

MidCoast Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



MidCoast Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



General Purpose Financial Statements

for the year ended 30 June 2022

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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.

MidCoast Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

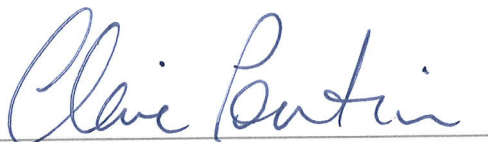
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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 26 October 2022.



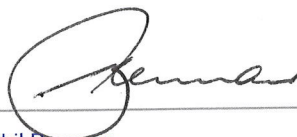
Claire Pontin
Mayor
26 October 2022



Alan Tickle
Deputy Mayor
26 October 2022



Adrian Panuccio
General Manager
26 October 2022



Phil Brennan
Responsible Accounting Officer
26 October 2022

MidCoast Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
161,244	Rates and annual charges	B2-1	163,221	157,280
54,782	User charges and fees	B2-2	52,826	55,417
3,660	Other revenues	B2-3	5,402	4,256
39,399	Grants and contributions provided for operating purposes	B2-4	44,359	32,344
19,671	Grants and contributions provided for capital purposes	B2-4	71,830	58,008
2,418	Interest and investment income	B2-5	2,966	2,744
2,262	Other income	B2-6	5,870	5,136
283,436	Total income from continuing operations		346,474	315,185
	Expenses from continuing operations			
97,018	Employee benefits and on-costs	B3-1	77,604	84,892
51,403	Materials and services	B3-2	82,668	81,918
10,174	Borrowing costs	B3-3	9,757	11,331
84,324	Depreciation, amortisation and impairment of non-financial assets	B3-4	78,351	80,155
33,153	Other expenses	B3-5	11,840	9,566
924	Net loss from the disposal of assets	B4-1	5,509	10,246
276,996	Total expenses from continuing operations		265,729	278,108
6,440	Operating result from continuing operations		80,745	37,077
6,440	Net operating result for the year attributable to Council		80,745	37,077
(13,231)	Net operating result for the year before grants and contributions provided for capital purposes		8,915	(20,931)

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

MidCoast Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net result for the year (as per Income Statement)		80,745	37,077
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	395,859	35,173
Total items which will not be reclassified subsequently to the operating result		395,859	35,173
Total other comprehensive income for the year		395,859	35,173
Total comprehensive income for the year attributable to Council		476,604	72,250

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 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	61,855	71,392
Investments	C1-2	99,740	81,550
Receivables	C1-4	51,872	48,443
Inventories	C1-5	1,556	5,322
Other		3,560	798
Non-current assets classified as 'held for sale'	C1-6	–	2,750
Total current assets		218,583	210,255
Non-current assets			
Investments	C1-2	159,927	122,908
Receivables	C1-4	3,328	664
Inventories	C1-5	1,034	1,034
Infrastructure, property, plant and equipment (IPPE)	C1-7	4,036,580	3,619,903
Investment property	C1-8	27,802	24,165
Right of use assets	C2-1	3,001	2,608
Total non-current assets		4,231,672	3,771,282
Total assets		4,450,255	3,981,537
LIABILITIES			
Current liabilities			
Payables	C3-1	32,014	29,700
Contract liabilities	C3-2	24,945	14,028
Lease liabilities	C2-1	660	588
Borrowings	C3-3	19,325	20,244
Employee benefit provisions	C3-4	24,566	27,799
Provisions	C3-5	–	300
Total current liabilities		101,510	92,659
Non-current liabilities			
Lease liabilities	C2-1	2,575	2,267
Borrowings	C3-3	158,507	174,640
Employee benefit provisions	C3-4	458	557
Provisions	C3-5	13,874	14,687
Total non-current liabilities		175,414	192,151
Total liabilities		276,924	284,810
Net assets		4,173,331	3,696,727
EQUITY			
Accumulated surplus	C4-1	3,031,741	2,950,996
IPPE revaluation reserve	C4-1	1,141,590	745,731
Total equity		4,173,331	3,696,727

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 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		2,950,996	745,731	3,696,727	2,913,919	710,558	3,624,477
Net operating result for the year		80,745	–	80,745	37,077	–	37,077
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	395,859	395,859	–	35,173	35,173
Total comprehensive income		80,745	395,859	476,604	37,077	35,173	72,250
Closing balance at 30 June		3,031,741	1,141,590	4,173,331	2,950,996	745,731	3,696,727

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 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
161,244	Rates and annual charges		167,334	150,064
54,782	User charges and fees		55,766	55,813
5,922	Other		23,346	23,283
59,070	Grants and contributions		105,919	88,605
2,418	Interest received		2,475	3,078
–	Bonds, deposits and retentions received		1,045	1,518
Payments:				
(95,019)	Payments to employees		(81,419)	(79,601)
(51,403)	Payments for materials and services		(90,030)	(96,634)
(10,174)	Borrowing costs		(9,574)	(11,326)
(33,153)	Other		(24,273)	(17,247)
93,687	Net cash flows from operating activities	G1-1	150,589	117,553
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		69,070	118,000
–	Sale of investments		12,500	30,013
–	Sale of real estate assets		8,472	–
1,515	Proceeds from sale of IPPE		4,125	1,971
Payments:				
–	Acquisition of term deposits		(117,550)	(100,020)
–	Purchase of investments		(19,300)	(34,600)
(102,336)	Payments for IPPE		(99,697)	(94,883)
(100,821)	Net cash flows from investing activities		(142,380)	(79,519)
Cash flows from financing activities				
Receipts:				
8,625	Proceeds from borrowings		8,625	14,253
Payments:				
(19,714)	Repayment of borrowings		(25,677)	(32,117)
–	Principal component of lease payments		(694)	(383)
(11,089)	Net cash flows from financing activities		(17,746)	(18,247)
(18,223)	Net change in cash and cash equivalents		(9,537)	19,787
71,392	Cash and cash equivalents at beginning of year		71,392	51,605
53,169	Cash and cash equivalents at end of year	C1-1	61,855	71,392
204,160	plus: Investments on hand at end of year	C1-2	259,667	204,458
257,329	Total cash, cash equivalents and investments		321,522	275,850

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 26 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars, except where amounts are shown in text.

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 activities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service.

A1-1 Basis of preparation (continued)

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 but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council has elected not to apply any of these pronouncements before its operative date in the annual reporting period beginning 1 July 2021.

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 2022. 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Our Unique Diverse & Culturally Rich Communities	20,990	19,094	29,109	30,465	(8,119)	(11,371)	6,138	4,773	250,714	224,308
Our Connected Community	191,095	173,838	181,075	189,510	10,020	(15,672)	85,605	66,570	3,931,374	3,517,306
Our Environment	8,336	7,583	12,059	12,621	(3,723)	(5,038)	2,809	2,184	24,053	21,520
Our Thriving & Growing Economy	4,145	3,771	6,157	6,444	(2,012)	(2,673)	1,712	1,331	57,492	51,437
Strong Leadership & Shared Vision	121,908	110,899	37,329	39,068	84,579	71,831	19,925	15,494	186,622	166,966
Total functions and activities	346,474	315,185	265,729	278,108	80,745	37,077	116,189	90,352	4,450,255	3,981,537

B1-2 Components of functions or activities

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	2022	2021
Ordinary rates		
Residential	65,329	63,523
Farmland	9,450	9,304
Business	10,816	10,579
Mining	278	323
Less: pensioner rebates (mandatory)	(2,342)	(2,363)
Rates levied to ratepayers	83,531	81,366
Pensioner rate subsidies received	1,277	1,306
Total ordinary rates	84,808	82,672
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	18,154	19,619
Stormwater management services	878	827
Water supply services	14,469	13,964
Waste management services (non-domestic)	6,656	2,372
Sewerage services	39,328	38,832
Less: pensioner rebates (mandatory)	(2,400)	(2,385)
Annual charges levied	77,085	73,229
Pensioner subsidies received:		
– Water	503	520
– Sewerage	463	483
– Domestic waste management	362	376
Total annual charges	78,413	74,608
Total rates and annual charges	163,221	157,280

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	2022	2021
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	24,581	25,663
Sewerage services	2,313	2,565
Trade Waste	113	106
Total specific user charges	27,007	28,334
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	3,679	3,037
Section 149 certificates (EPA Act)	329	336
Section 603 certificates	379	362
Laboratory Fees	54	43
Water & Sewerage Connection Fees	1,002	674
Animal control	110	80
Beach vehicle licencing	702	796
Caravan park and camping grounds licence	51	2
Community health fees (food inspection fees etc.)	246	145
Engineering – fixing levels and DA fees	54	67
Freedom of information fees	8	6
On site sewer waste management fees	1,045	1,023
Section 735a charges	52	43
Total fees and charges – statutory/regulatory	7,711	6,614
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	1,018	742
Tourism	19	50
Waste disposal tipping fees	6,151	5,044
Leaseback fees – Council vehicles	1,172	1,073
Library and art gallery	19	28
Saleyards	263	221
Swimming centres	146	146
Private works – section 67	192	381
Entertainment centre	395	221
Landing fees	48	48
Ageing services	2,023	2,066
Community land / property rentals	46	30
Damage bonds	193	181
Mooring fees	121	127
Other service fees and misc income	978	1,142
Transport for NSW fees for service	774	3,169
Parks and recreation	75	169
National disability insurance scheme	4,475	5,631
Total fees and charges – other	18,108	20,469
Total other user charges and fees	25,819	27,083
Total user charges and fees	52,826	55,417
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	41,602	45,317
User charges and fees recognised at a point in time	11,224	10,100
Total user charges and fees	52,826	55,417

Accounting policy

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

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	2022	2021
Fines	503	338
Legal fees recovery – rates and charges (extra charges)	2	2
Commissions and agency fees	193	185
Diesel rebate	187	385
Insurance claims recoveries	1,175	1,355
Other	1,061	644
Recycling	1,513	584
Reimbursements	768	763
Total other revenue	5,402	4,256

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	5,402	4,256
Total other revenue	5,402	4,256

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 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
Current year allocation				
Financial assistance – general component	6,733	6,055	–	–
Financial assistance – local roads component	2,975	2,693	–	–
Payment in advance - future year allocation				
Financial assistance – general component	10,338	6,476	–	–
Financial assistance – local roads component	4,590	2,891	–	–
Amount recognised as income during current year	24,636	18,115	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Water supplies	–	–	776	6,800
Library	321	307	430	42
Storm/flood damage	1,000	–	–	–
Bushfire and emergency services	7,279	2,592	56	–
Community care	1,331	1,326	–	207
Employment and training programs	704	35	–	–
Heritage and cultural	193	124	1,977	475
Local Infrastructure Renewal Scheme subsidy	131	250	–	–
Street lighting	47	423	–	–
Transport for NSW contributions (regional roads, block grant)	1,135	–	3,719	4,854
Transport (roads to recovery)	3,579	4,065	–	–
Transport (other roads and bridges funding)	250	64	35,561	24,581
Waste and sustainability	30	–	339	172
Environmental works	671	1,729	85	123
Recreation improvements	25	81	2,371	450
Stronger country community funding	105	765	1,270	1,163
Civic Precinct	–	–	–	1,500
Crown reserve contribution (caravan parks)	608	593	–	–
Misc. contributions	361	224	–	–
Other specific grants	132	106	3	–
Other contributions	874	1,545	1,535	256
Total special purpose grants and non-developer contributions – cash	18,776	14,229	48,122	40,623
Non-cash contributions				
Bushfire services	947	–	4,208	347
Sewerage (excl. section 64 contributions)	–	–	1,497	1,341
Water supplies (excl. section 64 contributions)	–	–	1,331	1,174
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	2,578	3,246
Total other contributions – non-cash	947	–	9,614	6,108
Total special purpose grants and non-developer contributions (tied)	19,723	14,229	57,736	46,731
Total grants and non-developer contributions	44,359	32,344	57,736	46,731
Comprising:				
– Commonwealth funding	30,160	23,826	3,935	10,336
– State funding	14,199	7,825	47,295	30,483
– Other funding	–	693	6,506	5,912
	44,359	32,344	57,736	46,731

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services	G4	–	–	4,338	4,203
S 64 – sewerage service contributions		–	–	4,991	3,626
S 64 – water supply contributions		–	–	4,765	3,448
Total developer contributions – cash		–	–	14,094	11,277
Total developer contributions		–	–	14,094	11,277
Total contributions		–	–	14,094	11,277
Total grants and contributions		44,359	32,344	71,830	58,008
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		130	886	42,868	34,993
Grants and contributions recognised at a point in time		44,229	31,458	28,962	23,015
Total grants and contributions		44,359	32,344	71,830	58,008

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 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants				
Unspent funds at 1 July	4,582	4,167	14,605	3,980
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	60	1,670	–	501
Add: Funds received and not recognised as revenue in the current year	1,246	186	17,390	12,872
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(959)	(1,176)	(107)	(10)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(78)	(265)	(8,493)	(2,738)
Unspent funds at 30 June	4,851	4,582	23,395	14,605
Unspent Contributions				
Unspent funds at 1 July	1,599	1,439	47,789	36,978
Add: contributions recognised as revenue in the reporting year but not yet spent	–	160	18,723	11,197
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1,599)	–	(8,199)	(386)
Unspent contributions at 30 June	–	1,599	58,313	47,789

B2-4 Grants and contributions (continued)

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	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	694	134
– Cash and investments	2,178	2,610
– Other	94	–
Total interest and investment income (losses)	2,966	2,744

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Reversal of impairment losses on receivables			
User charges and fees		–	3
Total reversal of impairment losses on receivables	C1-4	–	3
Fair value increment on investment properties			
Fair value increment on investment properties		3,637	3,096
Total fair value increment on investment properties	C1-8	3,637	3,096
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,234	1,036
Lease income relating to variable lease payments not dependent on an index or a rate		132	76
Total Investment properties		1,366	1,112
Other lease income			
Other Council properties		867	925
Total other lease income		867	925
Total rental income	C2-2	2,233	2,037
Total other income		5,870	5,136

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	70,079	73,154
Employee leave entitlements (ELE)	5,523	7,797
Superannuation	8,205	8,539
Workers' compensation insurance	2,467	2,053
Fringe benefit tax (FBT)	27	76
Payroll tax	1,047	1,066
Training costs (other than salaries and wages)	207	159
Protective clothing	224	415
Other	55	39
Total employee costs	87,834	93,298
Less: capitalised costs	(10,230)	(8,406)
Total employee costs expensed	77,604	84,892

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	2022	2021
Raw materials and consumables		14,239	13,588
Contractor costs		43,745	43,404
Consultancy costs		2,912	3,650
Audit Fees	F2-1	382	300
Councillor and Mayoral fees and associated expenses	F1-2	326	374
Advertising		501	360
Bank charges		474	383
Electricity and heating		5,596	5,708
Insurance		2,951	2,624
Office expenses (including computer expenses)		61	46
Postage		378	419
Printing and stationery		395	415
Street lighting		1,004	1,049
Subscriptions and publications		641	705
Telephone and communications		1,358	1,277
Valuation fees		454	346
Travel expenses		101	91
Other expenses		1,512	2,150
Plant running costs		4,511	3,918
Legal expenses:			
– Legal expenses: planning and development		417	401
– Legal expenses: debt recovery		9	35
– Legal expenses: other		88	207
Expenses from short-term leases		78	70
Expenses from leases of low value assets		338	145
Variable lease expense relating to usage		27	88
Other		170	165
Total materials and services		82,668	81,918
Total materials and services		82,668	81,918

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		9,572	11,174
Interest on leases		83	71
Total interest bearing liability costs		9,655	11,245
Total interest bearing liability costs expensed		9,655	11,245
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	102	86
Total other borrowing costs		102	86
Total borrowing costs expensed		9,757	11,331

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	2022	2021
Depreciation and amortisation			
Plant and equipment		5,841	5,792
Office equipment		88	193
Furniture and fittings		238	93
Computer equipment		1,731	1,341
Land improvements (depreciable)		316	316
Infrastructure:	C1-7		
– Buildings		8,883	8,930
– Other structures		580	556
– Roads		26,651	27,163
– Bridges		3,400	3,362
– Footpaths		777	652
– Stormwater drainage		3,600	3,586
– Water supply network		12,869	12,660
– Sewerage network		9,860	9,726
– Swimming pools		155	140
– Other open space/recreational assets		1,861	1,750
Right of use assets	C2-1	600	598
Other assets:			
– Library books		396	545
– Cemetery assets		31	31
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	249	1,713
– Quarry assets	C3-5, C1-7	1	1
Total depreciation and amortisation costs		78,127	79,148
Impairment / revaluation decrement of IPPE and other non-financial assets			
Land improvements (depreciable)		224	–
Infrastructure:	C1-7		
– Bridges		–	207
Non-current assets held for sale	C1-6	–	800
Total IPPE and other non-financial assets impairment / revaluation decrement costs charged to Income Statement		224	1,007
Total depreciation, amortisation and impairment for non-financial assets		78,351	80,155

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	2022	2021
Impairment of receivables			
Rates and annual charges		80	—
User charges and fees		212	—
Total impairment of receivables	C1-4	292	—
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		71	75
Total Fair value decrement on investments	C1-2	71	75
Other			
– Emergency services levy		133	180
– NSW fire brigade levy		211	236
– NSW rural fire service levy		2,499	2,100
– Waste levy		7,327	6,137
– Other contributions/levies		808	550
Donations, contributions and assistance to other organisations (Section 356)		499	288
Total other		11,477	9,491
Total other expenses		11,840	9,566

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	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		135	467
Less: carrying amount of property assets sold/written off		(856)	(692)
Gain (or loss) on disposal		(721)	(225)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		867	1,504
Less: carrying amount of plant and equipment assets sold/written off		(1,167)	(1,013)
Gain (or loss) on disposal		(300)	491
Gain (or loss) on disposal of infrastructure			
	C1-7		
Proceeds from disposal – infrastructure		315	–
Less: carrying amount of infrastructure assets sold/written off		(9,627)	(10,827)
Gain (or loss) on disposal		(9,312)	(10,827)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		8,503	587
Less: carrying amount of real estate assets sold/written off		(3,698)	(285)
Gain (or loss) on disposal		4,805	302
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		12,500	30,013
Less: carrying amount of financial assets sold/redeemed/matured		(12,500)	(30,000)
Gain (or loss) on disposal		–	13
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		69,070	118,000
Less: carrying amount of term deposits sold/redeemed/matured		(69,070)	(118,000)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of non-current assets classified as 'held for sale'			
	C1-6		
Proceeds from disposal – non-current assets 'held for sale'		2,808	–
Less: carrying amount of 'held for sale' assets sold/written off		(2,789)	–
Gain (or loss) on disposal		19	–
Net gain (or loss) from disposal of assets		(5,509)	(10,246)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 30/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	161,244	163,221	1,977	1% F
User charges and fees	54,782	52,826	(1,956)	(4)% U
Other revenues	3,660	5,402	1,742	48% F
Major variations from the original budget include an additional \$0.8 million of revenues from recycling related to scrap metal and additional revenues generated from Council's aquatic centres.				
Operating grants and contributions	39,399	44,359	4,960	13% F
The Commonwealth Government paid 75% of the FY23 financial assistance grant in advance in the current year. This is ordinarily 50% in advance and has a \$6.2 million positive variation to the budget amount.				
Capital grants and contributions	19,671	71,830	52,159	265% F
Major variations from the original budget include an additional \$10.5 million in developer contributions and \$2 million in non-cash contributions relating to subdivider contributed assets. Other major variations include \$3.7 million in recreation improvements, largely through the Local Roads & Community Infrastructure projects and Stronger country community funding and \$3 million in heritage and cultural funding, largely for the Manning Entertainment Centre. The other major variations relate to transport funding, amounting to \$28.1 million in total comprising additional funding for a number of roads and bridges projects including the Northern Gateway Hub, Thunderbolts Way, The Buckets Way and various bridges.				
Interest and investment income	2,418	2,966	548	23% F
Variations to budgets are equally attributable to additional income from interest income on investments and overdue rates and annual charges. Interest on overdue rates and charges was significantly decreased during 2020-2021 by COVID-19 responses i.e. interest rate set at 0%. These no longer apply in 2021-2022. Interest on investments also increased as financial markets offered higher interest rates in response to economic conditions.				
Other income	2,262	5,870	3,608	160% F
The variation to budget is a result of the fair value increment on Investment Property at 30 June 2022 (\$3.6 million) which was not included in the budget.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Expenses

Employee benefits and on-costs	97,018	77,604	19,414	20%	F
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Council's budget does not include employee costs that are capitalised. When these costs are included the favourable variance to budget amounts to under 10%. The major positive variations to budget include a reduction in employee leave entitlements and the impact of discounting the leave entitlements at 30 June 2022, for which the liability is lower due to increases in discount rates.

Materials and services	51,403	82,668	(31,265)	(61)%	U
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The variation in the Materials & Services classification is significantly off-set by the decrease in the Other Expenses classification and reflects 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.

The major budget variation relates to additional contractor costs.

Borrowing costs	10,174	9,757	417	4%	F
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Depreciation, amortisation and impairment of non-financial assets	84,324	78,351	5,973	7%	F
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Other expenses	33,153	11,840	21,313	64%	F
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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 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.

Net losses from disposal of assets	924	5,509	(4,585)	(496)%	U
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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 actual result in the current year reflects the value of assets written-off as part of the capitalisation process across all asset classes, offset by the net gains associated with real estate land sales in the current year.

Statement of cash flows

Cash flows from operating activities	93,687	150,589	56,902	61%	F
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The variation is largely due to grants and contributions receipts exceeding original budget estimations. Variation is also a result of GST gross up of cashflows included in other income and reduction in rates and annual charges receivables balance between 30 June 2021 and 30 June 2022.

The variation in the Statement of Cash Flows for Materials & Services and Other Expenses need to be considered together as actual results reflects 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.

The combined variance of Materials & services and Other payments is approximately \$30 million increase in expenditure, of which \$17.5 million relates to the GST gross up of cash flows for materials and services expenditures and payments for IPPE (included in 'other') with the remaining variance largely relating to additional contractor costs.

The variation in these cashflows are offset by the variation in payments to employees, which is lower than budget as the actual expense excludes employee costs that are capitalised and a reduction in employee expenses as a result of discounting employee leave entitlements at 30 June 2022 using higher interest rates compared to 30 June 2021.

Cash flows from investing activities	(100,821)	(142,380)	(41,559)	41%	U
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Variation is predominantly related to increase in the holdings of term deposits.

Cash flows from financing activities	(11,089)	(17,746)	(6,657)	60%	U
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Variation is predominantly related to increase in the repayment of borrowings through early repayment of long term debt.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	32,832	47,470
Cash equivalent assets		
– Deposits at call	29,023	23,922
Total cash and cash equivalents	61,855	71,392

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	61,855	71,392
Balance as per the Statement of Cash Flows	61,855	71,392

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Unlisted equity securities	–	227	–	298
Total	–	227	–	298
Debt securities at amortised cost				
Long term deposits	86,200	100,050	69,050	68,720
NCD's, FRN's (with maturities > 3 months)	13,540	59,650	12,500	53,890
Total	99,740	159,700	81,550	122,610
Total financial investments	99,740	159,927	81,550	122,908
Total cash assets, cash equivalents and investments	161,595	159,927	152,942	122,908

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.

Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise Council's 8.1% interest in Arrow Collaborative Services Limited. This investment was previously classified as an interest in a joint venture and recognised in the Statement of Financial Position as an investment accounted for using the equity method. Council has reclassified the comparative disclosure to align with the current year classification.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	321,522	275,850
Less: Externally restricted cash, cash equivalents and investments	(252,566)	(219,408)
Cash, cash equivalents and investments not subject to external restrictions	68,956	56,442
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	7,829	835
Subdivision bonds	4,916	5,499
Sundry bonds and deposits	3,630	2,112
Other sale of land, planning guarantee and relocation, tender and sundry deposits	49	49
Specific purpose unexpended grants – general fund	24,945	14,028
External restrictions – included in liabilities	41,369	22,523
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	26,789	26,073
Developer contributions – water fund	9,759	4,977
Developer contributions – sewer fund	21,765	16,737
Specific purpose unexpended grants (recognised as revenue) – general fund	3,301	5,159
Water fund	25,360	28,281
Water supplies –Employee Entitlements	–	1,034
Sewerage services –Employee Entitlements	–	1,018
Domestic waste management	44,789	40,758
Stormwater management	2,107	2,842
Sewer fund	72,276	66,898
Stratford-Duralie Coal Contributions	1,504	–
Crown Lands Act – Section 106 (Forster Boat Harbour)	310	261
Other contributions to works	695	695
ARTC Rail Crossing	521	521
Cattai Wetlands – Environmental Trust	461	457
Nabiac Showground	204	185
Other	1,356	989
External restrictions – other	211,197	196,885
Total external restrictions	252,566	219,408

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

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

\$ '000	2022	2021
(b) Internal allocations		
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	5,224	4,668
Employees leave entitlement	4,282	4,282
Carry over works	6,849	5,153
Building Infrastructure Reserves	3,700	3,465
Environmental Levy Reserve	5,826	5,794
Commercial Waste	2,473	1,413
Election	291	771
Emergency Management	1,335	305
Land & Property Reserves	3,820	3,609
IT Infrastructure Reserves	101	101
Budget Management Reserves	851	881
Parks Infrastructure Reserves	546	648
Road Infrastructure Reserves	2,236	2,424
SRV Infrastructure Reserve	12,828	10,461
FAG in advance	14,927	9,367
Government Merger Funding Reserve	–	52
Other	3,070	2,804
Total internal allocations	68,359	56,198

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

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	14,919	–	18,737	–
Interest and extra charges	2,303	–	1,943	–
User charges and fees	6,153	–	7,949	–
Accrued revenues				
– Interest on investments	828	–	671	–
– Water & Sewerage Accrued Income	3,225	–	4,159	–
– Other income accruals	1,491	–	2,848	–
Government debtors	22,245	–	10,738	–
Net GST receivable	1,688	–	2,252	–
On site sewer management charges	71	–	46	–
Building and land rentals	3	–	5	–
Other receivables	197	3,328	55	664
Total	53,123	3,328	49,403	664
Less: provision for impairment				
Rates and annual charges	(473)	–	(418)	–
Interest and extra charges	(406)	–	(381)	–
User charges and fees	(372)	–	(161)	–
Total provision for impairment – receivables	(1,251)	–	(960)	–
Total net receivables	51,872	3,328	48,443	664

Accounting policy

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

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

Where Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	426	1,034	4,093	1,034
Stores, materials and/or trading stock	1,130	–	1,229	–
Total inventories at cost	1,556	1,034	5,322	1,034
Total inventories	1,556	1,034	5,322	1,034

(i) Other disclosures

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Residential	216	115	3,656	79
Industrial/commercial	210	919	437	955
Total real estate for resale	426	1,034	4,093	1,034

(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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Non-current assets held for sale				
Land	–	–	855	–
Buildings	–	–	1,895	–
Total non-current assets held for sale	–	–	2,750	–
Total non-current assets classified as held for sale	–	–	2,750	–

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	2022 Assets 'held for sale'	2021 Assets 'held for sale'
Opening balance	2,750	–
Less: carrying value of assets/operations sold	(2,750)	–
<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)
Closing balance of held for sale non-current assets and operations	–	2,750

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 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	104,197	—	104,197	80,601	30,824	—	—	—	(89,892)	—	—	125,729	—	125,729
Plant and equipment	70,030	(36,940)	33,090	—	—	(1,167)	(5,841)	—	8,386	69	—	74,775	(40,238)	34,537
Office equipment	4,418	(4,217)	201	—	—	—	(88)	—	—	—	—	4,418	(4,305)	113
Furniture and fittings	3,217	(2,965)	252	—	—	—	(238)	—	—	1,920	—	5,137	(3,203)	1,934
Computer equipment	10,335	(4,679)	5,656	—	—	—	(1,731)	—	581	7	—	9,836	(5,324)	4,512
Land:														
– Operational land	74,830	—	74,830	—	—	(82)	—	—	630	—	21,805	97,183	—	97,183
– Community land	107,102	—	107,102	—	—	—	—	—	—	—	32,945	140,047	—	140,047
– Land under roads (post 30/6/08)	153	—	153	—	11	—	—	—	—	—	—	164	—	164
Land improvements – non-depreciable	20	—	20	—	—	—	—	—	—	(20)	—	—	—	—
Land improvements – depreciable	5,992	(2,746)	3,246	—	—	—	(316)	(224)	—	20	—	6,260	(3,534)	2,726
Infrastructure:														
– Buildings	388,609	(170,270)	218,339	—	—	(774)	(8,900)	—	2,403	(3,198)	53,790	438,604	(176,944)	261,660
– Other structures	12,092	(1,102)	10,990	—	—	—	(580)	—	898	(401)	(127)	14,587	(3,806)	10,781
– Roads	1,327,065	(643,169)	683,896	—	—	(4,081)	(26,634)	—	42,337	1,231	72,671	1,498,913	(729,493)	769,420
– Bridges	318,369	(132,819)	185,550	—	—	(215)	(3,400)	—	5,828	(131)	19,570	356,388	(149,186)	207,202
– Footpaths	30,481	(16,353)	14,128	—	—	(26)	(777)	—	408	1,660	1,606	37,378	(20,379)	16,999
– Bulk earthworks (non-depreciable)	965,918	—	965,918	—	—	—	—	—	4,279	326	101,226	1,071,748	—	1,071,748
– Stormwater drainage	353,456	(166,149)	187,307	—	—	(3,816)	(3,600)	—	5,018	4	19,986	388,805	(183,906)	204,899
– Water supply network	872,953	(370,310)	502,643	—	—	(539)	(12,869)	—	8,790	—	28,624	929,657	(403,008)	526,649
– Sewerage network	743,889	(252,812)	491,077	—	—	(736)	(9,860)	—	8,324	—	28,098	793,571	(276,668)	516,903
– Swimming pools	7,646	(4,638)	3,008	—	—	(48)	(155)	—	8	1	1,955	11,168	(6,399)	4,769
– Other open space/recreational assets	44,650	(20,846)	23,804	—	—	(164)	(1,861)	—	1,691	(1,488)	13,710	54,558	(18,866)	35,692
Other assets:														
– Library books	4,039	(2,990)	1,049	—	—	—	(396)	—	311	—	—	4,350	(3,386)	964
– Cemetery assets	1,249	(650)	599	—	—	—	(31)	—	—	—	—	1,249	(681)	568
– Other	1,117	—	1,117	—	—	—	—	—	—	—	—	1,117	—	1,117
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	12,239	(10,526)	1,713	—	—	—	(249)	—	—	(1,216)	—	11,023	(10,775)	248
– Quarry assets	182	(164)	18	—	—	—	(1)	—	—	—	—	182	(166)	16
Total infrastructure, property, plant and equipment	5,464,248	(1,844,345)	3,619,903	80,601	30,835	(11,648)	(77,527)	(224)	—	(1,216)	395,859	6,076,847	(2,040,267)	4,036,580

(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 2020			Asset movements during the reporting period										At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	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
\$ '000																
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
Land:																
– 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
Infrastructure:																
– 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
Other assets:																
– Library books	4,135	(2,814)	1,321	–	–	–	(545)	–	274	–	–	–	–	4,039	(2,990)	1,049
– Other	3,912	(969)	2,943	–	–	(2)	–	–	128	(2,097)	–	–	143	1,117	–	1,117
– Cemetery assets	1,051	(511)	540	–	–	–	(33)	–	9	83	–	–	–	1,249	(650)	599
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– 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)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total infrastructure, property, plant and equipment	5,374,094	(1,793,087)	3,581,007	64,776	36,218	(12,536)	(78,550)	(207)	–	–	(3,549)	(2,429)	35,173	5,464,248	(1,844,345)	3,619,903

(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:

Plant and equipment	Years	Other equipment	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	Buildings	
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
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 75
Sewer Pipe Network	70 to 80	Long life assets	to 200
Water Pipe Network	70 to 80		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 50	Bulk earthworks	Infinite
Sealed roads: structure	40 to 200	Swimming pools	4 to 50
Unsealed roads	10 to 50	Other open space/recreational assets	10 to 100
Bridge: concrete	60 to 200	Other infrastructure	5 to 100
Bridge: other	20 to 100		
Road pavements	40 to 200		
Kerb, gutter and footpaths	20 to 80		

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

Land under roads

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

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

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

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	2022	2021
At fair value		
Opening balance at 1 July	24,165	18,640
Net gain/(loss) from fair value adjustments	3,637	3,096
Transfers from/(to) owner-occupied property (Note C1-7)	–	2,429
Closing balance at 30 June	27,802	24,165

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 its 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 leases include renewal options to allow Council to renew for up to 2 additional lease terms at its discretion. The leases contain an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

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
2022						
Opening balance at 1 July	335	614	–	1,623	36	2,608
Additions to right-of-use assets	–	–	78	–	813	891
Adjustments to right-of-use assets due to re-measurement of lease liability	3	99	–	–	–	102
Depreciation charge	(21)	(138)	(17)	(383)	(41)	(600)
Balance at 30 June	317	575	61	1,240	808	3,001
2021						
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)
Balance at 30 June	335	614	–	1,623	36	2,608

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	660	2,575	588	2,267
Total lease liabilities	660	2,575	588	2,267

(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
2022					
Cash flows	760	1,869	960	3,589	3,235
2021					
Cash flows	668	2,135	312	3,115	2,855

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	83	71
Variable lease payments based on usage not included in the measurement of lease liabilities	27	88
Depreciation of right of use assets	600	598
Expenses relating to short-term leases	78	70
Expenses relating to low-value leases	338	145
	1,126	972

(e) Statement of Cash Flows

Total cash outflow for leases	1,138	685
	1,138	685

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)

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	2022	2021
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(i) Assets held as investment property

Investment property operating leases relate to the Tuncurry Supermarket, Wallis Street Motel and Muldoon Street office building.

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)	1,234	1,036
Lease income relating to variable lease payments not dependent on an index or a rate	132	76
Total income relating to operating leases for investment property assets	1,366	1,112

Operating lease expenses

Direct operating expenses that generated rental income	225	149
Total expenses relating to operating leases - investment properties	225	149

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	867	925
Total income relating to operating leases for Council assets	867	925

(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	1,943	1,403
1–2 years	1,734	1,304
2–3 years	1,427	1,174
3–4 years	1,308	1,081
4–5 years	1,026	1,008
> 5 years	5,165	6,089
Total undiscounted lease payments to be received	12,603	12,059

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepaid rates	4,198	–	3,878	–
Goods and services	11,656	–	10,694	–
Accrued expenses:				
– Borrowings	1,064	–	1,064	–
– Salaries and wages	3,902	–	4,167	–
Security bonds, deposits and retentions	10,437	–	9,392	–
Other	757	–	505	–
Total payables	32,014	–	29,700	–

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

\$ '000	2022	2021
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	9,405	8,113
Total payables	9,405	8,113

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Funds to construct Council controlled assets	(i)	23,562	–	13,813	–
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	(ii)	1,383	–	215	–
Total contract liabilities		24,945	–	14,028	–

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	2022	2021
Funds to construct Council controlled assets	8,493	2,738
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	78	265
Total revenue recognised that was included in the contract liability balance at the beginning of the period	8,571	3,003

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	19,325	158,507	20,244	174,640
Total borrowings	19,325	158,507	20,244	174,640

(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	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	194,884	(25,677)	8,625	–	–	–	177,832
Lease liability (Note C2-1b)	2,855	(696)	993	–	–	83	3,235
Total liabilities from financing activities	197,739	(26,373)	9,618	–	–	83	181,067

\$ '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
Total liabilities from financing activities	213,205	(18,176)	2,417	–	–	293	197,739

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	750	625
Total financing arrangements	750	625
Drawn facilities		
– Credit cards/purchase cards	72	88
Total drawn financing arrangements	72	88
Undrawn facilities		
– Credit cards/purchase cards	678	537
Total undrawn financing arrangements	678	537

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

C3-3 Borrowings (continued)

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	8,655	–	8,472	–
Long service leave	15,911	458	19,327	557
Total employee benefit provisions	24,566	458	27,799	557

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	16,356	19,382
	16,356	19,382

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	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration (future works)	–	13,874	300	14,687
Total provisions	–	13,874	300	14,687

Description of and movements in provisions

Other provisions

C3-5 Provisions (continued)

\$ '000	Asset remediation	Total
2022		
At beginning of year	14,987	14,987
Unwinding of discount	102	102
Other	(1,215)	(1,215)
Total other provisions at end of year	13,874	13,874
2021		
At beginning of year	15,052	15,052
Unwinding of discount	86	86
Other	(151)	(151)
Total other provisions at end of year	14,987	14,987

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

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	110,184	14,076	38,961
User charges and fees	21,998	27,273	3,555
Interest and investment income	2,137	178	651
Other revenues	4,502	307	593
Grants and contributions provided for operating purposes	44,359	–	–
Grants and contributions provided for capital purposes	58,470	6,872	6,488
Other income	5,870	–	–
Total income from continuing operations	247,520	48,706	50,248
Expenses from continuing operations			
Employee benefits and on-costs	63,035	7,577	6,992
Materials and services	52,601	14,357	15,710
Borrowing costs	1,786	4,553	3,418
Depreciation, amortisation and impairment of non-financial assets	53,778	13,963	10,610
Other expenses	11,168	525	147
Net losses from the disposal of assets	4,253	529	727
Total expenses from continuing operations	186,621	41,504	37,604
Operating result from continuing operations	60,899	7,202	12,644
Net operating result for the year	60,899	7,202	12,644
Net operating result attributable to each council fund	60,899	7,202	12,644
Net operating result for the year before grants and contributions provided for capital purposes	2,429	330	6,156

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	7,945	16,619	37,291
Investments	62,240	15,500	22,000
Receivables	37,721	8,845	5,306
Inventories	1,556	—	—
Other	3,554	6	—
Total current assets	113,016	40,970	64,597
Non-current assets			
Investments	122,177	3,000	34,750
Receivables	3,328	—	—
Inventories	1,034	—	—
Infrastructure, property, plant and equipment	2,889,064	593,300	554,216
Investment property	25,064	1,369	1,369
Right of use assets	2,684	245	72
Total non-current assets	3,043,351	597,914	590,407
Total assets	3,156,367	638,884	655,004
LIABILITIES			
Current liabilities			
Payables	28,922	1,635	1,457
Contract liabilities	24,093	852	—
Lease liabilities	647	7	6
Borrowings	8,102	5,199	6,024
Employee benefit provision	18,542	3,012	3,012
Total current liabilities	80,306	10,705	10,499
Non-current liabilities			
Lease liabilities	2,241	266	68
Borrowings	43,165	71,009	44,333
Employee benefit provision	340	59	59
Provisions	13,874	—	—
Total non-current liabilities	59,620	71,334	44,460
Total liabilities	139,926	82,039	54,959
Net assets	3,016,441	556,845	600,045
EQUITY			
Accumulated surplus	2,152,634	442,251	436,856
Revaluation reserves	863,807	114,594	163,189
Council equity interest	3,016,441	556,845	600,045
Total equity	3,016,441	556,845	600,045

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 s625 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 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 the 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	2022	2021
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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	1,350	1,312

(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 rates and annual charges			Total
	overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	15,566	1,727	17,293
2021				
Gross carrying amount	–	19,444	1,281	20,725

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	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	36,032	963	162	160	1,841	39,158
Expected loss rate (%)	0.38%	7.40%	9.14%	10.39%	7.29%	0.95%
ECL provision	135	71	15	17	134	372
2021						
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%
ECL provision	38	35	1	28	59	161

(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
2022							
Borrowings	4.60%	–	28,237	88,040	126,104	242,381	177,832
Payables	0.00%	10,437	21,577	–	–	32,014	32,014
Total financial liabilities		10,437	49,814	88,040	126,104	274,395	209,846
2021							
Borrowings	5.04%	–	29,758	94,976	133,237	257,971	194,884
Payables	0.00%	9,392	16,430	–	–	25,822	29,700
Total financial liabilities		9,392	46,188	94,976	133,237	283,793	224,584

Loan agreement breaches

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

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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)

		Fair value measurement hierarchy						
\$ '000	Notes	Date of latest valuation 2022	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
			2022	2021	2022	2021	2022	2021
Recurring fair value measurements								
Investment property		C1-8						
Tuncurry Supermarket	30/06/22		21,500	18,430	—	—	21,500	18,430
Wallis Street Motel	30/06/22		3,565	3,425	—	—	3,565	3,425
Muldoon Street office building	30/06/22		2,737	2,310	—	—	2,737	2,310
Total investment property			27,802	24,165	—	—	27,802	24,165
Infrastructure, property, plant and equipment		C1-7						
Work In Progress	n/a		—	—	125,729	104,197	125,729	104,197
Plant & Equipment	n/a		—	—	34,537	33,090	34,537	33,090
Office Equipment	n/a		—	—	113	201	113	201
Furniture & Fittings	n/a		—	—	1,934	252	1,934	252
Computer Equipment	n/a		—	—	4,512	5,656	4,512	5,656
Operational Land	30/06/22		—	—	97,183	74,830	97,183	74,830
Community Land	30/06/22		—	—	140,047	107,102	140,047	107,102
Land Under Roads (pre 1/7/2008)	30/06/22		—	—	164	153	164	153
Land Improvements Non depreciable	30/06/22		—	—	—	20	—	20
Land Improvements Depreciable	30/06/22		—	—	2,726	3,246	2,726	3,246
Buildings	30/06/22		—	—	261,660	218,339	261,660	218,339
Other Structures	30/06/22		—	—	10,781	10,990	10,781	10,990
Roads	30/06/22		—	—	769,420	683,896	769,420	683,896
Bridges	30/06/22		—	—	207,202	185,550	207,202	185,550
Footpaths	30/06/22		—	—	16,999	14,128	16,999	14,128
Bulk Earthworks	30/06/22		—	—	1,071,748	965,918	1,071,748	965,918
Stormwater Drainage	30/06/22		—	—	204,899	187,307	204,899	187,307
Swimming Pools	30/06/22		—	—	4,769	3,008	4,769	3,008
Other Open Space								
Recreational	30/06/22		—	—	35,692	23,804	35,692	23,804
Library books	n/a		—	—	964	1,049	964	1,049
Cemetery Assets	n/a		—	—	568	599	568	599
Other	30/06/21		—	—	1,117	1,117	1,117	1,117
Tip Assets	30/06/22		—	—	248	1,713	248	1,713
Quarry Assets	30/06/22		—	—	16	18	16	18
Water Network	30/06/22		—	—	526,649	502,643	526,649	502,643
Sewerage Network	30/06/22		—	—	516,903	491,077	516,903	491,077
Total infrastructure, property, plant and equipment			—	—	4,036,580	3,619,903	4,036,580	3,619,903
Non-recurring fair value measurements								
Non-current assets classified as held for sale		C1-6						
Land and building	n/a		—	2,750	—	—	—	2,750
Total NCA's classified as held for sale			—	2,750	—	—	—	2,750

E2-1 Fair value measurement (continued)

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 2022 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.

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.

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.

Plant, Office & Computer Equipment, Furniture & Fittings

E2-1 Fair value measurement (continued)

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

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

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

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

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

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

Operational Land

Council obtains an independent fair valuation of its operational land every 5 years. The last full revaluation was on the 30 June 2022.

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.

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.

Council indexed community land at 30 June 2022 by 30.76% based on the average increase in Valuer General land values in the MidCoast LGA from July 2019 to July 2021.

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.

E2-1 Fair value measurement (continued)

Land Improvements - Depreciable

Land Improvements were revalued at 30 June 2022. 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' The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

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.

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 2022.

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.

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

Council revalued Other Structures at 30 June 2021. Council indexed other structures at 30 June 2022 by 5.30% based on the movement in the building price index from Rawlinson since last revaluation. Other open space/recreational assets and Swimming Pools were revalued at 30 June 2022.

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.

Library Books

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

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

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

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

E2-1 Fair value measurement (continued)

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.

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.

Council indexed all infrastructure assets at 30 June 2022 by 10.43% with the exception of drainage assets which were indexed by 10.81% based on the movement in the road and bridge construction NSW producer price index from the Australian Bureau of Statistics since last revaluation.

Work In Progress

Assets within the category of work in progress are incomplete.

E2-1 Fair value measurement (continued)

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.

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 on 30 June 2020 by APV - Valuers & Asset Management. Water and sewerage network assets have been indexed by 0.92% to 30 June 2021 and by an additional 5.73% to 30 June 2022 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'

The Non-current assets classified as 'held for sale' were sold during the year ended 30 June 2022.

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 at 30 June 2021.

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
Infrastructure, property, plant and equipment		
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 Cost Approach	Area of Council road pattern 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	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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	104,197	87,155	33,090	34,784	201	390	252	343	5,655	3,974	74,830	83,992	107,102	74,484
Total gains or losses for the period														
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	–	–	–	–	21,805	(10,020)	32,945	31,681
Other movements														
Transfer to another asset category	–	–	–	–	–	–	–	–	–	–	–	(1,104)	–	–
Transfers from/(to) another asset class	(89,892)	(84,096)	8,455	4,943	–	2	1,920	–	588	3,024	630	2,082	–	957
Purchases (GBV)	111,424	101,138	–	–	–	–	–	–	–	–	–	–	–	–
Disposals (WDV)	–	–	(1,167)	(1,018)	–	–	–	–	–	–	(82)	(120)	–	(19)
Depreciation and impairment	–	–	(5,841)	(5,619)	(88)	(193)	(238)	(93)	(1,731)	(1,341)	–	–	–	–
Closing balance	125,729	104,197	34,537	33,090	113	199	1,934	250	4,512	5,657	97,183	74,830	140,047	107,103

\$ '000	Water network		Sewerage network		Buildings		Roads		Bridges		Footpaths stormwater earthworks		Other structure infrastructure	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	502,643	499,599	491,078	491,027	218,339	197,189	683,896	701,228	185,550	181,552	1,167,353	1,171,214	10,990	16,976
Total gains or losses for the period														
Recognised in other comprehensive income – revaluation surplus	28,624	4,522	28,098	4,460	53,790	–	72,671	–	19,570	–	122,817	–	(126)	4,387
Other movements														
Transfer to another asset category	–	–	–	–	–	(4,874)	–	–	–	–	–	–	–	–
Transfers from/(to) another asset class	8,790	11,963	8,324	5,915	(795)	35,515	43,568	14,418	5,697	8,076	11,695	4,500	497	(9,585)
Disposals (WDV)	(539)	(781)	(736)	(598)	(774)	(408)	(4,081)	(4,610)	(215)	(511)	(3,842)	(4,119)	–	(208)
Depreciation and impairment	(12,869)	(12,660)	(9,860)	(9,726)	(8,900)	(9,083)	(26,634)	(27,143)	(3,400)	(3,569)	(4,377)	(4,238)	(580)	(580)
Closing balance	526,649	502,643	516,904	491,078	261,660	218,339	769,420	683,893	207,202	185,548	1,293,646	1,167,357	10,781	10,990

\$ '000	Open space swimming pools		Other asset classes		Total	
	2022	2021	2022	2021	2022	2021
Opening balance	26,812	24,947	7,913	12,153	3,619,901	3,581,007

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Open space swimming pools		Other asset classes		Total	
	2022	2021	2022	2021	2022	2021
Recognised in other comprehensive income – revaluation surplus	15,665	–	–	143	395,859	35,173
Transfer to another asset category	–	–	–	–	–	(5,978)
Transfers from/(to) another asset class	212	3,915	311	(1,629)	–	–
Purchases (GBV)	–	–	(1,205)	(144)	110,219	100,994
Disposals (WDV)	(212)	(142)	–	(2)	(11,648)	(12,536)
Depreciation and impairment	(2,016)	(1,904)	(1,217)	(2,608)	(77,751)	(78,757)
Closing balance	40,461	26,816	5,802	7,913	4,036,580	3,619,903

E2-1 Fair value measurement (continued)

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 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other 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.

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$825,874.18. The last formal valuation of the Scheme was performed by the scheme's actuary, Mr Richard Boyfield, as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$558,312.12.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$359,111.16 as at 30 June 2022.

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	5.5% 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)

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. Council's 11 Councillors and 4 senior staff, comprising the general manager and 3 directors, have been identified as representing Council's KMP.

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,502	1,478
Post-employment benefits	121	110
Total	1,623	1,588

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			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2022						
Employee expenses relating to close family members	1	151	–		–	–
Property rental from grazing lease	2	5	–		–	–
2021						
Employee expenses relating to close family members	1	185	–		–	–
Property rental from grazing lease	2	5	1		–	–

1 There are two (2021: three) 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	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	55	60
Councillors' fees	231	254
Other Councillors' expenses (including Mayor)	40	60
Total	326	374

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	247	210
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Remuneration for audit and other assurance services

	247	210
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Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services (council's internal auditor)

	135	90
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Remuneration for audit and other assurance services

	135	90
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Total remuneration of non NSW Auditor-General audit firms

	382	300
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Total audit fees

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	80,745	37,077
Add / (less) non-cash items:		
Depreciation and amortisation	78,127	79,148
(Gain) / loss on disposal of assets	5,509	10,246
Non-cash capital grants and contributions	(10,561)	(6,108)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	71	75
– Investment property	(3,637)	(3,096)
– Revaluation decrements / impairments of IPP&E direct to P&L	224	1,007
Unwinding of discount rates on reinstatement provisions	102	86
Interest on leases	81	71
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(6,384)	(12,245)
Increase / (decrease) in provision for impairment of receivables	291	(3)
(Increase) / decrease of inventories	99	(89)
(Increase) / decrease of other current assets	(2,762)	423
Increase / (decrease) in payables	962	(6,116)
Increase / (decrease) in accrued interest payable	–	(67)
Increase / (decrease) in other accrued expenses payable	(265)	3,821
Increase / (decrease) in other liabilities	1,617	1,744
Increase / (decrease) in contract liabilities	10,917	10,055
Increase / (decrease) in employee benefit provision	(3,332)	1,675
Increase / (decrease) in other provisions	(1,215)	(151)
Net cash flows from operating activities	150,589	117,553

(b) Non-cash investing and financing activities

Bushfire services	5,155	347
Subdivider contributions 'in kind'	5,406	5,761
Total non-cash investing and financing activities	10,561	6,108

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
---------	------	------

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Sewerage and water infrastructure	6,139	5,519
Road infrastructure	18,129	18,008
Buildings	7,098	9,039
Other	10,530	9,524
Total commitments	41,896	42,090

These expenditures are payable as follows:

Within the next year	41,896	42,090
Total payable	41,896	42,090

Sources for funding of capital commitments:

Unexpended Loans	4,932	61
Future grants and contributions	11,876	9,574
Externally restricted reserves	18,409	23,278
Internally restricted reserves	6,679	9,177
Total sources of funding	41,896	42,090

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	470	20	–	1	–	–	491	–
Roads	8,838	1,720	–	17	(505)	–	10,070	–
Parking	711	–	–	1	–	–	712	(500)
Open space	4,552	819	–	9	(51)	–	5,329	500
Community facilities	2,700	212	–	1	(1,814)	–	1,099	–
Other	4,010	672	–	6	(1,302)	–	3,386	–
Surf Life Saving	93	110	–	–	–	–	203	–
Bushfire Facilities	549	1,188	–	1	(1,058)	–	680	–
Administration Building	155	250	–	1	–	–	406	–
Multi Purpose Community Centre	182	48	–	2	(16)	–	216	–
Central Library Building	535	1,353	–	2	(623)	–	1,267	–
Library Book Stock	150	261	–	–	–	–	411	–
Aquatic Centre	77	541	–	1	(110)	–	509	–
Plan Administration	–	756	–	2	(16)	–	742	–
Other - Finance	33	95	–	–	(5)	–	123	–
Rec & Community Facilities	129	7	–	–	(4)	–	132	–
GLW Admin	327	–	–	–	(327)	–	–	–
Parking Tea Gardens	–	–	–	–	–	–	–	–
Other – Surf Life Saving Hawks Nest	41	–	–	–	(41)	–	–	–
Other - environmental	545	–	–	–	(545)	–	–	–
Bridges	119	–	–	–	(119)	–	–	–
Rural Fire Fighting	909	81	–	–	(990)	–	–	–
Plan Preparatory	(1)	1	–	–	–	–	–	–
Section 94 Officer	286	–	–	–	(286)	–	–	–
Other - Finance - contra	(2)	2	–	–	–	–	–	–
S7.11 contributions – under a plan	25,408	8,136	–	44	(7,812)	–	25,776	–
S7.12 levies – under a plan	126	408	–	1	(77)	–	458	–
Total S7.11 and S7.12 revenue under plans	25,534	8,544	–	45	(7,889)	–	26,234	–
S7.11 not under plans	539	–	–	1	(379)	–	161	–
S7.4 planning agreements	–	423	–	1	(30)	–	394	–
S64 contributions	21,714	9,756	–	54	–	–	31,524	–
Total contributions	47,787	18,723	–	101	(8,298)	–	58,313	–

G4-1 Summary of developer contributions (continued)

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 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN (former Gloucester Shire Council)								
Roads	531	25	–	–	(59)	–	497	–
Parking	7	–	–	–	–	–	7	–
Rec & Community Facilities	129	7	–	–	(4)	–	132	–
Total	667	32	–	–	(63)	–	636	–
CONTRIBUTION PLAN - FORSTER DISTRICT (former Great Lakes Council)								
Drainage	470	7	–	1	–	–	478	–
Roads	3,126	809	–	7	–	–	3,942	–
Parking	645	–	–	1	–	–	646	–
Open space	2,528	580	–	5	(30)	–	3,083	–
Community facilities	2,209	208	–	1	(1,459)	–	959	–
Central Library	–	1,265	–	2	–	–	1,267	–
Aquatic Centre	–	508	–	1	–	–	509	–
Surf Life Saving	–	19	–	–	–	–	19	–
Total	8,978	3,396	–	18	(1,489)	–	10,903	–
CONTRIBUTION - GREAT LAKES WIDE (former Great Lakes Council)								
Community facilities	195	–	–	–	(195)	–	–	–
Library Book stocks	–	236	–	–	–	–	236	–
Bushfire facilities	549	130	–	1	–	–	680	–
Administration building	155	250	–	1	–	–	406	–
GLW admin	327	–	–	–	(327)	–	–	–
Plan Administration	–	434	–	1	–	–	435	–
Total	1,226	1,050	–	3	(522)	–	1,757	–
CONTRIBUTION PLAN - TEA GARDENS / HAWKS NEST (former Great Lakes Council)								
Roads	116	10	–	–	–	–	126	–
Parking	59	–	–	–	–	–	59	(500)
Open space	353	16	–	2	–	–	371	500
Community facilities	136	4	–	–	–	–	140	–
Other – Surf Life Saving Hawks Nest	41	–	–	–	(41)	–	–	–

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G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Surf Life Saving	–	43	–	–	–	–	43	–
Total	705	73	–	2	(41)	–	739	–
CONTRIBUTION PLAN - ROAD HAULAGE (former Great Lakes Council)								
Roads	387	1	–	1	–	–	389	–
Total	387	1	–	1	–	–	389	–
CONTRIBUTION PLAN - RURAL ROADS BULADHDELAH, STROUD & RURAL OPEN SPACE (former Great Lakes Council)								
Roads	483	144	–	1	–	–	628	–
Open space	106	59	–	–	–	–	165	–
Total	589	203	–	1	–	–	793	–
CONTRIBUTION PLAN - THE BRANCH LANE (former Great Lakes Council)								
Roads	101	17	–	–	–	–	118	–
Total	101	17	–	–	–	–	118	–
CONTRIBUTION PLAN - COOMBA RD & SHALLOW BAY RD (former Great Lakes Council)								
Roads	190	1	–	–	–	–	191	–
Total	190	1	–	–	–	–	191	–
CONTRIBUTION PLAN - DURALIE COAL (former Great Lakes Council)								
Roads	433	–	–	–	(433)	–	–	–
Community facilities	160	–	–	–	(160)	–	–	–
Other – environmental	545	–	–	–	(545)	–	–	–
Bridges	119	–	–	–	(119)	–	–	–
Total	1,257	–	–	–	(1,257)	–	–	–
CONTRIBUTION PLAN - 2001 PLAN GREATER TAREE (former Greater Taree City Council)								
Open Space	74	72	–	1	–	–	147	–
Surf Life Saving	93	48	–	–	–	–	141	–
Central Library Building	535	88	–	–	(623)	–	–	–
Library Book Stock	150	25	–	–	–	–	175	–
Aquatic Centre	77	33	–	–	(110)	–	–	–
Rural Fire Fighting	473	–	–	–	(473)	–	–	–
Bushfire Facilities	–	531	–	–	(531)	–	–	–
Plan Preparatory	(1)	1	–	–	–	–	–	–
Section 94 Officer	286	–	–	–	(286)	–	–	–

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G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Plan Administration	–	322	–	1	(16)	–	307	–
Other - Finance	–	45	–	–	(2)	–	43	–
Other	39	–	–	–	(39)	–	–	–
Total	1,726	1,165	–	2	(2,080)	–	813	–
CONTRIBUTION PLAN 2001 PLAN TAREE (former Greater Taree City Council)								
Roads	378	154	–	2	–	–	534	–
Open space	197	42	–	–	–	–	239	–
Rural Fire Fighting	179	–	–	–	(179)	–	–	–
Bushfire facilities	–	243	–	–	(243)	–	–	–
Other	6	–	–	–	(6)	–	–	–
Other - Finance	–	6	–	–	–	–	6	–
Total	760	445	–	2	(428)	–	779	–
CONTRIBUTION PLAN - 2001 PLAN WINGHAM (former Greater Taree City Council)								
Roads	728	3	–	1	–	–	732	–
Open Space	91	17	–	–	–	–	108	–
Rural Fire Fighting	(81)	81	–	–	–	–	–	–
Bushfire Facilities	–	(81)	–	–	81	–	–	–
Other - Finance	–	–	–	–	–	–	–	–
Total	738	20	–	1	81	–	840	–
CONTRIBUTION PLAN - 2001 HALLIDAYS POINT (former Greater Taree City Council)								
Roads	388	243	–	1	–	–	632	–
Open Space	816	9	–	1	–	–	826	–
Rural Fire Fighting	199	–	–	–	(199)	–	–	–
Bushfire facilities	–	215	–	–	(215)	–	–	–
MP Community Centre	88	40	–	1	–	–	129	–
Other - Finance	–	1	–	–	–	–	1	–
Total	1,491	508	–	3	(414)	–	1,588	–
CONTRIBUTION PLAN - 2010 PLAN OLD BAR (former Greater Taree City Council)								
Drainage	–	13	–	–	–	–	13	–
Roads	1,201	119	–	3	(13)	–	1,310	–
Open Space	212	–	–	–	(19)	–	193	–
Rural Fire Fighting	53	–	–	–	(53)	–	–	–
Bushfire Facilities	–	57	–	–	(57)	–	–	–
MP Community Centre	44	8	–	–	–	–	52	–
Other - Finance	31	–	–	–	(2)	–	29	–

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G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	1,541	197	–	3	(144)	–	1,597	–
CONTRIBUTION PLAN - 2001 PLAN HARRINGTON (former Greater Taree City Council)								
Roads	776	194	–	1	–	–	971	–
Open space	175	24	–	–	(2)	–	197	–
Rural Fire Fighting	86	–	–	–	(86)	–	–	–
Bushfire Facilities	–	93	–	–	(93)	–	–	–
MP Community Centre	50	–	–	1	(16)	–	35	–
Other – Finance	2	–	–	–	(1)	–	1	–
Other – Finance – contra	(2)	2	–	–	–	–	–	–
Total	1,087	313	–	2	(198)	–	1,204	–
CONTRIBUTION PLAN NUMBER 2016								
Other	3,965	672	–	6	(1,257)	–	3,386	–
Other - Finance	–	43	–	–	–	–	43	–
Total	3,965	715	–	6	(1,257)	–	3,429	–
S7.12 Levies – under a plan								
CONTRIBUTION PLAN OLD BAR (former Greater Taree City Council)								
General Purpose	126	2	–	1	(50)	–	79	–
Total	126	2	–	1	(50)	–	79	–
CONTRIBUTION PLAN MCC 2016 (covers former Greater Taree City Council area)								
General Purpose	–	337	–	–	–	–	337	–
Total	–	337	–	–	–	–	337	–
CONTRIBUTION PLAN GLOUCESTER 2015 (former Gloucester Shire Council)								
General Purpose	–	69	–	–	(27)	–	42	–
Total	–	69	–	–	(27)	–	42	–

G4-3 Contributions not under plans

	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
(former Gloucester Shire Council - Duralie)								
Roads	98	-	-	-	(98)	-	-	-
Other	281	-	-	-	(281)	-	-	-
Total	379	-	-	-	(379)	-	-	-
(former Great Lakes Council)								
Roads	160	-	-	1	-	-	161	-
Total	160	-	-	1	-	-	161	-

G4-4 S7.4 planning agreements

363 Diamond Beach Road, Diamond Beach (Seashells)

Other	-	59	-	-	-	-	59	-
Total	-	59	-	-	-	-	59	-

391 Diamond Beach Road, Diamond Beach

Other	-	88	-	-	-	-	88	-
Total	-	88	-	-	-	-	88	-

Murray Road, Wingham

Other	-	119	-	-	-	-	119	-
Total	-	119	-	-	-	-	119	-

Sanderling Avenue, Hawks Nest

Other	-	128	-	-	-	-	128	-
Total	-	128	-	-	-	-	128	-

72 Clarkson Street, Nابیac

Other	-	30	-	-	(30)	-	-	-
Total	-	30	-	-	(30)	-	-	-

G4-5 S64 contributions

Former MidCoast Water Contributions

Water Contributions	4,977	4,765	-	17	-	-	9,759	-
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G4-5 S64 contributions (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Sewer Contributions	16,737	4,991	–	37	–	–	21,765	–
Total	21,714	9,756	–	54	–	–	31,524	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	11,374	4.20%	(5.00)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	271,007			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	226,648	66.11%	71.05%	> 60.00%
Total continuing operating revenue ¹	342,837			
3. Unrestricted current ratio				
Current assets less all external restrictions	90,004	2.80x	3.09x	> 1.50x
Current liabilities less specific purpose liabilities	32,099			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	99,258	2.75x	1.77x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	36,128			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	16,343	8.89%	11.71%	< 10.00%
Rates and annual charges collectable	183,798			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	248,105	12.85 months	10.58 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	19,306			

(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 ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	2.14%	(14.45)%	1.73%	5.96%	15.31%	21.65%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	57.91%	64.95%	85.83%	78.53%	87.03%	89.63%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.80x	2.99x	4.16x	4.19x	6.15x	5.76x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.48x	2.52x	1.91x	1.11x	2.20x	1.95x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	9.02%	9.37%	7.50%	14.97%	9.05%	16.84%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.09	7.62	15.38	11.57	34.76	26.73	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	months

(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.

End of the audited financial statements



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

MidCoast Council

To the Councillors of MidCoast Council

Opinion

I have audited the accompanying financial statements of MidCoast Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My 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 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

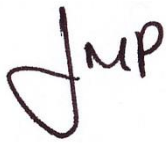
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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 dark ink, appearing to read 'JMP', is positioned above the printed name and title.

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

31 October 2022
SYDNEY



Councillor Claire Pontin
Mayor
MidCoast Council
PO Box 482
TAREE NSW 2430

Contact: Jan-Michael Perez
Phone no: 02 9275 7115
Our ref: D2222735/1759

31 October 2022

Dear Mayor Pontin

**Report on the Conduct of the Audit
for the year ended 30 June 2022
MidCoast Council**

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

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

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	163.2	157.3	↑ 3.8
Grants and contributions revenue	116.2	90.4	↑ 28.5
Operating result from continuing operations	80.7	37.1	↑ 117.5
Net operating result before capital grants and contributions	8.9	(20.9)	↑ 142.6

Grants and contributions revenue (\$116.2 million) increased by \$25.8 million (28.5 per cent) in 2021–22 due to:

- capital grant funding (\$35.6 million) for transport (other roads and bridges) increased by \$11.0 million
- receipt by Council of 75 per cent of the 2022–23 financial assistance grant (\$14.9 million) from the Commonwealth Government compared to 50 per cent in 2020–21 (\$9.4 million)
- higher claims for the emergency works associated to storms and floods (\$4.7 million).

The Council's operating result from continuing operations (\$80.7 million including depreciation and amortisation expense of \$78.4 million) was \$43.6 million higher than the 2020–21 result. This is mainly driven by an increase in grants and contributions revenue for operating and capital purposes.

The net operating result before capital grants and contributions (\$8.9 million) was \$29.8 million higher than the 2020–21 result.

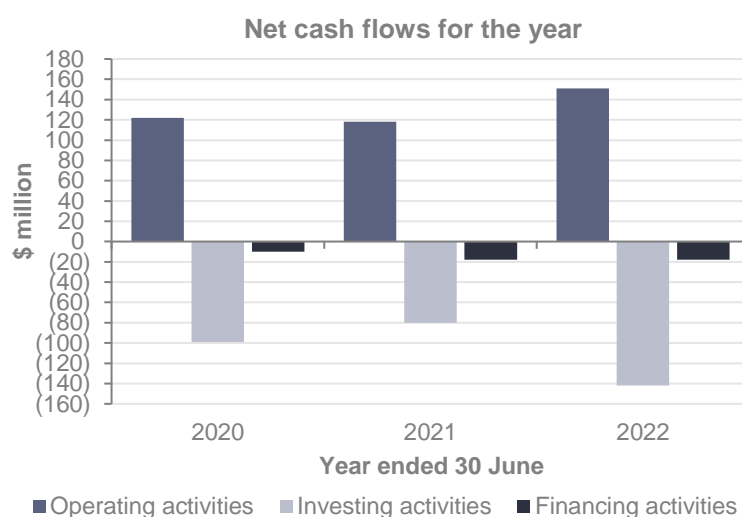
STATEMENT OF CASH FLOWS

Cash from operating activities

increased by \$33.0 million due to increased rates and annual charges and grants and contributions.

Cash outflows from investing activities increased by \$62.9 million was mainly driven by lesser redemption and disposals of financial assets during the year.

Net cash outflows from financing activities remains relatively consistent with the prior year, decreasing only by \$0.5 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	321.5	275.9	Cash and investments increased as more long-term investments were made as part of Council's investment strategy.
Restricted and allocated cash, cash equivalents and investments:			External allocations increased due to the phasing of capital works delivery with the funding allocated.
• External restrictions	252.6	219.4	Internal allocations increased was mainly due to receipt by Council of 75 per cent of the 2022–23 financial assistance grant from the Commonwealth Government compared to 50 per cent in 2020–21.
• Internal allocations	68.4	56.2	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent developer contributions, specific purpose grants and domestic waste charges.

Internally allocated cash and investments have been restricted in their use by resolution or policy of the Council to reflect forward plans and identified work programs. Their purpose is fully disclosed in Note C1-3 of the financial statements.

Debt

Note C3-3 Borrowings discloses the Council's financing borrowing facilities. Council has \$0.75 million in purchase card facilities of which \$0.678 million remains undrawn at balance date.

At 30 June 2022, the Council has external borrowings of \$177.8 million (2021: \$194.9 million), including \$19.3 million classified as current, with the remaining balance classified as non-current.

PERFORMANCE

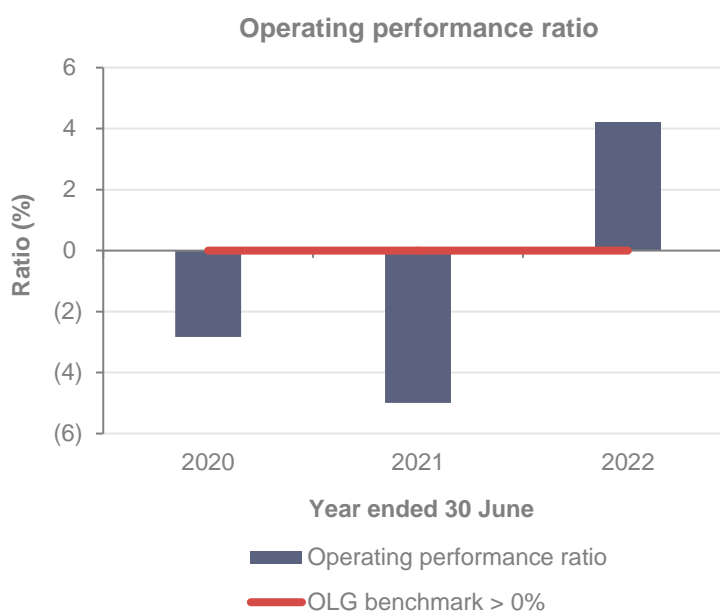
Performance measures

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 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.

Historically, Council has not achieved the benchmark, however, they have exceeded the OLG benchmark for the current reporting period due to higher operating grants and contributions and lower employee related costs compared with the prior year.

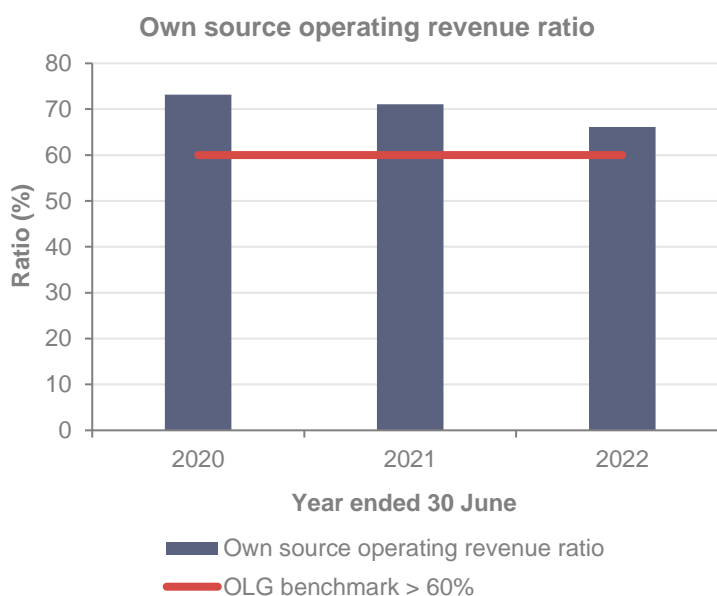


Own source operating revenue ratio

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

The Council continues to exceed the OLG benchmark.

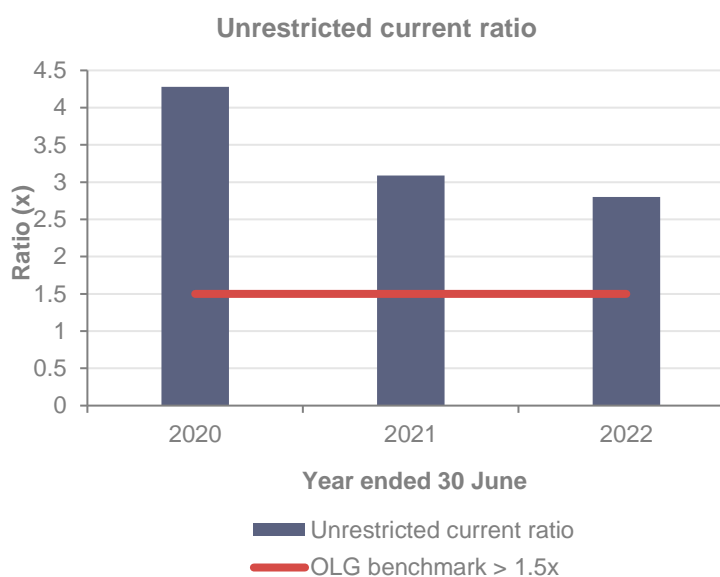
Higher grant funding received during the year, compared with the prior year, was the main contributor to this year's ratio.



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.

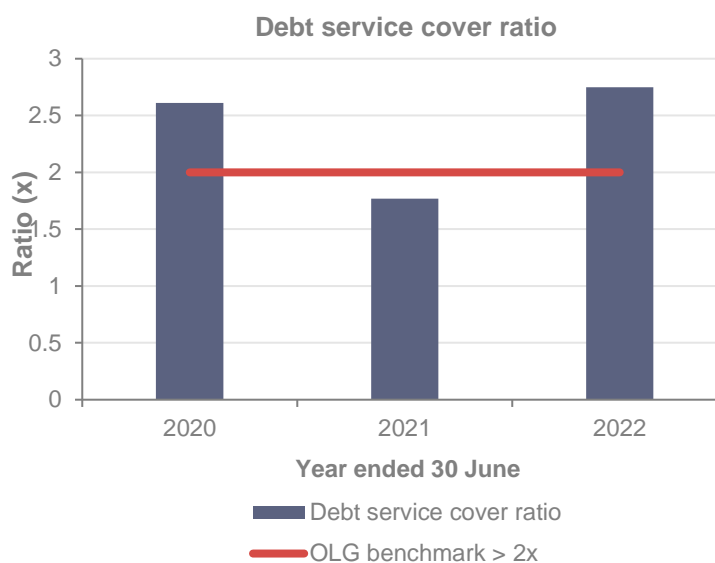
While the Council continues to exceed the OLG benchmark, the ratio declined mainly on account of higher externally restricted cash and investment balances when compared with the prior year.



Debt service cover ratio

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

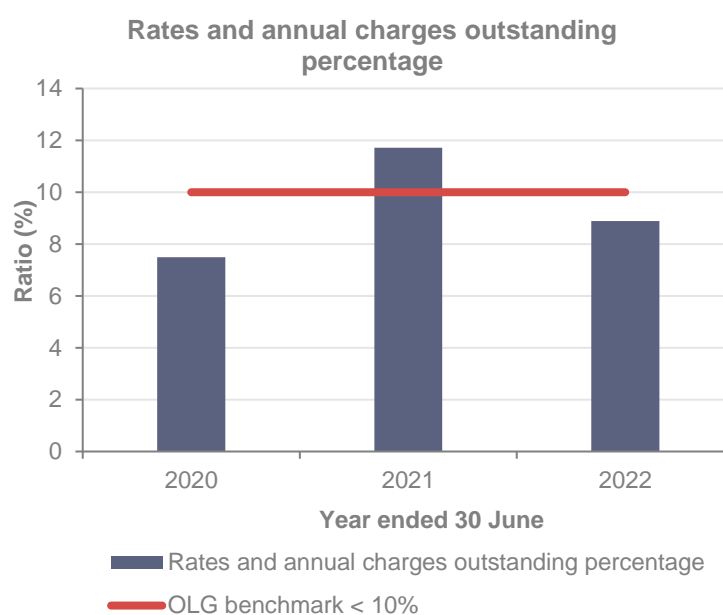
The Council met the OLG benchmark for the current reporting period. Lower borrowings costs and repayments contributed to the result.



Rates and annual charges outstanding percentage

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

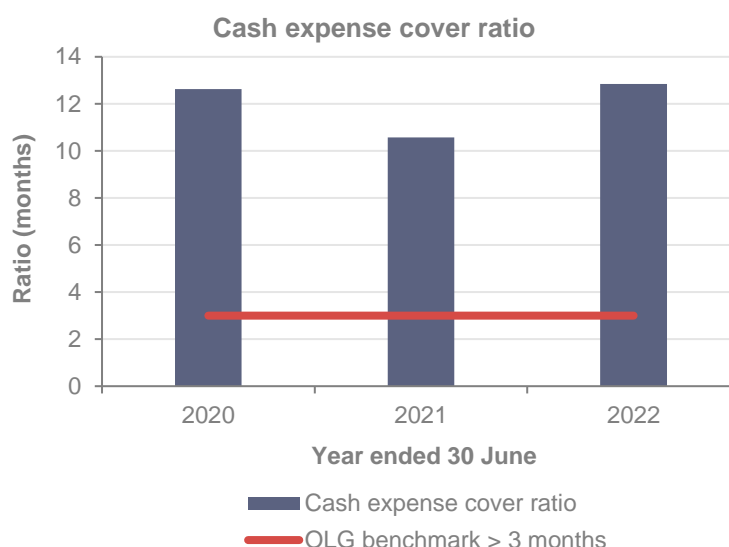
The Council met the OLG benchmark for the current reporting period.



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 continues to exceed the OLG benchmark.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewal expenditure was \$80.6 million compared to \$64.8 million in 2020-21.

Legislative compliance

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

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

Jan-Michael Perez
Director, Financial Audit Services

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
Mr Michael Cassel, Secretary of the Department of Planning and Environment

MidCoast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Special Purpose Financial Statements

for the year ended 30 June 2022

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Income Statement of Midcoast Assist	6
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Statement of Financial Position of sewerage business activity	8
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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 2022

Statement by Councillors and Management

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

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

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

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

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

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

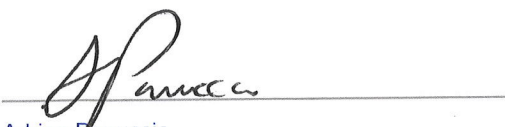
Signed in accordance with a resolution of Council made on 26 October 2022.



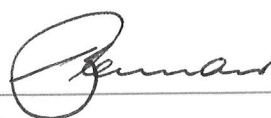
Claire Pontin
Mayor
26 October 2022



Alan Tickle
Deputy Mayor
26 October 2022



Adrian Panuccio
General Manager
26 October 2022



Phil Brennan
Responsible Accounting Officer
26 October 2022

MidCoast Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	14,076	13,602
User charges	25,982	26,954
Fees	1,291	1,062
Interest and investment income	178	91
Other income	307	63
Total income from continuing operations	41,834	41,772
Expenses from continuing operations		
Employee benefits and on-costs	7,577	7,122
Borrowing costs	4,553	5,237
Materials and services	14,357	12,882
Depreciation, amortisation and impairment	13,963	13,713
Net loss from the disposal of assets	529	781
Calculated taxation equivalents	275	236
Debt guarantee fee (if applicable)	762	811
Other expenses	525	330
Total expenses from continuing operations	42,541	41,112
Surplus (deficit) from continuing operations before capital amounts	(707)	660
Grants and contributions provided for capital purposes	6,872	11,422
Surplus (deficit) from continuing operations after capital amounts	6,165	12,082
Surplus (deficit) from all operations before tax	6,165	12,082
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(172)
Surplus (deficit) after tax	6,165	11,910
Plus opening retained profits	435,049	421,920
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	275	236
– Debt guarantee fees	762	811
Less:		
– Corporate taxation equivalent	–	172
Closing accumulated surplus	442,251	435,049
Return on capital %	0.6%	1.1%
Subsidy from Council	17,869	2,419
Calculation of dividend payable:		
Surplus (deficit) after tax	6,165	11,910
Less: capital grants and contributions (excluding developer contributions)	(775)	(6,800)
Surplus for dividend calculation purposes	5,390	5,110
Potential dividend calculated from surplus	2,695	2,555

MidCoast Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	38,961	38,505
User charges	3,152	2,963
Fees	403	301
Interest and investment income	651	882
Other income	593	268
Total income from continuing operations	43,760	42,919
Expenses from continuing operations		
Employee benefits and on-costs	6,992	5,667
Borrowing costs	3,418	3,852
Materials and services	15,710	13,542
Depreciation, amortisation and impairment	10,610	10,450
Net loss from the disposal of assets	727	598
Calculated taxation equivalents	238	183
Debt guarantee fee (if applicable)	504	560
Other expenses	147	115
Total expenses from continuing operations	38,346	34,967
Surplus (deficit) from continuing operations before capital amounts	5,414	7,952
Grants and contributions provided for capital purposes	6,488	4,967
Surplus (deficit) from continuing operations after capital amounts	11,902	12,919
Surplus (deficit) from all operations before tax	11,902	12,919
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,354)	(2,068)
Surplus (deficit) after tax	10,548	10,851
Plus opening retained profits	424,212	410,550
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	238	183
– Debt guarantee fees	504	560
– Corporate taxation equivalent	1,354	2,068
Less:		
Closing accumulated surplus	436,856	424,212
Return on capital %	1.6%	2.3%
Subsidy from Council	11,452	–
Calculation of dividend payable:		
Surplus (deficit) after tax	10,549	10,851
Surplus for dividend calculation purposes	10,549	10,851
Potential dividend calculated from surplus	5,274	5,426

MidCoast Council

Income Statement of Midcoast Assist

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Fees	7,239	8,837
Grants and contributions provided for operating purposes	1,146	1,112
Other income	12	52
Total income from continuing operations	8,397	10,001
Expenses from continuing operations		
Employee benefits and on-costs	7,434	7,456
Borrowing costs	1	—
Materials and services	2,292	2,085
Depreciation, amortisation and impairment	127	104
Calculated taxation equivalents	236	55
Total expenses from continuing operations	10,090	9,700
Surplus (deficit) from continuing operations before capital amounts	(1,693)	301
Surplus (deficit) from continuing operations after capital amounts	(1,693)	301
Surplus (deficit) from all operations before tax	(1,693)	301
Less: corporate taxation equivalent (25%) [based on result before capital]	—	(78)
Surplus (deficit) after tax	(1,693)	223
Plus accumulated surplus	2,224	1,868
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments Payroll	236	55
– Corporate taxation equivalent	—	78
Add:		
Less:		
Closing accumulated surplus	767	2,224
Return on capital %	(368.6)%	132.6%
Subsidy from Council	1,709	—

MidCoast Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	16,619	28,792
Investments	15,500	2,500
Receivables	8,845	10,793
Other	6	—
Non-current assets classified as held for sale	—	1,375
Total current assets	40,970	43,460
Non-current assets		
Right of use assets	245	—
Investments	3,000	3,000
Infrastructure, property, plant and equipment	593,300	558,100
Investment property	1,369	1,155
Total non-current assets	597,914	562,255
Total assets	638,884	605,715
LIABILITIES		
Current liabilities		
Contract liabilities	852	—
Lease liabilities	7	—
Payables	1,635	2,047
Borrowings	5,199	4,914
Employee benefit provisions	3,012	3,414
Total current liabilities	10,705	10,375
Non-current liabilities		
Lease liabilities	266	—
Borrowings	71,009	76,202
Employee benefit provisions	59	70
Total non-current liabilities	71,334	76,272
Total liabilities	82,039	86,647
Net assets	556,845	519,068
EQUITY		
Accumulated surplus	442,251	435,049
Revaluation reserves	114,594	84,019
Total equity	556,845	519,068

MidCoast Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	37,291	24,403
Investments	22,000	27,000
Receivables	5,306	8,528
Non-current assets classified as held for sale	—	1,375
Total current assets	64,597	61,306
Non-current assets		
Right of use assets	72	—
Investments	34,750	33,250
Infrastructure, property, plant and equipment	554,216	522,384
Investment property	1,369	1,155
Total non-current assets	590,407	556,789
Total assets	655,004	618,095
LIABILITIES		
Current liabilities		
Lease liabilities	6	—
Payables	1,457	1,573
Borrowings	6,024	5,662
Employee benefit provisions	3,012	3,414
Total current liabilities	10,499	10,649
Non-current liabilities		
Lease liabilities	68	—
Borrowings	44,333	50,357
Employee benefit provisions	59	70
Total non-current liabilities	44,460	50,427
Total liabilities	54,959	61,076
Net assets	600,045	557,019
EQUITY		
Accumulated surplus	436,856	424,212
Revaluation reserves	163,189	132,807
Total equity	600,045	557,019

MidCoast Council

Statement of Financial Position of Midcoast Assist

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1,786	2,751
Receivables	635	1,317
Total current assets	2,421	4,068
Non-current assets		
Infrastructure, property, plant and equipment	459	227
Right of use assets	61	—
Total non-current assets	520	227
Total assets	2,941	4,295
LIABILITIES		
Current liabilities		
Payables	1,297	1,443
Lease liabilities	19	—
Employee benefit provisions	806	619
Total current liabilities	2,122	2,062
Non-current liabilities		
Lease liabilities	42	—
Employee benefit provisions	10	9
Total non-current liabilities	52	9
Total liabilities	2,174	2,071
Net assets	767	2,224
EQUITY		
Retained earnings	767	2,224
Total equity	767	2,224

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 – **25%** (20/21 26%)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 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 25% (20/21 26%).

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% 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 2021/2022 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)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

MidCoast Council

To the Councillors of MidCoast Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of MidCoast Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- 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 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant Accounting Policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

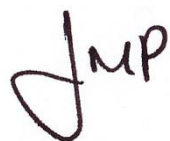
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in dark ink, appearing to read 'JMP', with a large loop on the left side.

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

31 October 2022
SYDNEY

MidCoast Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



MidCoast Council

Special Schedules

for the year ended 30 June 2022

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MidCoast Council

Permissible income for general rates (Merger Councils)

		2021/22	2022/23
\$ '000	Notes	MidCoast Council	MidCoast Council
Notional general income calculation ¹			
Last year notional general income yield	a	84,244	86,414
Plus or minus adjustments ²	b	525	336
Notional general income	$c = a + b$	84,769	86,750
Permissible income calculation			
Or rate peg percentage	e		2.25%
Or plus rate peg amount	$i = e \times (c + g)$	1,695	1,952
Sub-total	$k = (c + g + h + i + j)$	86,464	88,702
Plus (or minus) last year's carry forward total	l	22	83
Less valuation objections claimed in the previous year	m	—	(11)
Sub-total	$n = (l + m)$	22	72
Total permissible income	$o = k + n$	86,486	88,774
Less notional general income yield	p	86,414	88,742
Catch-up or (excess) result	$q = o - p$	72	32
Plus income lost due to valuation objections claimed	r	11	—
Carry forward to next year ⁶	$t = q + r + s$	83	32

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 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

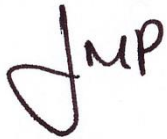
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in dark ink, appearing to read 'JMP', with a large loop on the left side.

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

31 October 2022
SYDNEY

MidCoast Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other Buildings	1,160	1,160	638	387	57,990	85,167	56.7%	14.8%	18.9%	9.2%	0.4%
	Council Offices/Administration Centres	1,825	1,825	588	567	53,418	84,155	41.5%	7.2%	30.1%	19.8%	1.4%
	Council Works Depots	149	149	71	449	6,484	12,001	8.7%	6.6%	59.0%	25.7%	0.0%
	Council Public Halls	438	438	132	14	11,970	23,299	1.2%	13.1%	59.1%	26.6%	0.0%
	Libraries	14	14	59	170	5,399	8,950	0.0%	35.5%	64.5%	0.0%	0.0%
	Cultural/Community Facilities	3,022	3,022	1,390	1,809	126,399	225,032	3.7%	27.6%	40.4%	27.8%	0.5%
	Sub-total	6,608	6,608	2,878	3,396	261,660	438,604	21.2%	20.0%	36.2%	22.0%	0.6%
Other structures	Other structures Not Included In Buildings	339	339	160	106	10,781	14,587	58.2%	15.2%	12.2%	10.9%	3.5%
	Sub-total	339	339	160	106	10,781	14,587	58.2%	15.2%	12.2%	10.9%	3.5%
Roads	Sealed roads	58,072	58,072	13,433	14,604	696,830	1,285,183	19.2%	42.1%	23.9%	10.6%	4.2%
	Unsealed roads	428	428	1,119	1,246	6,146	60,900	7.1%	28.5%	61.6%	2.3%	0.5%
	Bridges	2,523	2,523	1,332	639	207,202	356,388	16.6%	59.7%	19.6%	3.9%	0.2%
	Footpaths/Cycleways	311	311	149	136	16,999	37,378	28.4%	28.0%	40.5%	2.7%	0.4%
	Kerb & Guttering	1,882	1,882	224	130	66,444	152,830	12.5%	12.6%	69.6%	4.2%	1.1%
	Bulk earthworks	—	—	—	—	1,071,748	1,071,748	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	63,216	63,216	16,257	16,755	2,065,369	2,964,427	47.6%	27.0%	18.1%	5.4%	1.9%
Water supply network	Water supply network	21,429	21,429	8,838	8,180	526,649	929,657	6.9%	38.0%	30.7%	14.0%	10.4%
	Sub-total	21,429	21,429	8,838	8,180	526,649	929,657	6.9%	38.0%	30.7%	14.0%	10.4%
Sewerage network	Sewerage network	13,980	13,980	8,958	8,585	516,903	793,571	33.0%	11.9%	36.0%	18.7%	0.4%
	Sub-total	13,980	13,980	8,958	8,585	516,903	793,571	33.0%	11.9%	36.0%	18.7%	0.4%
Stormwater drainage	Stormwater drainage	4,271	4,271	1,841	366	204,899	388,805	19.4%	45.1%	30.5%	4.7%	0.3%
	Sub-total	4,271	4,271	1,841	366	204,899	388,805	19.4%	45.1%	30.5%	4.7%	0.3%
Open space / recreational assets	Swimming pools	783	783	123	1,253	4,769	11,168	0.7%	5.1%	43.3%	50.9%	0.0%
	Other Recreational/Open Space Assets	1,199	1,199	600	6,578	35,692	54,558	17.1%	48.3%	24.5%	9.1%	1.0%
	Sub-total	1,982	1,982	723	7,831	40,461	65,726	14.3%	41.0%	27.7%	16.2%	0.8%
Total – all assets		111,825	111,825	39,655	45,219	3,626,722	5,595,377	34.4%	27.5%	25.1%	10.1%	2.9%

Report on infrastructure assets as at 30 June 2022 (continued)

(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 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	80,601	117.43%	94.46%	>= 100.00%
Depreciation, amortisation and impairment	68,636			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	111,825	2.98%	4.01%	< 2.00%
Net carrying amount of infrastructure assets	3,752,451			
Asset maintenance ratio				
Actual asset maintenance	45,219	114.03%	97.79%	> 100.00%
Required asset maintenance	39,655			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	111,825	2.00%	2.69%	
Gross replacement cost	5,595,377			

(*) 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 2022

Infrastructure asset performance indicators (by fund)

	General fund		Water fund		Sewer fund		Benchmark
\$ '000	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	137.37%	114.58%	103.06%	43.38%	43.37%	65.09%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.82%	4.20%	4.07%	3.61%	2.70%	3.56%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	130.17%	107.32%	92.55%	82.54%	95.84%	85.65%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.97%	2.90%	2.31%	2.12%	1.76%	2.39%	

(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.