	3.01x	<b>1.11x</b>	1.81x	<b>1.95x</b>	2.83x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>9.28%</b>	7.16%	<b>15.52%</b>	6.65%	<b>17.03%</b>	8.62%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>7.62</b>	10.95	<b>11.57</b>	8.75	<b>26.73</b>	24.74	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

(1) - (2) Refer to Notes at Note G5-1 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 the 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 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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



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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

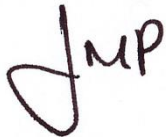
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

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

Jan-Michael Perez  
Delegate of the Auditor-General for New South Wales

30 November 2021  
SYDNEY



Councillor David West  
 Mayor  
 MidCoast Council  
 PO BOX 482  
 TAREE NSW 2430

Contact: Jan-Michael Perez  
 Phone no: 02 9275 7115  
 Our ref: D2126145/1759

30 November 2021

Dear Mayor West

**Report on the Conduct of the Audit  
 for the year ended 30 June 2021  
 MidCoast Council**

I have audited the general purpose financial statements (GPFS) of the MidCoast Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	157.3	153.2	↑ 2.7
Grants and contributions revenue	90.4	79.1	↑ 14.3
Operating result from continuing operations	37.1	36.5	↑ 1.6
Net operating result before capital grants and contributions	(20.9)	(11.1)	↓ 88.3

The net operating result before capital grants and contributions (\$20.9 million) was \$9.8 million lower than the 2019–20 result largely driven by higher employee benefits and on-costs and higher net losses from the disposal of assets.

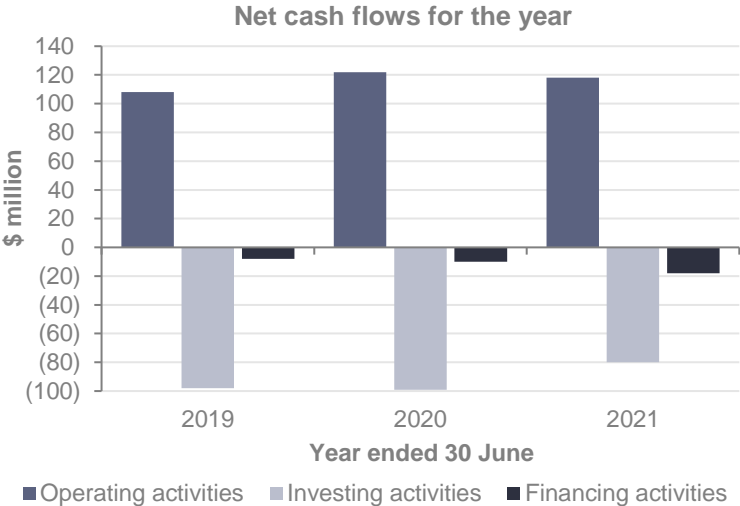
Grants and contributions revenue increased by \$11.3 million (14.3 per cent) in 2020–21 and was mainly due to higher grant funding for roads and bridges.

### STATEMENT OF CASH FLOWS

The statement of cash flows illustrates the flow of cash and cash equivalents moving in and out of the Council during the year.

Cash outflows from investing activities is lower compared with the prior year, driven by lower acquisitions of financial assets during the year offset by higher purchases of infrastructure, property, plant and equipment.

Cash outflows from financing activities is higher as a result of a higher repayments of borrowings when compared with the prior year.



### FINANCIAL POSITION

#### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>275.6</b>	<b>269.1</b>	Cash and investments totalled \$275.6 million at 30 June 2021 (2020: \$269.1 million).
Restricted cash and investments:			Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.
• External restrictions	219.4	190.0	
• Internal restrictions	56.2	63.1	

#### Debt

Note C3-3 Borrowings discloses the Council's financing borrowing facilities. Council has \$0.625 million in purchase card facilities of which \$0.537 million remains undrawn at balance date.

At 30 June 2021, the Council has external borrowings of \$194.9 million (2020: \$212.7 million), including \$20.2 million classified as current, with the remaining balance classified as non-current.

# PERFORMANCE

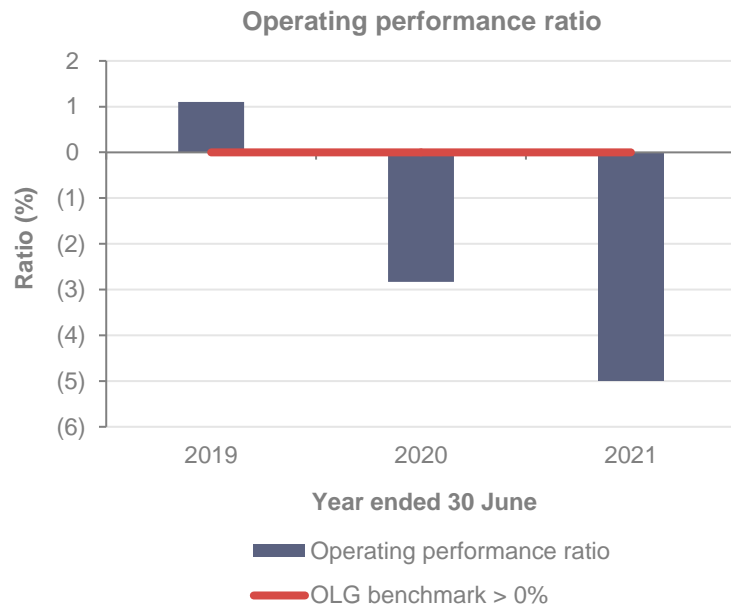
## Performance measures

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.

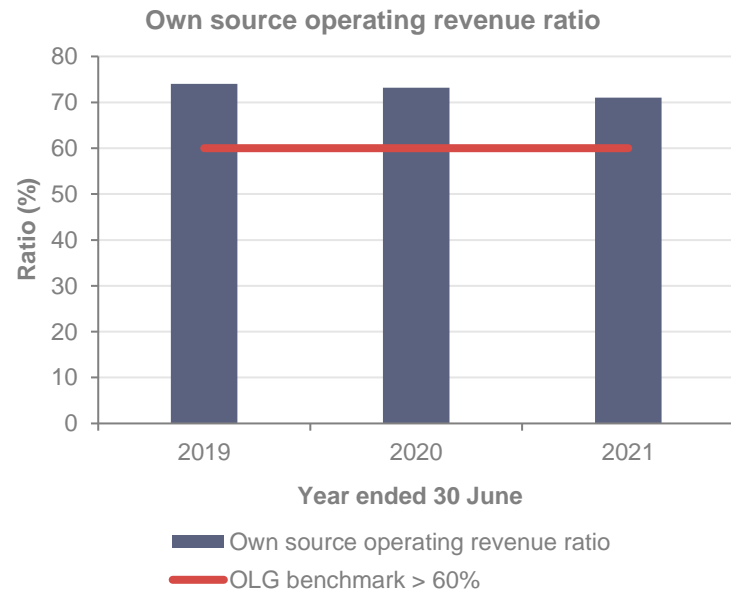
The Council did not meet the OLG benchmark for the current reporting period.



### 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.

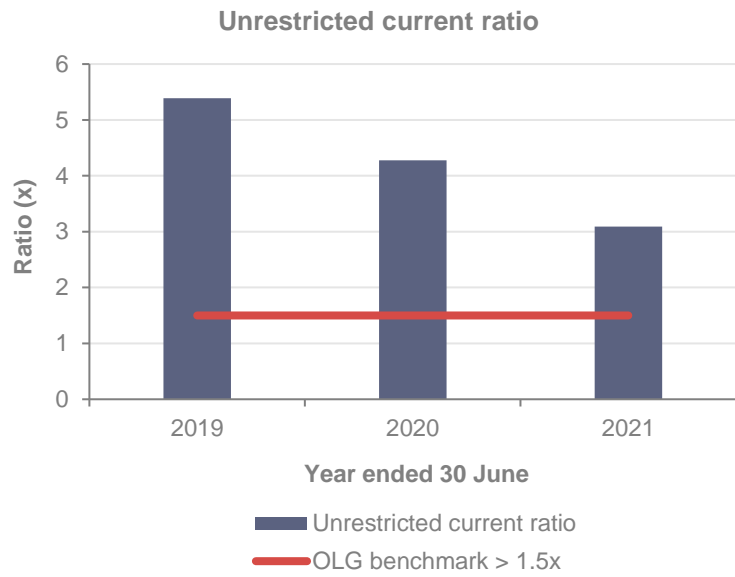
The Council met the OLG benchmark for the current reporting period.



### 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.

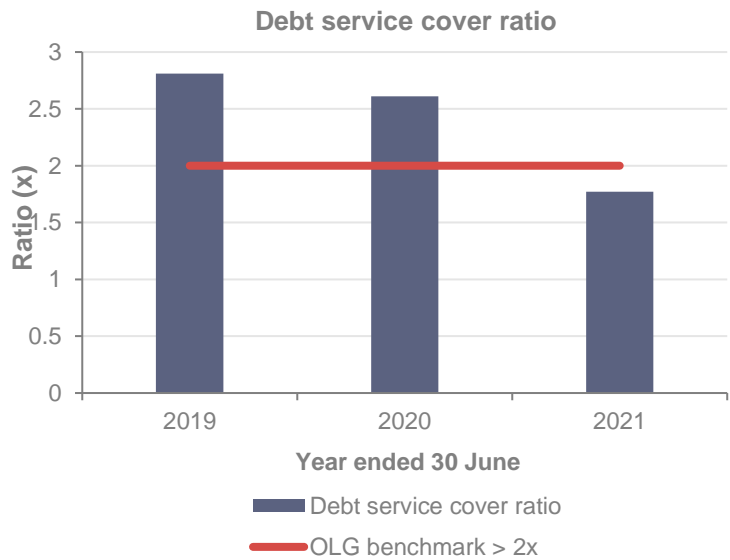
The Council met the OLG benchmark for the current reporting period.



### 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 did not meet the OLG benchmark for the current reporting period. Largely driving the result was \$32.1 million in repayments of borrowings compared with \$21.2 million repaid in the prior year.

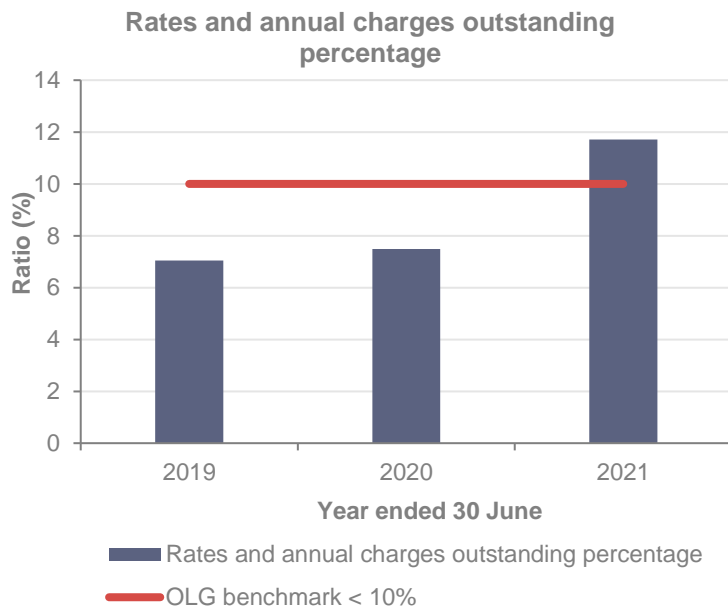


### Rates and annual charges outstanding percentage

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

The Council did not meet the OLG benchmark for the current reporting period.

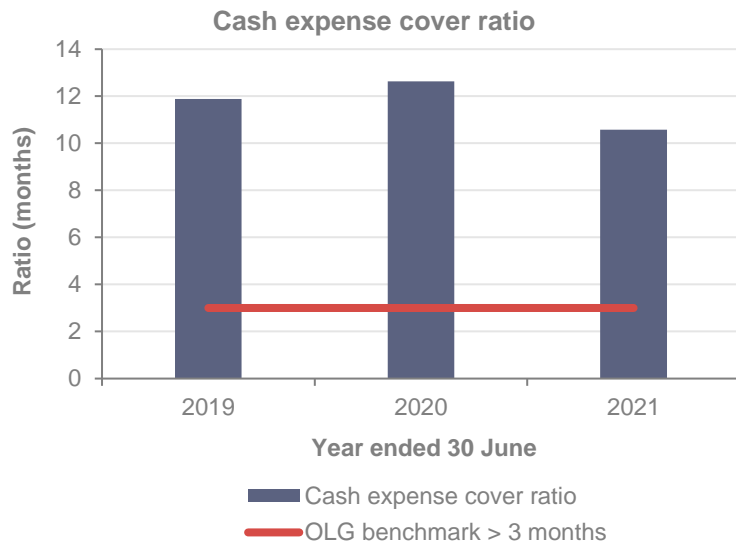
The result has been largely driven by lower debt recovery actions undertaken during the year as a result of COVID-19 hardship support actions as well as issues associated with the implementation and operation of the new property and rating system.



### 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 2020–21 totalled \$64.8 million compared with \$66.5 million in the previous year.

## OTHER MATTERS

### 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 audited
- staff provided all accounting records and information relevant to the audit.

Notwithstanding there being no instances of non-compliance with legislative requirements identified during the course of the audit, the following observations were made as part of this year's engagement:

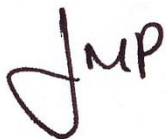
### Financial statement preparation process

Council had originally certified the financial statements 14 September 2021. Errors identified in those statements meant Council sought an extension to the statutory reporting deadline. The Office of Local Government granted that extension. The financial statements were re-certified 24 November 2021.

Council's financial statements would have benefited from a more thorough and robust quality assurance process prior to submission to Council for certification and thence for audit.

### Month-end financial reporting practices

Timely preparation of a quality set of financial statements by management would benefit from the establishment of regular and routine month end financial reporting practices and procedures. Month-end close processes are an important control, which informs and supports decision making, supports cash flow management of internal and external restrictions and supports the management of information and resources. They ultimately assist in the timely production of the year-end financial statements.



Jan-Michael Perez  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Adrian Panuccio, General Manager  
Mr Steven Coates, Chair of Audit, Risk and Improvement Committee  
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment



# MidCoast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# MidCoast Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

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### Background

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

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

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

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

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

## MidCoast Council

### Special Purpose Financial Statements

for the year ended 30 June 2021

### Statement by Councillors and Management

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#### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

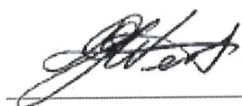
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

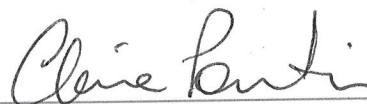
Signed in accordance with a resolution of Council made on 24 November 2021.



David West

**Mayor**

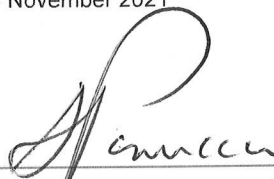
24 November 2021



Claire Pontin

**Councillor**

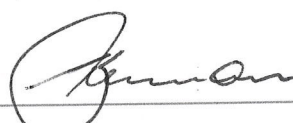
24 November 2021



Adrian Fanuccio

**General Manager**

24 November 2021



Phil Brennan

**Responsible Accounting Officer**

24 November 2021

## MidCoast Council

### Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
<b>Income from continuing operations</b>		
Access charges	13,082	13,095
User charges	26,954	26,036
Fees	1,062	937
Interest	91	258
Grants and contributions provided for non-capital purposes	520	1,053
Other income	63	956
<b>Total income from continuing operations</b>	<b>41,772</b>	<b>42,335</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	7,122	9,779
Borrowing costs	5,237	5,477
Materials and services	12,882	8,969
Depreciation, amortisation and impairment	13,713	13,750
Loss on sale of assets	781	852
Calculated taxation equivalents	236	254
Debt guarantee fee (if applicable)	811	856
Other expenses	330	4,420
<b>Total expenses from continuing operations</b>	<b>41,112</b>	<b>44,357</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>660</b>	<b>(2,022)</b>
Grants and contributions provided for capital purposes	11,422	4,963
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>12,082</b>	<b>2,941</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>12,082</b>	<b>2,941</b>
Less: corporate taxation equivalent [based on result before capital]	(172)	–
<b>Surplus (deficit) after tax</b>	<b>11,910</b>	<b>2,941</b>
<b>Plus opening retained profits</b>	<b>421,920</b>	417,869
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	236	254
– Debt guarantee fees	811	856
– Corporate taxation equivalent	172	–
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>435,049</b>	421,920
<b>Return on capital %</b>	<b>1.1%</b>	0.6%
<b>Subsidy from Council</b>	<b>2,419</b>	1,509
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	11,910	2,941
Less: capital grants and contributions (excluding developer contributions)	(6,800)	(2,067)
<b>Surplus for dividend calculation purposes</b>	<b>5,110</b>	<b>874</b>
<b>Potential dividend calculated from surplus</b>	<b>2,555</b>	<b>437</b>

## MidCoast Council

### Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
<b>Income from continuing operations</b>		
Access charges	38,022	38,258
User charges	2,963	2,658
Fees	301	587
Interest	882	1,375
Grants and contributions provided for non-capital purposes	483	455
Other income	268	39
<b>Total income from continuing operations</b>	<b>42,919</b>	<b>43,372</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	5,667	6,016
Borrowing costs	3,852	4,192
Materials and services	13,542	5,680
Depreciation, amortisation and impairment	10,450	13,346
Loss on sale of assets	598	379
Calculated taxation equivalents	183	201
Debt guarantee fee (if applicable)	560	613
Other expenses	115	4,019
<b>Total expenses from continuing operations</b>	<b>34,967</b>	<b>34,446</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>7,952</b>	<b>8,926</b>
Grants and contributions provided for capital purposes	4,967	4,365
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>12,919</b>	<b>13,291</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>12,919</b>	<b>13,291</b>
Less: corporate taxation equivalent [based on result before capital]	(2,068)	(2,455)
<b>Surplus (deficit) after tax</b>	<b>10,851</b>	<b>10,836</b>
<b>Plus opening retained profits</b>	<b>410,550</b>	<b>396,445</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	183	201
– Debt guarantee fees	560	613
– Corporate taxation equivalent	2,068	2,455
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>424,212</b>	<b>410,550</b>
<b>Return on capital %</b>	<b>2.3%</b>	<b>2.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	10,851	10,836
<b>Surplus for dividend calculation purposes</b>	<b>10,851</b>	<b>10,836</b>
<b>Potential dividend calculated from surplus</b>	<b>5,426</b>	<b>5,418</b>

## MidCoast Council

### Income Statement of Midcoast Assist

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
<b>Income from continuing operations</b>		
Fees	8,837	6,377
Grants and contributions provided for non-capital purposes	1,112	1,228
Other income	52	112
<b>Total income from continuing operations</b>	<b>10,001</b>	<b>7,717</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	7,456	5,151
Materials and services	2,085	813
Depreciation, amortisation and impairment	104	–
Calculated taxation equivalents	55	502
Other expenses	–	738
<b>Total expenses from continuing operations</b>	<b>9,700</b>	<b>7,204</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>301</b>	<b>513</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>301</b>	<b>513</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>301</b>	<b>513</b>
Less: corporate taxation equivalent [based on result before capital]	(78)	(141)
<b>Surplus (deficit) after tax</b>	<b>223</b>	<b>372</b>
<b>Plus accumulated surplus</b>	<b>1,868</b>	<b>853</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments Payroll	55	502
– Corporate taxation equivalent	78	141
<b>Add:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>2,224</b>	<b>1,868</b>
<b>Return on capital %</b>	<b>132.6%</b>	<b>143.7%</b>

## MidCoast Council

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

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	28,792	12,548
Investments	2,500	3,000
Receivables	10,793	8,578
Non-current assets classified as held for sale	1,375	–
<b>Total current assets</b>	<b>43,460</b>	<b>24,126</b>
<b>Non-current assets</b>		
Investments	3,000	5,500
Infrastructure, property, plant and equipment	558,100	564,040
Investment property	1,155	–
<b>Total non-current assets</b>	<b>562,255</b>	<b>569,540</b>
<b>Total assets</b>	<b>605,715</b>	<b>593,666</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	2,047	3,356
Borrowings	4,914	5,282
Employee benefit provisions	3,414	3,218
<b>Total current liabilities</b>	<b>10,375</b>	<b>11,856</b>
<b>Non-current liabilities</b>		
Borrowings	76,202	80,323
Employee benefit provisions	70	70
<b>Total non-current liabilities</b>	<b>76,272</b>	<b>80,393</b>
<b>Total liabilities</b>	<b>86,647</b>	<b>92,249</b>
<b>Net assets</b>	<b>519,068</b>	<b>501,417</b>
<b>EQUITY</b>		
Accumulated surplus	435,049	421,920
Revaluation reserves	84,019	79,497
<b>Total equity</b>	<b>519,068</b>	<b>501,417</b>

## MidCoast Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	24,403	8,963
Investments	27,000	33,000
Receivables	8,528	5,789
Non-current assets classified as held for sale	1,375	–
<b>Total current assets</b>	<b>61,306</b>	<b>47,752</b>
<b>Non-current assets</b>		
Investments	33,250	35,250
Infrastructure, property, plant and equipment	522,384	524,353
Investment property	1,155	–
<b>Total non-current assets</b>	<b>556,789</b>	<b>559,603</b>
<b>Total assets</b>	<b>618,095</b>	<b>607,355</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,573	3,873
Borrowings	5,662	4,502
Employee benefit provisions	3,414	3,218
<b>Total current liabilities</b>	<b>10,649</b>	<b>11,593</b>
<b>Non-current liabilities</b>		
Borrowings	50,357	56,795
Employee benefit provisions	70	70
<b>Total non-current liabilities</b>	<b>50,427</b>	<b>56,865</b>
<b>Total liabilities</b>	<b>61,076</b>	<b>68,458</b>
<b>Net assets</b>	<b>557,019</b>	<b>538,897</b>
<b>EQUITY</b>		
Accumulated surplus	424,212	410,550
Revaluation reserves	132,807	128,347
<b>Total equity</b>	<b>557,019</b>	<b>538,897</b>



## MidCoast Council

### Statement of Financial Position of Midcoast Assist

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,751	2,508
Receivables	1,317	716
<b>Total current assets</b>	<b>4,068</b>	<b>3,224</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	227	357
<b>Total non-current assets</b>	<b>227</b>	<b>357</b>
<b>Total assets</b>	<b>4,295</b>	<b>3,581</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,443	1,818
Employee benefit provisions	619	434
<b>Total current liabilities</b>	<b>2,062</b>	<b>2,252</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	9	7
<b>Total non-current liabilities</b>	<b>9</b>	<b>7</b>
<b>Total liabilities</b>	<b>2,071</b>	<b>2,259</b>
<b>Net assets</b>	<b>2,224</b>	<b>1,322</b>
<b>EQUITY</b>		
Retained earnings	2,224	1,322
<b>Total equity</b>	<b>2,224</b>	<b>1,322</b>

## Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

### Declared business activities

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

#### Category 1

##### 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.

### 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):

## Note – Significant Accounting Policies (continued)

### Notional rate applied (%)

Corporate income tax rate – 26% (19/20 27.5%)

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

Payroll tax – 4.85% on the value of taxable salaries and wages in excess of \$1,200,000. This applies to the MidCoast Assist Business Activity. Water & Sewer Funds are not exempt from Payroll Tax and actual payments are included.

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

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

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

### Income tax

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

Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 26% is the equivalent company tax rate prevalent at reporting date.

### Local government rates and charges

Rates and charges have been included as an expense for all Category 1 businesses.

### 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 2020/2021 financial period.

#### (i) 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.

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

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

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

## Note – Significant Accounting Policies (continued)

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The rate of return is calculated as follows:

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

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

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

### (iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the 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 the 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 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

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 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

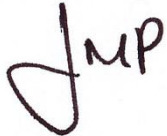
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

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

Jan-Michael Perez

Delegate of the Auditor-General for New South Wales

30 November 2021  
SYDNEY

# MidCoast Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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**MidCoast Council**

**Special Schedules**

for the year ended 30 June 2021

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## MidCoast Council

### Permissible income for general rates (Merger Councils)

\$ '000	Notes	2020/21	2020/21	2020/21	2020/21	2021/22
		Great Lakes	Greater Taree	Gloucester	MidCoast Council	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	84,244
Plus or minus adjustments <sup>2</sup>	b	126	160	22	308	525
<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>84,769</b>
<b>Permissible income calculation</b>						
Special variation percentage	d	5.00%	5.00%	5.00%		
Or rate peg percentage	e	0.00%	0.00%	0.00%		
Plus special variation amount	h = d x (c + g)	1,904	1,801	310	4,015	–
Or plus rate peg amount	i = e x (c + g)	–	–	–	–	1,695
<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>86,464</b>
Plus (or minus) last year's carry forward total	l	–	3	4	7	22
Less valuation objections claimed in the previous year	m	(33)	–	–	(33)	–
<b>Sub-total</b>	n = (l + m)	<b>(33)</b>	<b>3</b>	<b>4</b>	<b>(26)</b>	<b>22</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>86,486</b>
Less notional general income yield	p	39,928	37,819	6,497	84,244	86,414
<b>Catch-up or (excess) result</b>	q = o – p	<b>14</b>	<b>3</b>	<b>6</b>	<b>23</b>	<b>72</b>
Plus income lost due to valuation objections claimed	r	–	–	–	–	11
<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>83</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 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

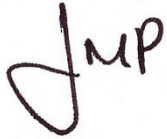
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

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

Jan-Michael Perez

Delegate of the Auditor-General for New South Wales

30 November 2021  
SYDNEY

## MidCoast Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost					Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance <sup>a</sup> \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000		1	2	3	4	5
<b>Buildings</b>	Other Buildings	5,421	5,421	1,375	98	62,695	91,089	48.1%	21.5%	17.3%	7.5%	5.6%
	Council Offices/Administration Centres	545	545	984	70	40,938	65,165	36.0%	10.9%	24.3%	28.8%	0.0%
	Council Works Depots	4,195	4,195	162	417	4,548	10,752	10.5%	48.9%	33.8%	5.1%	1.7%
	Council Public Halls	8,813	8,813	317	23	9,622	21,013	4.3%	23.3%	33.8%	35.0%	3.6%
	Libraries	992	992	120	171	4,469	7,919	7.5%	57.8%	13.9%	20.8%	0.0%
	Cultural/Community Facilities	2,990	2,990	2,909	235	96,067	192,671	9.6%	23.8%	42.0%	22.4%	2.2%
	<b>Sub-total</b>		<b>22,956</b>	<b>22,956</b>	<b>5,867</b>	<b>1,014</b>	<b>218,339</b>	<b>388,609</b>	<b>22.7%</b>	<b>22.5%</b>	<b>32.0%</b>	<b>20.2%</b>
<b>Other structures</b>	Other structures Not Included In Buildings	954	954	93	259	10,990	12,092	53.5%	6.3%	9.3%	28.7%	2.2%
	<b>Sub-total</b>	<b>954</b>	<b>954</b>	<b>93</b>	<b>259</b>	<b>10,990</b>	<b>12,092</b>	<b>53.5%</b>	<b>6.3%</b>	<b>9.3%</b>	<b>28.7%</b>	<b>2.2%</b>
<b>Roads</b>	Sealed roads	60,624	60,624	9,437	13,402	617,613	1,137,235	16.6%	43.0%	24.8%	11.2%	4.4%
	Unsealed roads	430	430	419	1,215	4,486	52,419	2.3%	29.4%	65.4%	2.4%	0.5%
	Bridges	2,760	2,760	1,433	632	185,550	318,369	18.0%	60.5%	18.0%	3.3%	0.2%
	Footpaths/Cycleways	289	289	192	336	14,128	30,481	33.9%	37.3%	24.4%	3.6%	0.8%
	Kerb & Guttering	4,688	4,688	220	192	61,797	137,411	25.8%	26.2%	36.8%	8.9%	2.3%
	Bulk earthworks	–	–	–	–	965,918	965,918	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>		<b>68,791</b>	<b>68,791</b>	<b>11,701</b>	<b>15,777</b>	<b>1,849,492</b>	<b>2,641,833</b>	<b>47.7%</b>	<b>28.2%</b>	<b>16.3%</b>	<b>5.8%</b>
<b>Water supply network</b>	Water supply network	18,480	18,480	8,480	6,999	502,643	872,954	7.5%	37.3%	31.2%	13.3%	10.7%
	<b>Sub-total</b>	<b>18,480</b>	<b>18,480</b>	<b>8,480</b>	<b>6,999</b>	<b>502,643</b>	<b>872,954</b>	<b>7.5%</b>	<b>37.3%</b>	<b>31.2%</b>	<b>13.3%</b>	<b>10.7%</b>
<b>Sewerage network</b>	Sewerage network	17,779	17,779	8,629	7,391	491,077	743,889	37.2%	9.3%	39.5%	13.8%	0.2%
	<b>Sub-total</b>	<b>17,779</b>	<b>17,779</b>	<b>8,629</b>	<b>7,391</b>	<b>491,077</b>	<b>743,889</b>	<b>37.2%</b>	<b>9.3%</b>	<b>39.5%</b>	<b>13.8%</b>	<b>0.2%</b>
<b>Stormwater drainage</b>	Stormwater drainage	4,411	4,411	1,767	508	187,307	353,456	18.1%	45.8%	31.0%	4.7%	0.4%
	<b>Sub-total</b>	<b>4,411</b>	<b>4,411</b>	<b>1,767</b>	<b>508</b>	<b>187,307</b>	<b>353,456</b>	<b>18.1%</b>	<b>45.8%</b>	<b>31.0%</b>	<b>4.7%</b>	<b>0.4%</b>
<b>Open space / recreational assets</b>	Swimming pools	652	652	519	664	3,008	7,646	4.2%	12.0%	33.1%	37.1%	13.6%
	Other Recreational/Open Space Assets	2,077	2,077	4,601	8,123	23,804	44,650	19.6%	25.6%	25.7%	15.2%	13.9%
	<b>Sub-total</b>	<b>2,729</b>	<b>2,729</b>	<b>5,120</b>	<b>8,787</b>	<b>26,812</b>	<b>52,296</b>	<b>17.3%</b>	<b>23.6%</b>	<b>26.8%</b>	<b>18.4%</b>	<b>13.9%</b>
<b>Total – all assets</b>		<b>136,100</b>	<b>136,100</b>	<b>41,657</b>	<b>40,735</b>	<b>3,286,660</b>	<b>5,065,129</b>	<b>34.9%</b>	<b>27.7%</b>	<b>24.6%</b>	<b>9.5%</b>	<b>3.3%</b>

# MidCoast Council

## Report on infrastructure assets as at 30 June 2021 (continued)

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

### Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

## MidCoast Council

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

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

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>Buildings and infrastructure renewals ratio</b>				
Asset renewals <sup>1</sup>	<u>64,924</u>	<b>94.46%</b>	79.03%	>= 100.00%
Depreciation, amortisation and impairment	<u>68,732</u>			
<b>Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>136,100</u>	<b>4.01%</b>	3.87%	< 2.00%
Net carrying amount of infrastructure assets	<u>3,390,857</u>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<u>40,735</u>	<b>97.79%</b>	128.95%	> 100.00%
Required asset maintenance	<u>41,657</u>			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<u>136,100</u>	<b>2.69%</b>	2.60%	
Gross replacement cost	<u>5,065,129</u>			

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

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



## MidCoast Council

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

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>114.58%</b>	107.48%	<b>43.38%</b>	35.75%	<b>65.09%</b>	23.02%	>= 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>4.20%</b>	4.36%	<b>3.61%</b>	2.69%	<b>3.56%</b>	2.78%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>107.32%</b>	112.34%	<b>82.54%</b>	252.71%	<b>85.65%</b>	126.66%	> 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>2.90%</b>	3.00%	<b>2.12%</b>	1.62%	<b>2.39%</b>	1.89%	

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