

MidCoast Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023



MidCoast Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



General Purpose Financial Statements

for the year ended 30 June 2023

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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 2023

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.

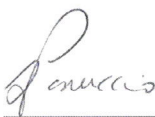
Signed in accordance with a resolution of Council made on 25 October 2023.



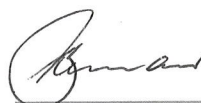
Claire Pontin
Mayor
25 October 2023



Katheryn Stinson
Councillor
25 October 2023



Adrian Panuccio
General Manager
25 October 2023



Phil Brennan
Responsible Accounting Officer
25 October 2023

MidCoast Council

Income Statement

for the year ended 30 June 2023

| Original unaudited budget 2023 | \$ '000 | Notes | Actual 2023 | Actual 2022 |
|---|--|-------|-----------------|----------------|
| | Income from continuing operations | | | |
| 168,201 | Rates and annual charges | B2-1 | 168,844 | 163,221 |
| 56,453 | User charges and fees | B2-2 | 55,930 | 52,826 |
| 4,277 | Other revenues | B2-3 | 7,234 | 5,402 |
| 35,011 | Grants and contributions provided for operating purposes | B2-4 | 46,628 | 44,359 |
| 43,027 | Grants and contributions provided for capital purposes | B2-4 | 81,433 | 71,830 |
| 3,010 | Interest and investment income | B2-5 | 9,006 | 2,966 |
| 2,273 | Other income | B2-6 | 9,001 | 5,870 |
| 312,252 | Total income from continuing operations | | 378,076 | 346,474 |
| | Expenses from continuing operations | | | |
| 96,168 | Employee benefits and on-costs | B3-1 | 85,196 | 77,604 |
| 82,797 | Materials and services | B3-2 | 101,565 | 82,668 |
| 8,942 | Borrowing costs | B3-3 | 9,193 | 9,757 |
| 80,301 | Depreciation, amortisation and impairment of non-financial assets | B3-4 | 107,413 | 78,351 |
| 10,385 | Other expenses | B3-5 | 16,300 | 11,840 |
| 923 | Net loss from the disposal of assets | B4-1 | 22,373 | 5,509 |
| 279,516 | Total expenses from continuing operations | | 342,040 | 265,729 |
| 32,736 | Operating result from continuing operations | | 36,036 | 80,745 |
| 32,736 | Net operating result for the year attributable to Council | | 36,036 | 80,745 |
| (10,291) | Net operating result for the year before grants and contributions provided for capital purposes | | (45,397) | 8,915 |

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 2023

| \$ '000 | Notes | 2023 | 2022 |
|--|-------|----------------|---------|
| Net result for the year (as per Income Statement) | | 36,036 | 80,745 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-6 | 191,944 | 395,859 |
| Total items which will not be reclassified subsequently to the operating result | | 191,944 | 395,859 |
| Total other comprehensive income for the year | | 191,944 | 395,859 |
| Total comprehensive income for the year attributable to Council | | 227,980 | 476,604 |

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 2023

| \$ '000 | Notes | 2023 | 2022 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 50,691 | 61,855 |
| Investments | C1-2 | 120,550 | 99,740 |
| Receivables | C1-4 | 68,300 | 51,872 |
| Inventories | C1-5 | 1,394 | 1,556 |
| Other | | 981 | 3,560 |
| Total current assets | | 241,916 | 218,583 |
| Non-current assets | | | |
| Investments | C1-2 | 159,377 | 159,927 |
| Receivables | C1-4 | 628 | 3,328 |
| Inventories | C1-5 | 1,034 | 1,034 |
| Infrastructure, property, plant and equipment (IPPE) | C1-6 | 4,273,132 | 4,036,580 |
| Investment property | C1-7 | 27,912 | 27,802 |
| Right of use assets | C2-1 | 2,525 | 3,001 |
| Total non-current assets | | 4,464,608 | 4,231,672 |
| Total assets | | 4,706,524 | 4,450,255 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3-1 | 39,485 | 32,014 |
| Contract liabilities | C3-2 | 36,504 | 24,945 |
| Lease liabilities | C2-1 | 694 | 660 |
| Borrowings | C3-3 | 17,331 | 19,325 |
| Employee benefit provisions | C3-4 | 23,591 | 24,566 |
| Provisions | C3-5 | 6,546 | — |
| Total current liabilities | | 124,151 | 101,510 |
| Non-current liabilities | | | |
| Lease liabilities | C2-1 | 2,037 | 2,575 |
| Borrowings | C3-3 | 148,368 | 158,507 |
| Employee benefit provisions | C3-4 | 1,799 | 458 |
| Provisions | C3-5 | 28,858 | 13,874 |
| Total non-current liabilities | | 181,062 | 175,414 |
| Total liabilities | | 305,213 | 276,924 |
| Net assets | | 4,401,311 | 4,173,331 |
| EQUITY | | | |
| Accumulated surplus | C4-1 | 3,067,777 | 3,031,741 |
| IPPE revaluation surplus | C4-1 | 1,333,534 | 1,141,590 |
| Total equity | | 4,401,311 | 4,173,331 |

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 2023

| \$ '000 | Notes | 2023 | | | 2022 | | |
|---|-------|---------------------|--------------------------|------------------|---------------------|--------------------------|------------------|
| | | Accumulated surplus | IPPE revaluation surplus | Total equity | Accumulated surplus | IPPE revaluation surplus | Total equity |
| Opening balance at 1 July | | 3,031,741 | 1,141,590 | 4,173,331 | 2,950,996 | 745,731 | 3,696,727 |
| Net operating result for the year | | 36,036 | – | 36,036 | 80,745 | – | 80,745 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-6 | – | 191,944 | 191,944 | – | 395,859 | 395,859 |
| Total comprehensive income | | 36,036 | 191,944 | 227,980 | 80,745 | 395,859 | 476,604 |
| Closing balance at 30 June | | 3,067,777 | 1,333,534 | 4,401,311 | 3,031,741 | 1,141,590 | 4,173,331 |

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 2023

| Original unaudited budget 2023 | \$ '000 | Notes | Actual 2023 | Actual 2022 |
|---|---|-------|------------------|----------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 168,201 | Rates and annual charges | | 165,693 | 167,334 |
| 56,453 | User charges and fees | | 56,569 | 55,766 |
| 78,038 | Grants and contributions | | 124,017 | 105,919 |
| 3,010 | Interest received | | 6,940 | 2,475 |
| – | Bonds, deposits and retentions received | | 150 | 1,045 |
| 6,550 | Other | | 30,478 | 23,346 |
| Payments: | | | | |
| (94,078) | Payments to employees | | (84,678) | (81,419) |
| (82,797) | Payments for materials and services | | (104,922) | (90,030) |
| (8,942) | Borrowing costs | | (8,943) | (9,574) |
| (10,385) | Other | | (5,126) | (24,273) |
| 116,050 | Net cash flows from operating activities | G1-1 | 180,178 | 150,589 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| – | Redemption of term deposits | | 86,200 | 69,070 |
| – | Sale of investments | | 13,540 | 12,500 |
| – | Sale of real estate assets | | 1,300 | 8,472 |
| 1,500 | Proceeds from sale of IPPE | | 1,033 | 4,125 |
| Payments: | | | | |
| – | Acquisition of term deposits | | (112,000) | (117,550) |
| – | Purchase of investments | | (8,000) | (19,300) |
| (131,157) | Payments for IPPE | | (160,510) | (99,697) |
| (129,657) | Net cash flows from investing activities | | (178,437) | (142,380) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| 8,625 | Proceeds from borrowings | | 7,100 | 8,625 |
| Payments: | | | | |
| (20,153) | Repayment of borrowings | | (19,233) | (25,677) |
| – | Principal component of lease payments | | (772) | (694) |
| (11,528) | Net cash flows from financing activities | | (12,905) | (17,746) |
| (25,135) | Net change in cash and cash equivalents | | (11,164) | (9,537) |
| 61,855 | Cash and cash equivalents at beginning of year | | 61,855 | 71,392 |
| 36,720 | Cash and cash equivalents at end of year | C1-1 | 50,691 | 61,855 |
| 259,667 | plus: Investments on hand at end of year | C1-2 | 279,927 | 259,667 |
| 296,387 | Total cash, cash equivalents and investments | | 330,618 | 321,522 |

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 25 October 2023. 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 2021 (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 C1-7
- ii. fair values of infrastructure, property, plant and equipment – refer Note C1-6
- 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 2023 reporting period. Council has elected not to apply any of these pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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 from 1 July 2022. None of these standards had a significant impact on reported position, performance or disclosures.

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 | |
|--|----------------|---------|----------------|---------|------------------|---------|--------------------------|---------|---------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Functions or activities | | | | | | | | | | |
| Our Unique Diverse & Culturally Rich Communities | 22,904 | 20,990 | 37,468 | 29,109 | (14,564) | (8,119) | 6,765 | 6,138 | 265,152 | 250,714 |
| Our Connected Community | 208,525 | 191,095 | 233,075 | 181,075 | (24,550) | 10,020 | 94,352 | 85,605 | 4,157,762 | 3,931,374 |
| Our Environment | 9,096 | 8,336 | 15,522 | 12,059 | (6,426) | (3,723) | 3,096 | 2,809 | 25,439 | 24,053 |
| Our Thriving & Growing Economy | 4,524 | 4,145 | 7,926 | 6,157 | (3,402) | (2,012) | 1,887 | 1,712 | 60,803 | 57,492 |
| Strong Leadership & Shared Vision | 133,027 | 121,908 | 48,049 | 37,329 | 84,978 | 84,579 | 21,961 | 19,925 | 197,368 | 186,622 |
| Total functions and activities | 378,076 | 346,474 | 342,040 | 265,729 | 36,036 | 80,745 | 128,061 | 116,189 | 4,706,524 | 4,450,255 |

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 | 2023 | 2022 |
|---|----------------|----------------|
| Ordinary rates | | |
| Residential | 67,338 | 65,329 |
| Farmland | 9,602 | 9,450 |
| Business | 11,112 | 10,816 |
| Mining | 213 | 278 |
| Less: pensioner rebates (mandatory) | (2,282) | (2,342) |
| Rates levied to ratepayers | 85,983 | 83,531 |
| Pensioner rate subsidies received | 1,253 | 1,277 |
| Total ordinary rates | 87,236 | 84,808 |
| Annual charges (pursuant to s496, 496A, 496B, 501 & 611) | | |
| Domestic waste management services | 18,645 | 18,154 |
| Stormwater management services | 886 | 878 |
| Water supply services | 15,080 | 14,469 |
| Waste management services (non-domestic) | 6,953 | 6,656 |
| Sewerage services | 41,107 | 39,328 |
| Less: pensioner rebates (mandatory) | (2,351) | (2,400) |
| Annual charges levied | 80,320 | 77,085 |
| Pensioner annual charges subsidies received: | | |
| – Water | 485 | 503 |
| – Sewerage | 446 | 463 |
| – Domestic waste management | 357 | 362 |
| Total annual charges | 81,608 | 78,413 |
| Total rates and annual charges | 168,844 | 163,221 |

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 | 2023 | 2022 |
|--|---------------|---------------|
| Specific user charges (per s502 - specific 'actual use' charges) | | |
| Water supply services | 26,155 | 24,581 |
| Sewerage services | 2,600 | 2,313 |
| Trade Waste | 108 | 113 |
| Total specific user charges | 28,863 | 27,007 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s608) | | |
| Planning and building regulation | 3,128 | 3,679 |
| Section 149 certificates (EPA Act) | 326 | 329 |
| Section 603 certificates | 272 | 379 |
| Laboratory Fees | 121 | 54 |
| Water & Sewerage Connection Fees | 644 | 1,002 |
| Animal control | 109 | 110 |
| Beach vehicle licencing | 757 | 702 |
| Caravan park and camping grounds licence | 31 | 51 |
| Community health fees (food inspection fees etc.) | 212 | 246 |
| Engineering – fixing levels and DA fees | 51 | 54 |
| Freedom of information fees | 8 | 8 |
| On site sewer waste management fees | 1,050 | 1,045 |
| Section 735a charges | 26 | 52 |
| Total fees and charges – statutory/regulatory | 6,735 | 7,711 |
| (ii) Fees and charges – other (incl. general user charges (per s608)) | | |
| Cemeteries | 1,343 | 1,018 |
| Tourism | 30 | 19 |
| Waste disposal tipping fees | 7,041 | 6,151 |
| Leaseback fees – Council vehicles | 1,201 | 1,172 |
| Library and art gallery | 56 | 19 |
| Saleyards | 210 | 263 |
| Swimming centres | 222 | 146 |
| Private works – section 67 | 65 | 192 |
| Entertainment centre | 533 | 395 |
| Landing fees | 33 | 48 |
| Ageing services | 1,938 | 2,023 |
| Community land / property rentals | 46 | 46 |
| Damage bonds | 199 | 193 |
| Mooring fees | 134 | 121 |
| Other service fees and misc income | 1,461 | 978 |
| Transport for NSW fees for service | 621 | 774 |
| Parks and recreation | 188 | 75 |
| National disability insurance scheme | 5,011 | 4,475 |
| Total fees and charges – other | 20,332 | 18,108 |
| Total other user charges and fees | 27,067 | 25,819 |
| Total user charges and fees | 55,930 | 52,826 |
| Timing of revenue recognition for user charges and fees | | |
| User charges and fees recognised over time | 44,473 | 41,602 |
| User charges and fees recognised at a point in time | 11,457 | 11,224 |
| Total user charges and fees | 55,930 | 52,826 |

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 | 2023 | 2022 |
|---|--------------|--------------|
| Fines | 494 | 503 |
| Legal fees recovery – rates and charges (extra charges) | 3 | 2 |
| Commissions and agency fees | 189 | 193 |
| Diesel rebate | 213 | 187 |
| Insurance claims recoveries | 1,840 | 1,175 |
| Other | 1,058 | 1,061 |
| Recycling | 1,610 | 1,513 |
| Reimbursements | 1,827 | 768 |
| Total other revenue | 7,234 | 5,402 |

Timing of revenue recognition for other revenue

| | | |
|---|--------------|--------------|
| Other revenue recognised over time | – | – |
| Other revenue recognised at a point in time | 7,234 | 5,402 |
| Total other revenue | 7,234 | 5,402 |

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 2023 | Operating 2022 | Capital 2023 | Capital 2022 |
|--|-------------------|-------------------|-----------------|-----------------|
| General purpose grants and non-developer contributions (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance – general component | 3,553 | 6,733 | – | – |
| Financial assistance – local roads component | 1,754 | 2,975 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance – general component | 14,842 | 10,338 | – | – |
| Financial assistance – local roads component | 6,789 | 4,590 | – | – |
| Amount recognised as income during current year | 26,938 | 24,636 | – | – |
| Special purpose grants and non-developer contributions (tied) | | | | |
| Cash contributions | | | | |
| Water supplies | – | – | 935 | 776 |
| Library | 145 | 321 | 108 | 430 |
| Storm/flood damage | 8,158 | 1,000 | 796 | – |
| Bushfire and emergency services | 2,699 | 7,279 | 131 | 56 |
| Community care | 1,293 | 1,331 | – | – |
| Employment and training programs | 924 | 704 | – | – |
| Heritage and cultural | 122 | 193 | 450 | 1,977 |
| Local Infrastructure Renewal Scheme subsidy | 43 | 131 | – | – |
| Street lighting | 216 | 47 | – | – |
| Transport for NSW contributions (regional roads, block grant) | 1,102 | 1,135 | 3,844 | 3,719 |
| Transport (roads to recovery) | – | 3,579 | – | – |
| Transport (other roads and bridges funding) | 839 | 250 | 46,833 | 35,561 |
| Waste and sustainability | – | 30 | 252 | 339 |
| Environmental works | 1,144 | 671 | 162 | 85 |
| Recreation improvements | – | 25 | 3,769 | 2,371 |
| Stronger country community funding | 56 | 105 | 444 | 1,270 |
| Crown reserve contribution (caravan parks) | 616 | 608 | – | – |
| Misc. contributions | 240 | 361 | – | – |
| Other specific grants | 1,383 | 132 | 283 | 3 |
| Other contributions | 565 | 874 | 176 | 1,535 |
| Total special purpose grants and non-developer contributions – cash | 19,545 | 18,776 | 58,183 | 48,122 |
| Non-cash contributions | | | | |
| Bushfire services | 145 | 947 | 947 | 4,208 |
| Sewerage (excl. section 64 contributions) | – | – | 1,489 | 1,497 |
| Water supplies (excl. section 64 contributions) | – | – | 1,651 | 1,331 |
| Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA) | – | – | 4,987 | 2,578 |
| Total other contributions – non-cash | 145 | 947 | 9,074 | 9,614 |
| Total special purpose grants and non-developer contributions (tied) | 19,690 | 19,723 | 67,257 | 57,736 |
| Total grants and non-developer contributions | 46,628 | 44,359 | 67,257 | 57,736 |
| Comprising: | | | | |
| – Commonwealth funding | 29,550 | 30,160 | 4,721 | 3,935 |
| – State funding | 17,035 | 14,199 | 54,233 | 47,295 |
| – Other funding | 43 | – | 8,303 | 6,506 |
| | 46,628 | 44,359 | 67,257 | 57,736 |

B2-4 Grants and contributions (continued)

Developer contributions

| \$ '000 | Notes | Operating 2023 | Operating 2022 | Capital 2023 | Capital 2022 |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: | | | | | |
| (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | | |
| Cash contributions | | | | | |
| S 7.11 – contributions towards amenities/services | G4 | – | – | 7,988 | 4,338 |
| S 64 – sewerage service contributions | | – | – | 3,311 | 4,991 |
| S 64 – water supply contributions | | – | – | 2,877 | 4,765 |
| Total developer contributions – cash | | – | – | 14,176 | 14,094 |
| Total developer contributions | | – | – | 14,176 | 14,094 |
| Total contributions | | – | – | 14,176 | 14,094 |
| Total grants and contributions | | 46,628 | 44,359 | 81,433 | 71,830 |
| Timing of revenue recognition for grants and contributions | | | | | |
| Grants and contributions recognised over time | | 56 | 130 | 54,163 | 42,868 |
| Grants and contributions recognised at a point in time | | 46,572 | 44,229 | 27,270 | 28,962 |
| Total grants and contributions | | 46,628 | 44,359 | 81,433 | 71,830 |

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 2023 | Operating 2022 | Capital 2023 | Capital 2022 |
|---|-------------------|-------------------|-----------------|-----------------|
| Unspent grants | | | | |
| Unspent funds at 1 July | 4,851 | 4,582 | 23,395 | 14,605 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 9 | 60 | – | – |
| Add: Funds received and not recognised as revenue in the current year | 2,470 | 1,246 | 26,582 | 17,390 |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (2,293) | (959) | (460) | (107) |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | (597) | (78) | (16,044) | (8,493) |
| Unspent funds at 30 June | 4,440 | 4,851 | 33,473 | 23,395 |
| Unspent Contributions | | | | |
| Unspent funds at 1 July | – | 1,599 | 58,313 | 47,789 |
| Add: contributions recognised as revenue in the reporting year but not yet spent | – | – | 15,660 | 18,723 |
| Less: contributions recognised as revenue in previous years that have been spent during the reporting year | – | (1,599) | (18,974) | (8,199) |
| Unspent contributions at 30 June | – | – | 54,999 | 58,313 |

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 | 2023 | 2022 |
|--|--------------|--------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 876 | 694 |
| – Cash and investments | 7,954 | 2,178 |
| – Other | 176 | 94 |
| Total interest and investment income (losses) | 9,006 | 2,966 |

Accounting policy

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

B2-6 Other income

| \$ '000 | Notes | 2023 | 2022 |
|---|-------|--------------|--------------|
| Reversal of revaluation decrements on IPPE previously expensed | | | |
| Footpaths | | 6,225 | – |
| Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement | C1-6 | 6,225 | – |
| Fair value increment on investment properties | | | |
| Fair value increment on investment properties | | 110 | 3,637 |
| Total fair value increment on investment properties | C1-7 | 110 | 3,637 |
| Rental income | | | |
| Investment properties | | | |
| Lease income (excluding variable lease payments not dependent on an index or rate) | | 1,344 | 1,234 |
| Lease income relating to variable lease payments not dependent on an index or a rate | | 161 | 132 |
| Total Investment properties | | 1,505 | 1,366 |
| Other lease income | | | |
| Other Council properties | | 1,161 | 867 |
| Total other lease income | | 1,161 | 867 |
| Total rental income | C2-2 | 2,666 | 2,233 |
| Total other income | | 9,001 | 5,870 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| \$ '000 | 2023 | 2022 |
|--|---------------|---------------|
| Salaries and wages | 72,071 | 70,079 |
| Employee leave entitlements (ELE) | 9,214 | 5,523 |
| Superannuation | 8,910 | 8,205 |
| Workers' compensation insurance | 3,394 | 2,467 |
| Fringe benefit tax (FBT) | 15 | 27 |
| Payroll tax | 1,277 | 1,047 |
| Training costs (other than salaries and wages) | 341 | 207 |
| Protective clothing | 349 | 224 |
| Other | 34 | 55 |
| Total employee costs | 95,605 | 87,834 |
| Less: capitalised costs | (10,409) | (10,230) |
| Total employee costs expensed | 85,196 | 77,604 |

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 | 2023 | 2022 |
|---|-------|----------------|---------------|
| Raw materials and consumables | | 15,523 | 14,239 |
| Contractor costs | | 58,041 | 43,880 |
| Consultancy costs | | 3,417 | 2,912 |
| Audit Fees | F2-1 | 227 | 247 |
| Councillor and Mayoral fees and associated expenses | F1-2 | 437 | 326 |
| Advertising | | 452 | 501 |
| Bank charges | | 494 | 474 |
| Electricity and heating | | 6,995 | 5,596 |
| Insurance | | 3,285 | 2,951 |
| Office expenses (including computer expenses) | | 76 | 61 |
| Postage | | 405 | 378 |
| Printing and stationery | | 360 | 395 |
| Street lighting | | 1,112 | 1,004 |
| Subscriptions and publications | | 550 | 641 |
| Telephone and communications | | 848 | 1,358 |
| Valuation fees | | 418 | 454 |
| Travel expenses | | 135 | 101 |
| Other expenses | | 2,031 | 1,682 |
| Plant running costs | | 4,845 | 4,511 |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 1,419 | 417 |
| – Legal expenses: other | | 73 | 97 |
| Expenses from short-term leases | | 20 | 78 |
| Expenses from leases of low value assets | | 348 | 338 |
| Variable lease expense relating to usage | | 54 | 27 |
| Total materials and services | | 101,565 | 82,668 |
| Total materials and services | | 101,565 | 82,668 |

Accounting policy

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

B3-3 Borrowing costs

| \$ '000 | Notes | 2023 | 2022 |
|--|-------|--------------|--------------|
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 8,803 | 9,572 |
| Interest on leases | | 95 | 83 |
| Total interest bearing liability costs | | 8,898 | 9,655 |
| Total interest bearing liability costs expensed | | 8,898 | 9,655 |
| (ii) Other borrowing costs | | | |
| Amortisation of discounts and premiums: | | | |
| – Remediation liabilities | C3-5 | 295 | 102 |
| Total other borrowing costs | | 295 | 102 |
| Total borrowing costs expensed | | 9,193 | 9,757 |

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 | 2023 | 2022 |
|---|------------|----------------|---------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 5,580 | 5,841 |
| Office equipment | | 26 | 88 |
| Furniture and fittings | | 175 | 238 |
| Computer equipment | | 1,244 | 1,731 |
| Land improvements (depreciable) | | 334 | 316 |
| Infrastructure: | C1-6 | | |
| – Buildings | | 11,556 | 8,883 |
| – Other structures | | 626 | 580 |
| – Roads | | 28,987 | 26,651 |
| – Bridges | | 3,374 | 3,400 |
| – Footpaths | | 773 | 777 |
| – Stormwater drainage | | 4,291 | 3,600 |
| – Water supply network | | 14,112 | 12,869 |
| – Sewerage network | | 10,539 | 9,860 |
| – Swimming pools | | 244 | 155 |
| – Other open space/recreational assets | | 2,140 | 1,861 |
| Right of use assets | C2-1 | 649 | 600 |
| Other assets: | | | |
| – Library books | | 362 | 396 |
| – Cemetery assets | | 28 | 31 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | C3-5, C1-6 | 249 | 249 |
| – Quarry assets | C3-5, C1-6 | 16 | 1 |
| Total depreciation and amortisation costs | | 85,305 | 78,127 |
| Impairment / revaluation decrement of IPPE and other non-financial assets | | | |
| Land improvements (depreciable) | | – | 224 |
| Infrastructure: | C1-6 | | |
| – Bridges | | 22,108 | – |
| Total IPPE and other non-financial assets impairment / revaluation decrement costs charged to Income Statement | | 22,108 | 224 |
| Total depreciation, amortisation and impairment for non-financial assets | | 107,413 | 78,351 |

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 C1-6 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 | 2023 | 2022 |
|--|-------|---------------|---------------|
| Impairment of receivables | | | |
| Rates and annual charges | | – | 80 |
| User charges and fees | | 90 | 212 |
| Total impairment of receivables | C1-4 | 90 | 292 |
| Fair value decrement on investments | | | |
| Fair value decrement on investments through profit and loss | | – | 71 |
| Total Fair value decrement on investments | C1-2 | – | 71 |
| Other | | | |
| – Emergency services levy | | 253 | 133 |
| – NSW fire brigade levy | | 250 | 211 |
| – NSW rural fire service levy | | 2,047 | 2,499 |
| – Waste levy | | 6,375 | 7,327 |
| – Other contributions/levies | | 651 | 808 |
| Donations, contributions and assistance to other organisations (Section 356) | | 486 | 499 |
| Adjustment to Asset Remediation Provision | | 6,148 | – |
| Total other | | 16,210 | 11,477 |
| Total other expenses | | 16,300 | 11,840 |

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 | 2023 | 2022 |
|---|-------|-----------------|----------------|
| Gain (or loss) on disposal of property (excl. investment property) | | | |
| Proceeds from disposal – property | | – | 135 |
| Less: carrying amount of property assets sold/written off | | – | (856) |
| Gain (or loss) on disposal | | – | (721) |
| Gain (or loss) on disposal of plant and equipment | | | |
| | C1-6 | | |
| Proceeds from disposal – plant and equipment | | 1,033 | 867 |
| Less: carrying amount of plant and equipment assets sold/written off | | (2,089) | (1,167) |
| Gain (or loss) on disposal | | (1,056) | (300) |
| Gain (or loss) on disposal of infrastructure | | | |
| | C1-6 | | |
| Proceeds from disposal – infrastructure | | – | 315 |
| Less: carrying amount of infrastructure assets sold/written off | | (22,538) | (9,627) |
| Gain (or loss) on disposal | | (22,538) | (9,312) |
| Gain (or loss) on disposal of real estate assets held for sale | | | |
| | C1-5 | | |
| Proceeds from disposal – real estate assets | | 1,300 | 8,503 |
| Less: carrying amount of real estate assets sold/written off | | (79) | (3,698) |
| Gain (or loss) on disposal | | 1,221 | 4,805 |
| Gain (or loss) on disposal of investments | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – financial assets | | 13,540 | 12,500 |
| Less: carrying amount of financial assets sold/redeemed/matured | | (13,540) | (12,500) |
| Gain (or loss) on disposal | | – | – |
| Gain (or loss) on disposal of term deposits | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – term deposits | | 86,200 | 69,070 |
| Less: carrying amount of term deposits sold/redeemed/matured | | (86,200) | (69,070) |
| Gain (or loss) on disposal | | – | – |
| Gain (or loss) on disposal of non-current assets classified as ‘held for sale’ | | | |
| Proceeds from disposal – non-current assets ‘held for sale’ | | – | 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 | | (22,373) | (5,509) |

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 29 June 2022 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 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | |
|---|----------------|----------------|------------------------------|---------------|
| Revenues | | | | |
| Rates and annual charges | 168,201 | 168,844 | 643 | 0% F |
| User charges and fees | 56,453 | 55,930 | (523) | (1)% U |
| Other revenues | 4,277 | 7,234 | 2,957 | 69% F |
| The material variations from the original budget include: | | | | |
| - Insurance recoveries not included in original budget and related to prior year events (\$1.5 million) | | | | |
| - Reimbursement of expenditure incurred by Council on behalf of sporting groups on facility upgrades (\$500,000) | | | | |
| - Additional income from the sale of scrap metal in excess of original expectations (\$500,000) | | | | |
| - Additional recovery of lost investment principal and interest associated with legal action against Lehman Brothers (\$400,000) | | | | |
| Operating grants and contributions | 35,011 | 46,628 | 11,617 | 33% F |
| The material variations in respect of this item are impacted by the Accounting Standard revenue recognition requirements for grants and contributions and by the manner in which Council budgets for grants and contributions. | | | | |
| Council's budget reflects the expected total grant funding provided under the grant agreement for the relevant project, not the anticipated amount that may be recognised during the financial period. As such it is difficult to reconcile actual grant income with the original budget. | | | | |
| Material variations from the original budget include: | | | | |
| - Financial assistance grant (FAG) whereby the Commonwealth Government paid 100% of the 2023-2024 FAG in advance in June 2023 which is recognised as revenue on receipt. This has generated a positive variation to the budget amount of \$7.688 million. | | | | |
| - Additional subsidy for the employment of trainees and apprentices (\$475,000) | | | | |
| - Additional Storm Damage grant approvals for prior year events | | | | |
| Capital grants and contributions | 43,027 | 81,433 | 38,406 | 89% F |
| The material variations in respect of this item are impacted by the Accounting Standard revenue recognition requirements for grants and contributions and by the manner in which Council budgets for grants and contributions. | | | | |
| Council's budget reflects the expected total grant funding provided under the grant agreement for the relevant project, not the anticipated amount that may be recognised during the financial period. As such it is difficult to reconcile actual grant income with the original budget. | | | | |
| The following variations are included in the actual amount: | | | | |
| - Non-cash contributions of assets (\$3.846 million) | | | | |
| - Additional Section 7.11 developer contributions (\$5.80 million) | | | | |
| - Additional grant funding of road-related programs (\$28 million) | | | | |
| Interest and investment income | 3,010 | 9,006 | 5,996 | 199% F |
| Material variations from the original budget relates to the additional investment interest revenue earned, being \$5.509 million greater than the original budget due to the significant increases in interest rates in the 2023-23 financial year as a result of the increases in the cash rate by the Reserve Bank of Australia. A further \$175,000 relates to additional interest charges on outstanding rates and annual charges which is driven by a higher prescribed interest rate and a growth in outstanding rates and charges. | | | | |
| Other income | 2,273 | 9,001 | 6,728 | 296% F |

B5-1 Material budget variations (continued)

| \$ '000 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | |
|---------|----------------|----------------|------------------------------|--|
|---------|----------------|----------------|------------------------------|--|

The material variation from the original budget relates to the reversal of a revaluation decrement on Footpaths previously expensed of \$6.225 million.

Expenses

| | | | | | |
|---------------------------------------|---------------|---------------|---------------|------------|----------|
| Employee benefits and on-costs | 96,168 | 85,196 | 10,972 | 11% | F |
|---------------------------------------|---------------|---------------|---------------|------------|----------|

Council's original budget does not exclude employee costs that will be capitalised, from the Income Statement. When these costs are taken into account the favourable variance to budget reduces to under 10%.

| | | | | | |
|-------------------------------|---------------|----------------|-----------------|--------------|----------|
| Materials and services | 82,797 | 101,565 | (18,768) | (23)% | U |
|-------------------------------|---------------|----------------|-----------------|--------------|----------|

Council experienced general cost increases in excess of budget estimates across all aspects of its operations during 2022-2023. It also took on additional works that were not expected at the time of preparing the original budget. Material variations from the original budget include:

- Natural Disaster works undertaken by contractors (\$12 million)
- Grant funded works on non-Council owned assets that would ordinarily be capitalised (\$1.993 million)
- Additional legal expenses in respect of planning and development matters (\$1.2 million)
- Increased fuel expenses (\$880,000)

| | | | | | |
|------------------------|--------------|--------------|--------------|-------------|----------|
| Borrowing costs | 8,942 | 9,193 | (251) | (3)% | U |
|------------------------|--------------|--------------|--------------|-------------|----------|

| | | | | | |
|--|---------------|----------------|-----------------|--------------|----------|
| Depreciation, amortisation and impairment of non-financial assets | 80,301 | 107,413 | (27,112) | (34)% | U |
|--|---------------|----------------|-----------------|--------------|----------|

Material variations from the original budget relate to:

- The revaluation decrement of \$22.108 million on bridges
- Additional depreciation expense on a number of asset classes totaling \$4.989 million, the largest being buildings (\$2.196 million), water supply network (\$1.212 million), roads (\$987,000) and sewerage network (\$639,000).

| | | | | | |
|-----------------------|---------------|---------------|----------------|--------------|----------|
| Other expenses | 10,385 | 16,300 | (5,915) | (57)% | U |
|-----------------------|---------------|---------------|----------------|--------------|----------|

The variance in this item is related to an adjustment to an asset remediation provision (\$6.148 million). Council engaged an external contractor to review its waste management remediation plans and estimates at 30 June 2023. That review identified the need to increase asset remediation provisions for future works in respect of some facilities that had been closed. The corresponding expense was booked to the Income Statement. This was not included in the original budget.

| | | | | | |
|---|------------|---------------|-----------------|-----------------|----------|
| Net losses from disposal of assets | 923 | 22,373 | (21,450) | (2,324)% | U |
|---|------------|---------------|-----------------|-----------------|----------|

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 | 116,050 | 180,178 | 64,128 | 55% | F |
|---|----------------|----------------|---------------|------------|----------|

The budget Cash Flow Statement is largely based on the Income Statement with adjustments for significant non-cash items, namely depreciation expense. The variations are therefore reflective of the variances outlined in the Income Statement categories above.

| | | | | | |
|---|------------------|------------------|-----------------|------------|----------|
| Cash flows from investing activities | (129,657) | (178,437) | (48,780) | 38% | U |
|---|------------------|------------------|-----------------|------------|----------|

The variation is related to an increase in the holdings of term deposits, an additional \$30 million in capital expenditure on IPP&E and several components that are not included within Council's annual budgeting.

| | | | | | |
|---|-----------------|-----------------|----------------|------------|----------|
| Cash flows from financing activities | (11,528) | (12,905) | (1,377) | 12% | U |
|---|-----------------|-----------------|----------------|------------|----------|

The variation is related to Council not borrowing the full amount originally projected in the budget as the total amount of funding was not required.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| \$ '000 | 2023 | 2022 |
|--|---------------|---------------|
| Cash assets | | |
| Cash on hand and at bank | 23,823 | 32,832 |
| Cash equivalent assets | | |
| – Deposits at call | 26,868 | 29,023 |
| Total cash and cash equivalents | 50,691 | 61,855 |

Reconciliation of cash and cash equivalents

| | | |
|---|---------------|---------------|
| Total cash and cash equivalents per Statement of Financial Position | 50,691 | 61,855 |
| Balance as per the Statement of Cash Flows | 50,691 | 61,855 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Financial assets at fair value through the profit and loss | | | | |
| Unlisted equity securities | – | 227 | – | 227 |
| Total | – | 227 | – | 227 |
| Debt securities at amortised cost | | | | |
| Long term deposits | 106,550 | 105,500 | 86,200 | 100,050 |
| NCD's, FRN's (with maturities > 3 months) | 14,000 | 53,650 | 13,540 | 59,650 |
| Total | 120,550 | 159,150 | 99,740 | 159,700 |
| Total financial investments | 120,550 | 159,377 | 99,740 | 159,927 |
| Total cash assets, cash equivalents and investments | 171,241 | 159,377 | 161,595 | 159,927 |

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.

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

| \$ '000 | 2023 | 2022 |
|--|------------------|------------------|
| (a) Externally restricted cash, cash equivalents and investments | | |
| Total cash, cash equivalents and investments | 330,618 | 321,522 |
| Less: Externally restricted cash, cash equivalents and investments | (258,727) | (252,566) |
| Cash, cash equivalents and investments not subject to external restrictions | 71,891 | 68,956 |
| External restrictions | | |
| External restrictions – included in liabilities | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Specific purpose unexpended loans – general | 2,630 | 7,829 |
| Subdivision bonds | 4,813 | 4,916 |
| Sundry bonds and deposits | 4,854 | 3,630 |
| Other sale of land, planning guarantee and relocation, tender and sundry deposits | 34 | 49 |
| Specific purpose unexpended grants – general fund | 36,504 | 24,945 |
| External restrictions – included in liabilities | 48,835 | 41,369 |
| External restrictions – other | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Developer contributions – general | 29,686 | 26,789 |
| Developer contributions – water fund | 5,986 | 9,759 |
| Developer contributions – sewer fund | 19,327 | 21,765 |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 1,409 | 3,301 |
| Water fund | 27,061 | 25,360 |
| Domestic waste management | 41,888 | 44,789 |
| Stormwater management | 940 | 2,107 |
| Sewer fund | 78,748 | 72,276 |
| Stratford-Duralie Coal Contributions | 1,490 | 1,504 |
| Crown Lands Act – Section 106 (Forster Boat Harbour) | 363 | 310 |
| Other contributions to works | 678 | 695 |
| ARTC Rail Crossing | 521 | 521 |
| Cattai Wetlands – Environmental Trust | 474 | 461 |
| Nabiac Showground | 213 | 204 |
| Other | 1,108 | 1,356 |
| External restrictions – other | 209,892 | 211,197 |
| Total external restrictions | 258,727 | 252,566 |

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 | 2023 | 2022 |
|--|---------------|---------------|
| (b) Internal allocations | | |
| Internal allocations | | |
| At 30 June, Council has internally allocated funds to the following: | | |
| Plant and vehicle replacement | 7,286 | 5,224 |
| Employees leave entitlement | 4,282 | 4,282 |
| Carry over works | 2,099 | 6,849 |
| Building Infrastructure Reserves | 2,385 | 3,700 |
| Environmental Levy Reserve | 6,021 | 5,826 |
| Commercial Waste | 1,823 | 2,473 |
| Election | 516 | 291 |
| Emergency Management | 1,263 | 1,335 |
| Land & Property Reserves | 4,468 | 3,820 |
| IT Infrastructure Reserves | 3,214 | 101 |
| Budget Management Reserves | 851 | 851 |
| Parks Infrastructure Reserves | 511 | 546 |
| Road Infrastructure Reserves | 2,226 | 2,236 |
| SRV Infrastructure Reserve | 13,249 | 12,828 |
| FAG in advance | 15,000 | 14,927 |
| Other | 3,351 | 3,070 |
| Total internal allocations | 68,545 | 68,359 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Rates and annual charges | 18,611 | – | 14,919 | – |
| Interest and extra charges | 2,170 | – | 2,303 | – |
| User charges and fees | 6,926 | – | 6,153 | – |
| Accrued revenues | | | | |
| – Interest on investments | 3,027 | – | 828 | – |
| – Water & Sewerage Accrued Income | 3,191 | – | 3,225 | – |
| – Other income accruals | 1,427 | – | 1,491 | – |
| Government debtors | 28,997 | – | 22,245 | – |
| Net GST receivable | 2,369 | – | 1,688 | – |
| On site sewer management charges | 134 | – | 71 | – |
| Building and land rentals | 2 | – | 3 | – |
| Other receivables | 2,787 | 628 | 197 | 3,328 |
| Total | 69,641 | 628 | 53,123 | 3,328 |
| Less: provision for impairment | | | | |
| Rates and annual charges | (473) | – | (473) | – |
| Interest and extra charges | (406) | – | (406) | – |
| User charges and fees | (462) | – | (372) | – |
| Total provision for impairment – receivables | (1,341) | – | (1,251) | – |
| Total net receivables | 68,300 | 628 | 51,872 | 3,328 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| (i) Inventories at cost | | | | |
| Real estate for resale | 302 | 1,034 | 426 | 1,034 |
| Stores, materials and/or trading stock | 1,092 | – | 1,130 | – |
| Total inventories at cost | 1,394 | 1,034 | 1,556 | 1,034 |
| Total inventories | 1,394 | 1,034 | 1,556 | 1,034 |

(i) Other disclosures

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| (a) Details for real estate development | | | | |
| Residential | 92 | 115 | 216 | 115 |
| Industrial/commercial | 210 | 919 | 210 | 919 |
| Total real estate for resale | 302 | 1,034 | 426 | 1,034 |

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 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2022 | | | Asset movements during the reporting period | | | | | | | | | | At 30 June 2023 | | |
|---|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|--|--|---------------|---------------------------|----------------------------|---|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss / revaluation decrements (recognised in P/L) | Impairment reversal / prior period revaluation decrements reversal (via P&L) | WIP transfers | Adjustments and transfers | Tfrs from / (to) Inventory | Revaluation increments (decrements) to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | | | |
| Capital work in progress | 125,729 | – | 125,729 | 118,555 | 36,082 | – | – | – | – | (119,854) | – | – | – | 160,512 | – | 160,512 |
| Plant and equipment | 74,775 | (40,238) | 34,537 | – | – | (730) | (5,580) | – | – | 5,692 | – | – | – | 77,700 | (43,782) | 33,918 |
| Office equipment | 4,418 | (4,305) | 113 | – | – | (2) | (26) | – | – | – | – | – | – | 264 | (180) | 84 |
| Furniture and fittings | 5,137 | (3,203) | 1,934 | – | – | – | (175) | – | – | 78 | – | – | – | 5,215 | (3,378) | 1,837 |
| Computer equipment | 9,836 | (5,324) | 4,512 | – | – | (1,357) | (1,244) | – | – | – | – | – | – | 4,253 | (2,341) | 1,912 |
| Land: | | | | | | | | | | | | | | | | |
| – Operational land | 97,183 | – | 97,183 | – | – | – | – | – | – | 476 | – | 42 | – | 97,701 | – | 97,701 |
| – Community land | 140,047 | – | 140,047 | – | – | – | – | – | – | – | – | – | 51,499 | 191,546 | – | 191,546 |
| – Land under roads (post 30/6/08) | 164 | – | 164 | – | 7 | – | – | – | – | – | – | – | – | 171 | – | 171 |
| Land improvements – depreciable | 6,260 | (3,534) | 2,726 | – | – | – | (334) | – | – | 356 | – | – | 153 | 6,985 | (4,083) | 2,902 |
| Infrastructure: | | | | | | | | | | | | | | | | |
| – Buildings | 438,604 | (176,944) | 261,660 | – | – | (206) | (11,556) | – | – | 10,140 | (208) | – | 14,405 | 473,559 | (199,324) | 274,235 |
| – Other structures | 14,587 | (3,806) | 10,781 | – | – | (7) | (626) | – | – | 572 | (39) | – | – | 15,102 | (4,422) | 10,680 |
| – Roads | 1,498,913 | (729,493) | 769,420 | – | – | (14,995) | (28,987) | – | – | 63,504 | (572) | – | 328,881 | 1,802,787 | (685,536) | 1,117,251 |
| – Bridges | 356,388 | (149,186) | 207,202 | – | – | (700) | (3,374) | (22,108) | – | 4,093 | 147 | – | (38,073) | 201,802 | (54,616) | 147,186 |
| – Footpaths | 37,378 | (20,379) | 16,999 | – | – | (24) | (773) | – | 6,225 | 1,368 | 1,860 | – | 8,636 | 49,092 | (14,802) | 34,290 |
| – Bulk earthworks (non-depreciable) | 1,071,748 | – | 1,071,748 | – | – | (1,463) | – | – | – | 8,867 | 207 | – | (279,184) | 800,176 | – | 800,176 |
| – Stormwater drainage | 388,805 | (183,906) | 204,899 | – | – | (1,078) | (4,291) | – | – | 8,073 | 298 | – | 126,894 | 506,769 | (171,975) | 334,794 |
| – Water supply network | 929,657 | (403,008) | 526,649 | – | – | (1,542) | (14,112) | – | – | 8,080 | – | – | 34,717 | 805,529 | (251,735) | 553,794 |
| – Sewerage network | 793,571 | (276,668) | 516,903 | – | – | (2,368) | (10,539) | – | – | 5,591 | – | – | (58,146) | 656,143 | (204,702) | 451,441 |
| – Swimming pools | 11,168 | (6,399) | 4,769 | – | – | – | (244) | – | – | 314 | – | – | 270 | 12,123 | (7,015) | 5,108 |
| – Other open space/recreational assets | 54,558 | (18,866) | 35,692 | – | – | (155) | (2,140) | – | – | 2,204 | (1,693) | – | 1,892 | 57,025 | (21,226) | 35,799 |
| Other assets: | | | | | | | | | | | | | | | | |
| – Library books | 4,350 | (3,386) | 964 | – | – | – | (362) | – | – | 446 | – | – | – | 4,797 | (3,747) | 1,050 |
| – Cemetery assets | 1,249 | (681) | 568 | – | – | – | (28) | – | – | – | – | – | – | 1,249 | (709) | 540 |
| – Other | 1,117 | – | 1,117 | – | – | – | – | – | – | – | – | – | – | 1,117 | – | 1,117 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | | | |
| – Tip assets | 11,023 | (10,775) | 248 | – | – | – | (249) | – | – | – | 15,088 | – | – | 26,111 | (11,023) | 15,088 |
| – Quarry assets | 182 | (166) | 16 | – | – | – | (16) | – | – | – | – | – | – | 182 | (182) | – |
| Total infrastructure, property, plant and equipment | 6,076,847 | (2,040,267) | 4,036,580 | 118,555 | 36,089 | (24,627) | (84,656) | (22,108) | 6,225 | – | 15,088 | 42 | 191,944 | 5,957,910 | (1,684,778) | 4,273,132 |

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

C1-6 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 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 (decrements) 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 |
| – Other | 1,117 | — | 1,117 | — | — | — | — | — | — | — | — | — | — | 1,117 | — | 1,117 |
| – Cemetery assets | 1,249 | (650) | 599 | — | — | — | (31) | — | — | — | — | — | — | 1,249 | (681) | 568 |
| 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).

C1-6 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 IPPE revaluation surplus. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against IPPE revaluation surplus 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 | 4 to 30 | Benches, seats etc. | 5 to 40 |
| Computer equipment | 3 to 10 | | |
| Vehicles | 3 to 20 | Buildings | |
| Heavy plant/road making equipment | 3 to 30 | Buildings | 5 to 100 |
| Other plant and equipment | 4 to 25 | | |
| Water and sewer assets | | Stormwater assets | |
| Dams and reservoirs | 10 to 200 | Drains | 20 to 100 |
| Bores | 20 to 80 | Culverts | 50 to 100 |
| Sewer Pipe Network | 25 to 131 | Long life assets | to 200 |
| Water Pipe Network | 15 to 90 | | |
| Pumps and telemetry | 10 to 70 | | |
| Transportation assets | | Other infrastructure assets | |
| Sealed roads: surface | 10 to 100 | Bulk earthworks | Infinite |
| Sealed roads: structure | 15 to 100 | Swimming pools | 3 to 50 |
| Unsealed roads | 15 to 100 | Other open space/recreational assets | 3 to 100 |
| Bridges | 50 to 100 | Other structures | 4 to 80 |
| Road pavements | 15 to 100 | | |
| Kerb, gutter and footpaths | 2 to 100 | | |

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 metre to be calculated.

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

C1-6 Infrastructure, property, plant and equipment (continued)

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 red fleet, land and buildings as assets of the Council in these financial statements.

C1-7 Investment properties

Owned investment property

| \$ '000 | 2023 | 2022 |
|---|---------------|---------------|
| At fair value | | |
| Opening balance at 1 July | 27,802 | 24,165 |
| Net gain/(loss) from fair value adjustments | 110 | 3,637 |
| Closing balance at 30 June | 27,912 | 27,802 |

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 |
|---|------------|------------------|---------------------|--------------------|------------|--------------|
| 2023 | | | | | | |
| Opening balance at 1 July | 317 | 575 | 61 | 1,240 | 808 | 3,001 |
| Additions to right-of-use assets | – | – | 153 | – | – | 153 |
| Adjustments to right-of-use assets due to re-measurement of lease liability | 5 | (39) | – | – | 54 | 20 |
| Depreciation charge | (22) | (153) | (37) | (383) | (54) | (649) |
| Balance at 30 June | 300 | 383 | 177 | 857 | 808 | 2,525 |
| 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 |

C2-1 Council as a lessee (continued)

(b) Lease liabilities

| \$ '000 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|--------------------------------|-----------------|---------------------|-----------------|---------------------|
| Lease liabilities | 694 | 2,037 | 660 | 2,575 |
| Total lease liabilities | 694 | 2,037 | 660 | 2,575 |

(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 |
|-------------|----------|-------------|-----------|-------|--|
| 2023 | | | | | |
| Cash flows | 765 | 1,347 | 922 | 3,034 | 2,731 |
| 2022 | | | | | |
| Cash flows | 760 | 1,869 | 960 | 3,589 | 3,235 |

(d) Income Statement

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

| \$ '000 | 2023 | 2022 |
|---|--------------|--------------|
| Interest on lease liabilities | 95 | 83 |
| Variable lease payments based on usage not included in the measurement of lease liabilities | 54 | 27 |
| Depreciation of right of use assets | 649 | 600 |
| Expenses relating to short-term leases | 20 | 78 |
| Expenses relating to low-value leases | 348 | 338 |
| | 1,166 | 1,126 |

(e) Statement of Cash Flows

| | | |
|-------------------------------|--------------|--------------|
| Total cash outflow for leases | 1,194 | 1,138 |
| | 1,194 | 1,138 |

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 C1-7)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

| \$ '000 | 2023 | 2022 |
|---------|------|------|
|---------|------|------|

(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) | 1,344 | 1,234 |
| Lease income relating to variable lease payments not dependent on an index or a rate | 161 | 132 |
| Total income relating to operating leases for investment property assets | 1,505 | 1,366 |
| Operating lease expenses | | |
| Direct operating expenses that generated rental income | 191 | 225 |
| Total expenses relating to operating leases - investment properties | 191 | 225 |

(ii) Assets held as property, plant and equipment

| | | |
|--|--------------|------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 1,161 | 867 |
| Total income relating to operating leases for Council assets | 1,161 | 867 |

(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 | 1,905 | 1,943 |
| 1–2 years | 1,727 | 1,734 |
| 2–3 years | 1,546 | 1,427 |
| 3–4 years | 1,221 | 1,308 |
| 4–5 years | 1,125 | 1,026 |
| > 5 years | 4,745 | 5,165 |
| Total undiscounted lease payments to be received | 12,269 | 12,603 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Prepaid rates | 4,739 | – | 4,198 | – |
| Goods and services | 18,463 | – | 11,656 | – |
| Accrued expenses: | | | | |
| – Borrowings | 925 | – | 1,064 | – |
| – Salaries and wages | 4,431 | – | 3,902 | – |
| Security bonds, deposits and retentions | 10,587 | – | 10,437 | – |
| Other | 340 | – | 757 | – |
| Total payables | 39,485 | – | 32,014 | – |

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

| \$ '000 | 2023 | 2022 |
|---|--------------|--------------|
| 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 | 9,956 | 9,405 |
| Total payables | 9,956 | 9,405 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|---|-------|-----------------|---------------------|-----------------|---------------------|
| Funds to construct Council controlled assets | (i) | 33,247 | – | 23,562 | – |
| Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 | (ii) | 3,257 | – | 1,383 | – |
| Total contract liabilities | | 36,504 | – | 24,945 | – |

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 | 2023 | 2022 |
|--|---------------|--------------|
| Funds to construct Council controlled assets | 16,896 | 8,493 |
| Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 | 596 | 78 |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 17,492 | 8,571 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Loans – secured ¹ | 17,331 | 148,368 | 19,325 | 158,507 |
| Total borrowings | 17,331 | 148,368 | 19,325 | 158,507 |

(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 | 2022 | | Non-cash movements | | | | 2023 |
|--|-----------------|-----------------|--------------------|--------------------|--|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| Loans – secured | 177,832 | (12,133) | – | – | – | – | 165,699 |
| Lease liability (Note C2-1b) | 3,235 | (772) | 153 | 20 | – | 95 | 2,731 |
| Total liabilities from financing activities | 181,067 | (12,905) | 153 | 20 | – | 95 | 168,430 |

| \$ '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 | (17,052) | – | – | – | – | 177,832 |
| Lease liability (Note C2-1b) | 2,855 | (696) | 993 | – | – | 83 | 3,235 |
| Total liabilities from financing activities | 197,739 | (17,748) | 993 | – | – | 83 | 181,067 |

(b) Financing arrangements

| \$ '000 | 2023 | 2022 |
|---|------------|------------|
| Total facilities | | |
| Credit cards/purchase cards | 250 | 750 |
| Total financing arrangements | 250 | 750 |
| Drawn facilities | | |
| – Credit cards/purchase cards | 82 | 72 |
| Total drawn financing arrangements | 82 | 72 |
| Undrawn facilities | | |
| – Credit cards/purchase cards | 168 | 678 |
| Total undrawn financing arrangements | 168 | 678 |

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 | 2023 Current | 2023 Non-current | 2022 Current | 2022 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Annual leave | 8,575 | – | 8,655 | – |
| Long service leave | 15,016 | 1,799 | 15,911 | 458 |
| Total employee benefit provisions | 23,591 | 1,799 | 24,566 | 458 |

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

| \$ '000 | 2023 | 2022 |
|--|---------------|---------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 15,973 | 16,356 |
| | 15,973 | 16,356 |

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 | 2023 Current | 2023 Non-Current | 2022 Current | 2022 Non-Current |
|--|-----------------|---------------------|-----------------|---------------------|
| Asset remediation/restoration (future works) | 6,546 | 28,858 | – | 13,874 |
| Total provisions | 6,546 | 28,858 | – | 13,874 |

Description of and movements in provisions

| \$ '000 | Other provisions | |
|---------------------------------------|----------------------|---------------|
| | Asset remediation | Total |
| 2023 | | |
| At beginning of year | 13,874 | 13,874 |
| Unwinding of discount | 294 | 294 |
| Additional provisions | 21,236 | 21,236 |
| Total other provisions at end of year | 35,404 | 35,404 |
| 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 |

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tips and quarries as a result of past operations.

Accounting policy

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

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

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

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit or loss as they occur.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation Surplus

The infrastructure, property, plant and equipment (IPPE) revaluation surplus 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 2023 | Water 2023 | Sewer 2023 |
|--|-----------------|----------------|---------------|
| Income from continuing operations | | | |
| Rates and annual charges | 113,412 | 14,694 | 40,738 |
| User charges and fees | 23,818 | 28,608 | 3,504 |
| Interest and investment income | 6,568 | 520 | 1,918 |
| Other revenues | 6,324 | 505 | 405 |
| Grants and contributions provided for operating purposes | 46,628 | — | — |
| Grants and contributions provided for capital purposes | 71,169 | 5,463 | 4,801 |
| Other income | 9,001 | — | — |
| Total income from continuing operations | 276,920 | 49,790 | 51,366 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 68,247 | 8,829 | 8,120 |
| Materials and services | 70,037 | 15,353 | 16,175 |
| Borrowing costs | 2,019 | 4,194 | 2,980 |
| Depreciation, amortisation and impairment of non-financial assets | 80,621 | 15,486 | 11,306 |
| Other expenses | 15,685 | 470 | 145 |
| Net losses from the disposal of assets | 17,121 | 2,213 | 3,039 |
| Total expenses from continuing operations | 253,730 | 46,545 | 41,765 |
| Operating result from continuing operations | 23,190 | 3,245 | 9,601 |
| Net operating result for the year | 23,190 | 3,245 | 9,601 |
| Net operating result attributable to each council fund | 23,190 | 3,245 | 9,601 |
| Net operating result for the year before grants and contributions provided for capital purposes | (47,979) | (2,218) | 4,800 |

D1-2 Statement of Financial Position by fund

| \$ '000 | General 2023 | Water 2023 | Sewer 2023 |
|---|------------------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 16,319 | 16,547 | 17,825 |
| Investments | 82,050 | 13,500 | 25,000 |
| Receivables | 53,425 | 8,847 | 6,028 |
| Inventories | 1,394 | — | — |
| Other | 923 | 29 | 29 |
| Total current assets | 154,111 | 38,923 | 48,882 |
| Non-current assets | | | |
| Investments | 101,127 | 3,000 | 55,250 |
| Receivables | 628 | — | — |
| Inventories | 1,034 | — | — |
| Infrastructure, property, plant and equipment | 3,151,170 | 627,302 | 494,660 |
| Investment property | 25,065 | 1,424 | 1,423 |
| Right of use assets | 2,225 | 231 | 69 |
| Total non-current assets | 3,281,249 | 631,957 | 551,402 |
| Total assets | 3,435,360 | 670,880 | 600,284 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 36,594 | 1,547 | 1,344 |
| Contract liabilities | 36,300 | 204 | — |
| Lease liabilities | 694 | (6) | 6 |
| Borrowings | 6,539 | 5,347 | 5,445 |
| Employee benefit provision | 17,645 | 2,973 | 2,973 |
| Provisions | 6,546 | — | — |
| Total current liabilities | 104,318 | 10,065 | 9,768 |
| Non-current liabilities | | | |
| Lease liabilities | 1,713 | 258 | 66 |
| Borrowings | 43,905 | 65,639 | 38,824 |
| Employee benefit provision | 1,320 | 239 | 240 |
| Provisions | 28,858 | — | — |
| Total non-current liabilities | 75,796 | 66,136 | 39,130 |
| Total liabilities | 180,114 | 76,201 | 48,898 |
| Net assets | 3,255,246 | 594,679 | 551,386 |
| EQUITY | | | |
| Accumulated surplus | 2,176,066 | 445,368 | 446,343 |
| Revaluation reserves | 1,079,180 | 149,311 | 105,043 |
| Council equity interest | 3,255,246 | 594,679 | 551,386 |
| Total equity | 3,255,246 | 594,679 | 551,386 |

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 minimise the risk to capital. Preservation of capital is the principal consideration of the investment policy and portfolio construction. The second consideration is to ensure that there are sufficient liquid funds to meet all reasonably anticipated cash flow requirements. Council then aims to achieve the best possible return given the above considerations. 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 | 2023 | 2022 |
|---------|------|------|
|---------|------|------|

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 | 1,183 | 1,350 |
|-----------------------------|-------|-------|

(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.

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

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

Credit risk profile

Receivables – rates and annual charges, interest and extra charges and on site sewer management charges

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

| \$ '000 | Not yet overdue | overdue rates and annual charges < 5 years | ≥ 5 years | Total |
|-----------------------|--------------------|---|-----------|--------|
| 2023 | | | | |
| Gross carrying amount | – | 18,910 | 2,004 | 20,914 |
| 2022 | | | | |
| Gross carrying amount | – | 15,566 | 1,727 | 17,293 |

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

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

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

| \$ '000 | Not yet overdue | 0 - 30 days | Overdue debts 31 - 60 days | 61 - 90 days | > 91 days | Total |
|------------------------|--------------------|-------------|-------------------------------|--------------|------------|------------|
| 2023 | | | | | | |
| Gross carrying amount | 46,439 | 566 | 206 | 315 | 1,829 | 49,355 |
| Expected loss rate (%) | 0.42% | 8.56% | 11.58% | 7.10% | 9.51% | 0.94% |
| ECL provision | 194 | 48 | 24 | 22 | 174 | 462 |
| 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 |

(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 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 |
| 2023 | | | | | | | |
| Borrowings | 5.26% | – | 25,745 | 82,208 | 116,576 | 224,529 | 165,699 |
| Payables | 0.00% | 10,587 | 28,899 | – | – | 39,486 | 39,485 |
| Total financial liabilities | | 10,587 | 54,644 | 82,208 | 116,576 | 264,015 | 205,184 |
| 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 |

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 | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2023 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Recurring fair value measurements | | | | | | | | |
| Investment property | | C1-7 | | | | | | |
| Tuncurry Supermarket | | 30/06/23 | 21,500 | 21,500 | — | — | 21,500 | 21,500 |
| Wallis Street Motel | | 30/06/23 | 3,565 | 3,565 | — | — | 3,565 | 3,565 |
| Muldoon Street office building | | 30/06/23 | 2,847 | 2,737 | — | — | 2,847 | 2,737 |
| Total investment property | | | 27,912 | 27,802 | — | — | 27,912 | 27,802 |
| Infrastructure, property, plant and equipment | | C1-6 | | | | | | |
| Work In Progress | | n/a | — | — | 160,512 | 125,729 | 160,512 | 125,729 |
| Plant & Equipment | | n/a | — | — | 33,918 | 34,537 | 33,918 | 34,537 |
| Office Equipment | | n/a | — | — | 84 | 113 | 84 | 113 |
| Furniture & Fittings | | n/a | — | — | 1,837 | 1,934 | 1,837 | 1,934 |
| Computer Equipment | | n/a | — | — | 1,912 | 4,512 | 1,912 | 4,512 |
| Operational Land | | 30/06/22 | — | — | 97,701 | 97,183 | 97,701 | 97,183 |
| Community Land | | 30/06/23 | — | — | 191,546 | 140,047 | 191,546 | 140,047 |
| Land Under Roads (pre 1/7/2008) | | 30/06/23 | — | — | 171 | 164 | 171 | 164 |
| Land Improvements | | | | | | | | |
| Depreciable | | 30/06/23 | — | — | 2,902 | 2,726 | 2,902 | 2,726 |
| Buildings | | 30/06/23 | — | — | 274,235 | 261,660 | 274,235 | 261,660 |
| Other Structures | | 30/06/22 | — | — | 10,680 | 10,781 | 10,680 | 10,781 |
| Roads | | 30/06/23 | — | — | 1,117,251 | 769,420 | 1,117,251 | 769,420 |
| Bridges | | 30/06/23 | — | — | 147,186 | 207,202 | 147,186 | 207,202 |
| Footpaths | | 30/06/23 | — | — | 34,290 | 16,999 | 34,290 | 16,999 |
| Bulk Earthworks | | 30/06/23 | — | — | 800,176 | 1,071,748 | 800,176 | 1,071,748 |
| Stormwater Drainage | | 30/06/23 | — | — | 334,794 | 204,899 | 334,794 | 204,899 |
| Swimming Pools | | 30/06/23 | — | — | 5,108 | 4,769 | 5,108 | 4,769 |
| Other Open Space | | | | | | | | |
| Recreational | | 30/06/23 | — | — | 35,799 | 35,692 | 35,799 | 35,692 |
| Library books | | n/a | — | — | 1,050 | 964 | 1,050 | 964 |
| Cemetery Assets | | n/a | — | — | 540 | 568 | 540 | 568 |
| Other | | 30/06/21 | — | — | 1,117 | 1,117 | 1,117 | 1,117 |
| Tip Assets | | 30/06/23 | — | — | 15,088 | 248 | 15,088 | 248 |
| Quarry Assets | | 30/06/23 | — | — | — | 16 | — | 16 |
| Water Network | | 30/06/23 | — | — | 553,794 | 526,649 | 553,794 | 526,649 |
| Sewerage Network | | 30/06/23 | — | — | 451,441 | 516,903 | 451,441 | 516,903 |
| Total infrastructure, property, plant and equipment | | | — | — | 4,273,132 | 4,036,580 | 4,273,132 | 4,036,580 |

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 2023 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. 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 accumulated 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

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

E2-1 Fair value measurement (continued)

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

Office Equipment: Scanners, 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 2023. 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 2022.

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.

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.

Land Improvements - Depreciable

Land Improvements were comprehensively revalued at 30 June 2022. Council indexed land improvements at 30 June 2023 by 5.58% based on the movement in the building price index from Rawlinson since last revaluation. This asset class comprises land improvements such as foreshore improvements, streetscaping and landscaping. These assets may be

E2-1 Fair value measurement (continued)

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. Council indexed buildings at 30 June 2023 by 5.58% based on the movement in the building price index from Rawlinson since last revaluation.

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. Council indexed other open space/recreational assets and Swimming Pools at 30 June 2023 by 5.58% based on the movement in the building price index from Rawlinson since last revaluation.

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.

Landfill Remediation

E2-1 Fair value measurement (continued)

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 at 30 June 2023.

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 were revalued at 31 March 2023.

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.

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.

Work In Progress

Assets within the category of work in progress are incomplete.

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

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

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

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 at 31 March 2023.

E2-1 Fair value measurement (continued)

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.

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.

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 | |
|--|------------------|----------|---------------------|---------|------------------|------|------------------------|-------|--------------------|---------|------------------|--------|----------------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 125,729 | 104,197 | 34,537 | 33,090 | 113 | 201 | 1,934 | 252 | 4,512 | 5,655 | 97,183 | 74,830 | 140,047 | 107,102 |
| Total gains or losses for the period | | | | | | | | | | | | | | |
| Recognised in other comprehensive income – revaluation surplus | – | – | – | – | – | – | – | – | – | – | – | 21,805 | 51,499 | 32,945 |
| Other movements | | | | | | | | | | | | | | |
| Transfer from another asset category | – | – | – | – | – | – | – | – | – | – | 42 | – | – | – |
| Transfers from/(to) another asset class | (119,854) | (89,892) | 5,691 | 8,455 | – | – | 78 | 1,920 | – | 588 | 476 | 630 | – | – |
| Purchases (GBV) | 154,637 | 111,424 | – | – | – | – | – | – | – | – | – | – | – | – |
| Disposals (WDV) | – | – | (730) | (1,167) | (2) | – | – | – | (1,357) | – | – | (82) | – | – |
| Depreciation and impairment | – | – | (5,580) | (5,841) | (26) | (88) | (174) | (238) | (1,244) | (1,731) | – | – | – | – |
| Closing balance | 160,512 | 125,729 | 33,918 | 34,537 | 85 | 113 | 1,838 | 1,934 | 1,911 | 4,512 | 97,701 | 97,183 | 191,546 | 140,047 |

| \$ '000 | Water network | | Sewerage network | | Buildings | | Roads | | Bridges | | Footpaths stormwater earthworks | | Other structures | |
|--|-----------------|----------|------------------|---------|-----------------|---------|------------------|----------|-----------------|---------|---------------------------------|-----------|------------------|--------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 526,649 | 502,643 | 516,904 | 491,078 | 261,660 | 218,339 | 769,420 | 683,896 | 207,202 | 185,550 | 1,293,646 | 1,167,353 | 10,781 | 10,990 |
| Total gains or losses for the period | | | | | | | | | | | | | | |
| Recognised in other comprehensive income – revaluation surplus | 34,717 | 28,624 | (58,146) | 28,098 | 14,405 | 53,790 | 328,881 | 72,671 | (38,073) | 19,570 | (143,654) | 122,817 | – | (126) |
| Other movements | | | | | | | | | | | | | | |
| Transfer from another asset category | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Transfers from/(to) another asset class | 8,080 | 8,790 | 5,591 | 8,324 | 9,931 | (795) | 62,932 | 43,568 | 4,240 | 5,697 | 20,673 | 11,695 | 533 | 497 |
| Disposals (WDV) | (1,542) | (539) | (2,368) | (736) | (206) | (774) | (14,995) | (4,081) | (700) | (215) | (2,565) | (3,842) | (7) | – |
| Depreciation and impairment | (14,112) | (12,869) | (10,539) | (9,860) | (11,555) | (8,900) | (28,987) | (26,634) | (25,482) | (3,400) | 1,161 | (4,377) | (626) | (580) |
| Closing balance | 553,792 | 526,649 | 451,442 | 516,904 | 274,235 | 261,660 | 1,117,251 | 769,420 | 147,187 | 207,202 | 1,169,261 | 1,293,646 | 10,681 | 10,781 |

| \$ '000 | Open space swimming pools | | Other asset classes | | Total | |
|------------------------|---------------------------|--------|---------------------|-------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 40,461 | 26,812 | 5,802 | 7,913 | 4,036,580 | 3,619,901 |

continued on next page ...

E2-1 Fair value measurement (continued)

| \$ '000 | Open space swimming pools | | Other asset classes | | Total | |
|--|---------------------------|---------------|---------------------|--------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Recognised in other comprehensive income – revaluation surplus | 2,162 | 15,665 | 153 | – | 191,944 | 395,859 |
| Transfer from another asset category | – | – | – | – | 42 | – |
| Transfers from/(to) another asset class | 825 | 212 | 15,891 | 311 | 15,087 | – |
| Purchases (GBV) | – | – | 7 | (1,205) | 154,644 | 110,219 |
| Disposals (WDV) | (155) | (212) | – | – | (24,627) | (11,648) |
| Depreciation and impairment | (2,385) | (2,016) | (989) | (1,217) | (100,538) | (77,751) |
| Closing balance | 40,908 | 40,461 | 20,864 | 5,802 | 4,273,132 | 4,036,580 |

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 Fund) 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 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$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 2022. 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 Fund and recognised as an expense for the year ending 30 June 2023 was \$531,034.33. The last formal valuation of the Fund was performed by the Fund Actuary, Mr Richard Boyfield, as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$495,495.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

| Defined Benefit reserves only * | \$millions | Asset Coverage |
|------------------------------------|------------|----------------|
| Assets | 2,290.9 | - |
| Past Service Liabilities | 2,236.1 | 102.4% |
| Vested Benefits | 2,253.6 | 101.7% |

* 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 \$346,874.64 as at 30 June 2023.

Council's share of that deficiency cannot be accurately calculated as the Fund 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 | 6.0% per annum |
| Salary inflation | 3.5% per annum |
| Increase in CPI | 6.0% FY22/23 2.5% per annum thereafter |

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 June 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 | 2023 | 2022 |
|--------------------------|--------------|--------------|
| Compensation: | | |
| Short-term benefits | 1,570 | 1,502 |
| Post-employment benefits | 165 | 121 |
| Total | 1,735 | 1,623 |

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to Council swimming pool) will not be disclosed.

| Nature of the transaction | Ref | Transactions during the year | Outstanding balances |
|--|-----|------------------------------|----------------------|
| \$ '000 | | | |
| 2023 | | | |
| Employee expenses relating to close family members | 1 | 170 | — |
| Property rental from grazing lease | 2 | 1 | — |
| Provision of Services - Planning and Building regulation | 3 | 12 | — |
| 2022 | | | |
| Employee expenses relating to close family members | 1 | 151 | — |
| Property rental from grazing lease | 2 | 5 | — |

1 There are three (2022: three) close family members of Council's KMP employed by MidCoast Council under current Council award on an arms length basis.

2 1 KMP had a grazing lease over Council property which is used for agistment of cattle with rental paid on a quarterly basis. This lease expired on 31 December 2022.

3 Council purchased planning and building regulation services during the year from a company controlled by a member of the KMP and their close family members of Council. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.

F1-2 Councillor and Mayoral fees and associated expenses

| \$ '000 | 2023 | 2022 |
|--|------------|------------|
| The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are: | | |
| Mayoral fee | 63 | 55 |
| Councillors' fees | 278 | 231 |
| Other Councillors' expenses (including Mayor) | 96 | 40 |
| Total | 437 | 326 |

F2 Other relationships

F2-1 Audit fees

| \$ '000 | 2023 | 2022 |
|--|-------------|-------------|
| Audit and other assurance services: Auditors of the Council - NSW Auditor General: | | |
| Audit of financial statements | 227 | 247 |
| Total fees paid or payable to the Auditor-General | 227 | 247 |

G Other matters

G1-1 Statement of Cash Flows information

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

| \$ '000 | 2023 | 2022 |
|--|----------------|----------------|
| Net operating result from Income Statement | 36,036 | 80,745 |
| Add / (less) non-cash items: | | |
| Depreciation and amortisation | 85,305 | 78,127 |
| (Gain) / loss on disposal of assets | 22,373 | 5,509 |
| Non-cash capital grants and contributions | (9,219) | (10,561) |
| Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L | (6,225) | – |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Investments classified as ‘at fair value’ or ‘held for trading’ | – | 71 |
| – Investment property | (110) | (3,637) |
| – Revaluation decrements / impairments of IPP&E direct to P&L | 22,108 | 224 |
| Unwinding of discount rates on reinstatement provisions | 294 | 102 |
| Interest on leases | 95 | 81 |
| Movements in operating assets and liabilities and other cash items: | | |
| (Increase) / decrease of receivables | (13,818) | (6,384) |
| Increase / (decrease) in provision for impairment of receivables | 90 | 291 |
| (Increase) / decrease of inventories | 38 | 99 |
| (Increase) / decrease of other current assets | 2,579 | (2,762) |
| Increase / (decrease) in payables | 6,807 | 962 |
| Increase / (decrease) in accrued interest payable | (139) | – |
| Increase / (decrease) in other accrued expenses payable | 529 | (265) |
| Increase / (decrease) in other liabilities | 274 | 1,617 |
| Increase / (decrease) in contract liabilities | 11,559 | 10,917 |
| Increase / (decrease) in employee benefit provision | 366 | (3,332) |
| Increase / (decrease) in other provisions | 21,236 | (1,215) |
| Net cash flows from operating activities | 180,178 | 150,589 |

(b) Non-cash investing and financing activities

| | | |
|--|--------------|---------------|
| Bushfire services | 947 | 5,155 |
| Subdivider contributions ‘in kind’ | 8,127 | 5,406 |
| Total non-cash investing and financing activities | 9,074 | 10,561 |

G2-1 Commitments

Capital commitments (exclusive of GST)

| \$ '000 | 2023 | 2022 |
|---------|------|------|
|---------|------|------|

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 | 6,509 | 6,139 |
| Road infrastructure | 24,612 | 18,129 |
| Buildings | 2,881 | 7,098 |
| Other | 9,515 | 10,530 |
| Total commitments | 43,517 | 41,896 |

These expenditures are payable as follows:

| | | |
|----------------------|---------------|---------------|
| Within the next year | 43,517 | 41,896 |
| Total payable | 43,517 | 41,896 |

Sources for funding of capital commitments:

| | | |
|---------------------------------|---------------|---------------|
| Unexpended Loans | 1,855 | 4,932 |
| Future grants and contributions | 723 | 11,876 |
| Externally restricted reserves | 38,325 | 18,409 |
| Internally restricted reserves | 2,614 | 6,679 |
| Total sources of funding | 43,517 | 41,896 |

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 2023

G4-1 Summary of developer contributions

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------------|--|---------------|-------------------|---|---------------------|------------------------|--|--|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| Drainage | 491 | 6 | – | – | 14 | – | – | 511 | – |
| Roads | 10,070 | 2,171 | – | – | 228 | (4,304) | – | 8,166 | – |
| Parking | 712 | 815 | – | – | 44 | – | – | 1,571 | (500) |
| Open space | 5,329 | 1,603 | – | – | 192 | (814) | – | 6,310 | 500 |
| Community facilities | 1,099 | 193 | – | – | 38 | – | – | 1,330 | – |
| Other | 3,386 | 2,124 | – | – | 144 | (554) | – | 5,100 | – |
| Surf Life Saving | 203 | 67 | – | – | 7 | – | – | 277 | – |
| Bushfire Facilities | 680 | 147 | – | – | 21 | (89) | – | 759 | – |
| Administration Building | 406 | (293) | – | – | 3 | – | – | 116 | – |
| Multi Purpose Community Centre | 216 | 130 | – | – | 10 | – | – | 356 | – |
| Library Book Stock | 411 | 55 | – | – | 14 | – | – | 480 | – |
| Aquatic Centre | 509 | 133 | – | – | 18 | (28) | – | 632 | – |
| Rec & Community Facilities | 132 | 3 | – | – | 4 | – | – | 139 | – |
| Central Library Building | 1,267 | 256 | – | – | 42 | (74) | – | 1,491 | – |
| GLW Admin | – | – | – | – | – | – | – | – | – |
| Other – Surf Life Saving Hawks Nest | – | – | – | – | – | – | – | – | – |
| Bridges | – | – | – | – | – | – | – | – | – |
| Rural Fire Fighting | – | – | – | – | – | – | – | – | – |
| Plan Preparatory | – | – | – | – | – | – | – | – | – |
| Other - Finance | 123 | 90 | – | – | 5 | – | – | 218 | – |
| Section 94 Officer | – | – | – | – | – | – | – | – | – |
| Plan Administration | 742 | 136 | – | – | 25 | – | – | 903 | – |
| Other - Finance - contra | – | – | – | – | – | – | – | – | – |
| S7.11 contributions – under a plan | 25,776 | 7,636 | – | – | 809 | (5,863) | – | 28,359 | – |
| S7.12 levies – under a plan | 458 | 227 | – | – | 20 | – | – | 705 | – |
| Total S7.11 and S7.12 revenue under plans | 26,234 | 7,863 | – | – | 829 | (5,863) | – | 29,064 | – |
| S7.11 not under plans | 161 | – | – | – | 5 | – | – | 166 | – |
| S7.4 planning agreements | 394 | 50 | – | – | 13 | – | – | 457 | – |
| S64 contributions | 31,524 | 6,188 | – | – | 711 | (13,111) | – | 25,312 | – |
| Total contributions | 58,313 | 14,101 | – | – | 1,558 | (18,974) | – | 54,999 | – |

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

| | Opening balance at 1 July 2022 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------------|--|---------------|-------------------|---|---------------------|------------------------|--|--|
| \$ '000 | | Cash | Non-cash Land | Non-cash Other | | | | | |
| CONTRIBUTION PLAN (former Gloucester Shire Council) | | | | | | | | | |
| Roads | 497 | 4 | – | – | 14 | – | – | 515 | – |
| Parking | 7 | – | – | – | – | – | – | 7 | – |
| Rec & Community Facilities | 132 | 3 | – | – | 4 | – | – | 139 | – |
| Total | 636 | 7 | – | – | 18 | – | – | 661 | – |
| CONTRIBUTION PLAN - FORSTER DISTRICT (former Great Lakes Council) | | | | | | | | | |
| Drainage | 478 | 6 | – | – | 14 | – | – | 498 | – |
| Roads | 3,942 | 1,209 | – | – | 33 | (4,012) | – | 1,173 | – |
| Parking | 646 | 815 | – | – | 42 | – | – | 1,503 | – |
| Open space | 3,083 | 499 | – | – | 84 | (670) | – | 2,996 | – |
| Community facilities | 959 | 170 | – | – | 33 | – | – | 1,162 | – |
| Surf Life Saving | 19 | 31 | – | – | 1 | – | – | 51 | – |
| Central Library | 1,267 | 182 | – | – | 42 | – | – | 1,491 | – |
| Aquatic Centre | 509 | 105 | – | – | 18 | – | – | 632 | – |
| Total | 10,903 | 3,017 | – | – | 267 | (4,682) | – | 9,506 | – |
| CONTRIBUTION - GREAT LAKES WIDE (former Great Lakes Council) | | | | | | | | | |
| Library Book stocks | 236 | 34 | – | – | 8 | – | – | 278 | – |
| Bushfire facilities | 680 | 58 | – | – | 21 | – | – | 759 | – |
| Administration building | 406 | (293) | – | – | 3 | – | – | 116 | – |
| Plan Administration | 435 | 84 | – | – | 15 | – | – | 534 | – |
| Total | 1,757 | (117) | – | – | 47 | – | – | 1,687 | – |
| CONTRIBUTION PLAN - TEA GARDENS / HAWKS NEST (former Great Lakes Council) | | | | | | | | | |
| Roads | 126 | 56 | – | – | 5 | – | – | 187 | – |
| Parking | 59 | – | – | – | 2 | – | – | 61 | (500) |
| Open space | 371 | 61 | – | – | 27 | – | – | 459 | 500 |
| Community facilities | 140 | 23 | – | – | 5 | – | – | 168 | – |
| Surf Life Saving | 43 | 3 | – | – | 1 | – | – | 47 | – |
| Total | 739 | 143 | – | – | 40 | – | – | 922 | – |
| CONTRIBUTION PLAN - ROAD HAULAGE (former Great Lakes Council) | | | | | | | | | |
| Roads | 389 | 392 | – | – | 22 | – | – | 803 | – |
| Total | 389 | 392 | – | – | 22 | – | – | 803 | – |
| CONTRIBUTION PLAN - RURAL ROADS BULADHDELAH, STROUD & RURAL OPEN SPACE (former Great Lakes Council) | | | | | | | | | |
| Roads | 628 | 46 | – | – | 19 | – | – | 693 | – |

continued on next page ...

G4-2 Developer contributions by plan (continued)

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | Non-cash Other | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------------|--|---------------|-------------------|---|---------------------|------------------------|--|--|
| | | Cash | Non-cash Land | | | | | | |
| Open space | 165 | 29 | – | – | 6 | – | – | 200 | – |
| Total | 793 | 75 | – | – | 25 | – | – | 893 | – |
| CONTRIBUTION PLAN - THE BRANCH LANE (former Great Lakes Council) | | | | | | | | | |
| Roads | 118 | 2 | – | – | 3 | – | – | 123 | – |
| Total | 118 | 2 | – | – | 3 | – | – | 123 | – |
| CONTRIBUTION PLAN - COOMBA RD & SHALLOW BAY RD (former Great Lakes Council) | | | | | | | | | |
| Roads | 191 | 1 | – | – | 6 | – | – | 198 | – |
| Total | 191 | 1 | – | – | 6 | – | – | 198 | – |
| CONTRIBUTION PLAN - 2001 PLAN GREATER TAREE (former Greater Taree City Council) | | | | | | | | | |
| Open Space | 147 | 68 | – | – | 6 | – | – | 221 | – |
| Surf Life Saving | 141 | 33 | – | – | 5 | – | – | 179 | – |
| Central Library Building | – | 74 | – | – | – | (74) | – | – | – |
| Library Book Stock | 175 | 21 | – | – | 6 | – | – | 202 | – |
| Aquatic Centre | – | 28 | – | – | – | (28) | – | – | – |
| Bushfire Facilities | – | 66 | – | – | – | (66) | – | – | – |
| Other - Finance | 43 | 29 | – | – | 2 | – | – | 74 | – |
| Plan Administration | 307 | 52 | – | – | 10 | – | – | 369 | – |
| Total | 813 | 371 | – | – | 29 | (168) | – | 1,045 | – |
| CONTRIBUTION PLAN 2001 PLAN TAREE (former Greater Taree City Council) | | | | | | | | | |
| Roads | 534 | 24 | – | – | 16 | – | – | 574 | – |
| Open space | 239 | 35 | – | – | 8 | (8) | – | 274 | – |
| Other - Finance | 6 | – | – | – | – | – | – | 6 | – |
| Total | 779 | 59 | – | – | 24 | (8) | – | 854 | – |
| CONTRIBUTION PLAN - 2001 PLAN WINGHAM (former Greater Taree City Council) | | | | | | | | | |
| Roads | 732 | – | – | – | 13 | (292) | – | 453 | – |
| Open Space | 108 | – | – | – | – | (108) | – | – | – |
| Bushfire Facilities | – | – | – | – | – | – | – | – | – |
| Total | 840 | – | – | – | 13 | (400) | – | 453 | – |
| CONTRIBUTION PLAN - 2001 HALLIDAYS POINT (former Greater Taree City Council) | | | | | | | | | |
| Roads | 632 | 329 | – | – | 28 | – | – | 989 | – |
| Open Space | 826 | 122 | – | – | 27 | (28) | – | 947 | – |
| Bushfire facilities | – | 20 | – | – | – | (20) | – | – | – |
| MP Community Centre | 129 | 20 | – | – | 4 | – | – | 153 | – |
| Other - Finance | 1 | – | – | – | – | – | – | 1 | – |
| Total | 1,588 | 491 | – | – | 59 | (48) | – | 2,090 | – |
| CONTRIBUTION PLAN - 2010 PLAN OLD BAR (former Greater Taree City Council) | | | | | | | | | |

continued on next page ...

G4-2 Developer contributions by plan (continued)

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|---|--------------------------------------|--|---------------|-------------------|---|---------------------|------------------------|--|--|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| Drainage | 13 | – | – | – | – | – | – | 13 | – |
| Roads | 1,310 | 108 | – | – | 41 | – | – | 1,459 | – |
| Open Space | 193 | 789 | – | – | 28 | – | – | 1,010 | – |
| Bushfire Facilities | – | 3 | – | – | – | (3) | – | – | – |
| MP Community Centre | 52 | 110 | – | – | 5 | – | – | 167 | – |
| Other - Finance | 29 | 23 | – | – | 2 | – | – | 54 | – |
| Total | 1,597 | 1,033 | – | – | 76 | (3) | – | 2,703 | – |
| CONTRIBUTION PLAN - 2001 PLAN HARRINGTON (former Greater Taree City Council) | | | | | | | | | |
| Roads | 971 | – | – | – | 28 | – | – | 999 | – |
| Open space | 197 | – | – | – | 6 | – | – | 203 | – |
| Bushfire Facilities | – | – | – | – | – | – | – | – | – |
| MP Community Centre | 35 | – | – | – | 1 | – | – | 36 | – |
| Other – Finance | 1 | – | – | – | – | – | – | 1 | – |
| Total | 1,204 | – | – | – | 35 | – | – | 1,239 | – |
| CONTRIBUTION PLAN NUMBER 2016 | | | | | | | | | |
| Other | 3,386 | 2,124 | – | – | 144 | (554) | – | 5,100 | – |
| Other - Finance | 43 | 38 | – | – | 1 | – | – | 82 | – |
| Total | 3,429 | 2,162 | – | – | 145 | (554) | – | 5,182 | – |
| S7.12 Levies – under a plan | | | | | | | | | |
| CONTRIBUTION PLAN OLD BAR (former Greater Taree City Council) | | | | | | | | | |
| General Purpose | 79 | – | – | – | 2 | – | – | 81 | – |
| Total | 79 | – | – | – | 2 | – | – | 81 | – |
| CONTRIBUTION PLAN MCC 2016 (covers former Greater Taree City Council area) | | | | | | | | | |
| General Purpose | 337 | 212 | – | – | 16 | – | – | 565 | – |
| Total | 337 | 212 | – | – | 16 | – | – | 565 | – |
| CONTRIBUTION PLAN GLOUCESTER 2015 (former Gloucester Shire Council) | | | | | | | | | |
| General Purpose | 42 | 15 | – | – | 2 | – | – | 59 | – |
| Total | 42 | 15 | – | – | 2 | – | – | 59 | – |

G4-3 Contributions not under plans

| \$ '000 | Opening balance at 1 July 2022 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|------------------------------|--------------------------------------|--|------------------|-------------------|---|---------------------|------------------------|--|--|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| (former Great Lakes Council) | | | | | | | | | |
| Roads | 161 | — | — | — | 5 | — | — | 166 | — |
| Total | 161 | — | — | — | 5 | — | — | 166 | — |

G4-4 S7.4 planning agreements

363 Diamond Beach Road, Diamond Beach (Seashells)

| | | | | | | | | | |
|--------------|-----------|----------|----------|----------|----------|----------|----------|-----------|----------|
| Other | 59 | - | - | - | 1 | - | - | 60 | - |
| Total | 59 | - | - | - | 1 | - | - | 60 | - |

391 Diamond Beach Road, Diamond Beach

| | | | | | | | | | |
|--------------|-----------|----------|----------|----------|----------|----------|----------|-----------|----------|
| Other | 88 | - | - | - | 3 | - | - | 91 | - |
| Total | 88 | - | - | - | 3 | - | - | 91 | - |

Murray Road, Wingham

| | | | | | | | | | |
|--------------|------------|----------|----------|----------|----------|----------|----------|------------|----------|
| Other | 119 | - | - | - | 4 | - | - | 123 | - |
| Total | 119 | - | - | - | 4 | - | - | 123 | - |

Sanderling Avenue, Hawks Nest

| | | | | | | | | | |
|--------------|------------|----------|----------|----------|----------|----------|----------|------------|----------|
| Other | 128 | - | - | - | 4 | - | - | 132 | - |
| Total | 128 | - | - | - | 4 | - | - | 132 | - |

72 Clarkson Street, Nابیac

| | | | | | | | | | |
|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Other | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - |

Bulahdelah Highway Service Centre

| | | | | | | | | | |
|--------------|----------|-----------|----------|----------|----------|----------|----------|-----------|----------|
| Other | - | 50 | - | - | 1 | - | - | 51 | - |
| Total | - | 50 | - | - | 1 | - | - | 51 | - |

G4-5 S64 contributions

Former MidCoast Water Contributions

| | | | | | | | | | |
|---------------------|---------------|--------------|----------|----------|------------|-----------------|----------|---------------|----------|
| Water Contributions | 9,759 | 2,877 | - | - | 168 | (6,818) | - | 5,986 | - |
| Sewer Contributions | 21,765 | 3,311 | - | - | 543 | (6,293) | - | 19,326 | - |
| Total | 31,524 | 6,188 | - | - | 711 | (13,111) | - | 25,312 | - |

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2023 | Indicator 2023 | Indicator 2022 | Benchmark |
|---|-----------------|-------------------|-------------------|---------------|
| 1. Operating performance ratio | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2} | (7,161) | (2.47)% | 4.20% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 290,308 | | | |
| 2. Own source operating revenue ratio | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 243,680 | 65.55% | 66.11% | > 60.00% |
| Total continuing operating revenue ¹ | 371,741 | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions | 97,532 | 2.58x | 2.80x | > 1.50x |
| Current liabilities less specific purpose liabilities | 37,742 | | | |
| 4. Debt service cover ratio | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 87,337 | 2.99x | 2.75x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 29,198 | | | |
| 5. Rates and annual charges outstanding percentage | | | | |
| Rates and annual charges outstanding | 19,902 | 10.70% | 8.89% | < 10.00% |
| Rates and annual charges collectable | 186,066 | | | |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents plus all term deposits | 262,741 | 14.10 months | 12.85 months | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities | 18,639 | | | |

(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 |
|---|---------------------------------|-------------|------------------|--------------|------------------|--------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2} | (7.48)% | 2.14% | (0.05)% | 1.73% | 16.74% | 15.31% | > 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 | 56.48% | 57.91% | 89.02% | 85.83% | 90.64% | 87.03% | > 60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 2.58x | 2.80x | 3.95x | 4.16x | 5.00x | 6.15x | > 1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 4.25x | 3.38x | 2.08x | 2.01x | 2.44x | 2.28x | > 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 | 10.80% | 9.02% | 11.46% | 7.50% | 10.15% | 9.05% | < 10.00% |
| Rates and annual charges collectable | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 10.16 months | 9.09 months | 14.41 months | 15.38 months | 37.98 months | 34.76 months | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities | | | | | | | |

(1) - (2) Refer to Notes at Note G5-1 above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

MidCoast Council

To the Councillors of 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 2023, the Statement of Financial Position as at 30 June 2023, 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 2023, 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).

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

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 2023 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.



Lawrissa Chan
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



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

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: R008-16585809-46667

31 October 2023

Dear Mayor Pontin

**Report on the Conduct of the Audit
for the year ended 30 June 2023
MidCoast Council**

I have audited the general purpose financial statements (GPFS) of the MidCoast Council (the Council) for the year ended 30 June 2023 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 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

User access management for a key system

Our review of user access management for a key system identified the following issues:

- no periodic user access review performed this financial year
- privileged user activity log was not reviewed on a periodic basis, even though the log was enabled.

INCOME STATEMENT

Operating result

| | 2023 \$m | 2022 \$m | Variance % |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue | 168.8 | 163.2 | 3.4 |
| Grants and contributions revenue | 128.1 | 116.2 | 10.2 |
| Operating result from continuing operations | 36.0 | 80.7 | 55.4 |
| Net operating result before capital grants and contributions | (45.4) | 8.9 | 610.1 |

Rates and annual charges revenue (\$168.8 million) increased by \$5.6 million (3.4 per cent) in 2022–23 mainly due to rate peg increase of 2.3 per cent.

Grants and contributions revenue (\$128.1 million) increased by \$11.9 million (10.2 per cent) in 2022–23, mainly due to an increase in capital grants received for transport (other roads and bridges funding) of \$11.3 million.

The Council's operating result from continuing operations (\$36.0 million including depreciation, amortisation and impairment expense of \$107.4 million) was \$44.7 million lower than the 2021–22 result. This was due to an increase in materials and services and \$22.1 million revaluation decrement for bridges that was recognised in the income statement.

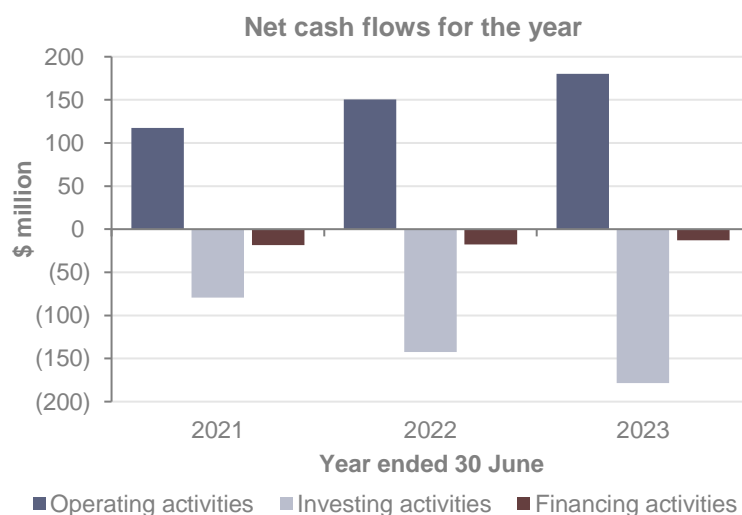
The net operating result before capital grants and contributions (-\$45.4 million) was \$54.3 million lower than the 2021–22 result. This was due to \$18.9 million increase in materials and services and \$22.1 million revaluation decrement for bridges that was recognised in the income statement.

STATEMENT OF CASH FLOWS

Cash flows from operating activities increased by \$29.6 million mainly due to an increase in receipts from grants and contributions and a reduction in other payments.

Cash flows from investing activities increased by \$36.1 million due to additional payments for infrastructure, property, plant and equipment of \$60.8 million, which is offset by a redemption of term deposits of \$17.1 million and a reduction in purchases of investments of \$11.3 million.

Cash flows from financing activities reduced by \$4.8 million, mainly due to repayment of borrowings.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2023 | 2022 | Commentary |
|--|--------------|--------------|--|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 330.6 | 321.5 | Externally restricted balances comprise mainly of developer contributions, water and sewer funds. |
| Restricted and allocated cash, cash equivalents and investments: | | | Internal allocations are determined by council policies or decisions, which are subject to change. |
| • External restrictions | 258.7 | 252.6 | Externally restricted cash and internal allocations have remained steady compared to the prior year. |
| • Internal allocations | 68.5 | 68.4 | |

Debt

At 30 June 2023, Council had:

- \$165.7 million in external borrowings (\$177.8 million in 2021-22), including \$17.3 million classified as current, with the remaining balance classified as non-current
- \$0.25 million in credit card facility with \$0.17 million unused.

PERFORMANCE

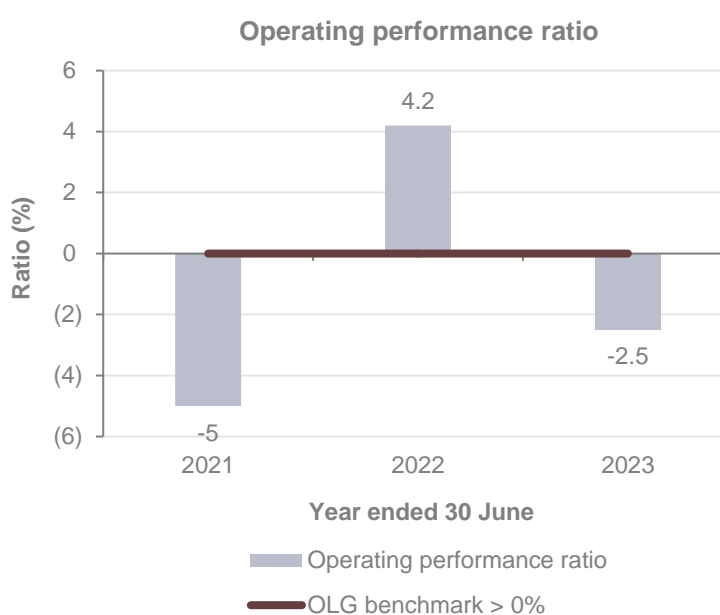
Performance measures

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

Operating performance ratio

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

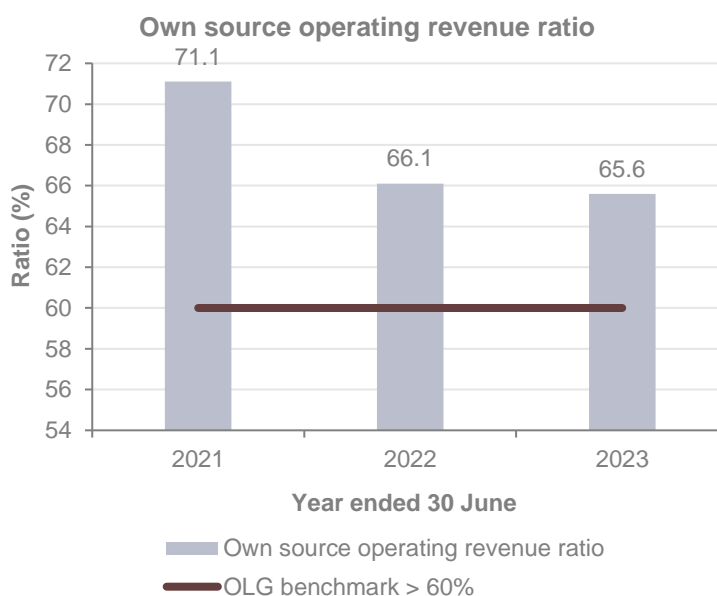
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council exceeded the benchmark for the current reporting period.

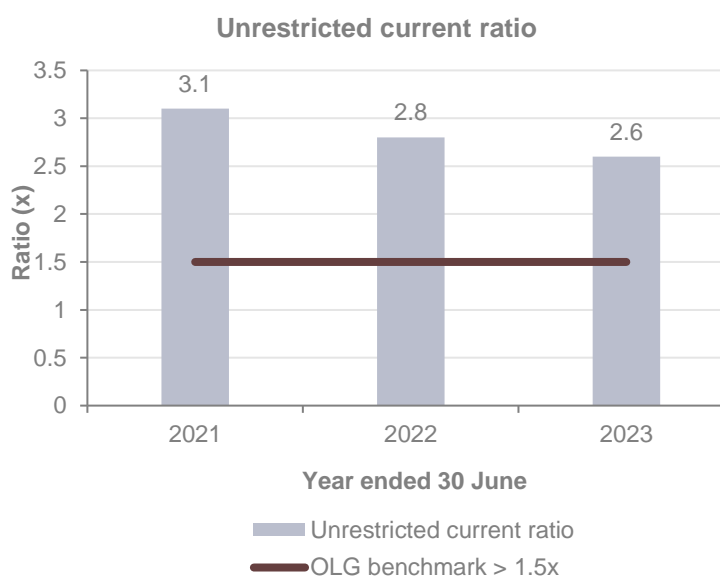
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

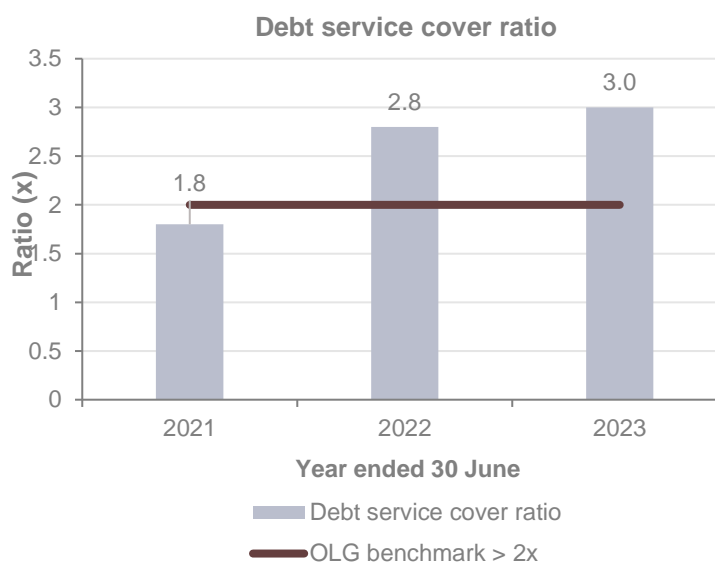
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

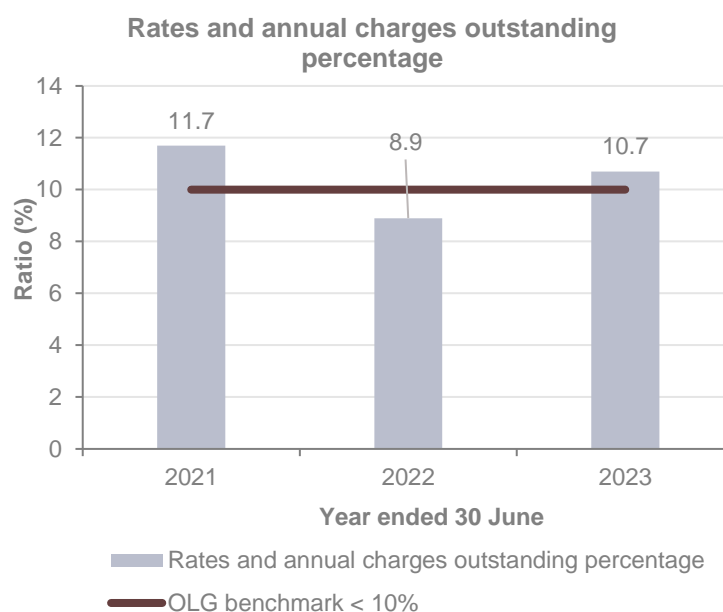
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

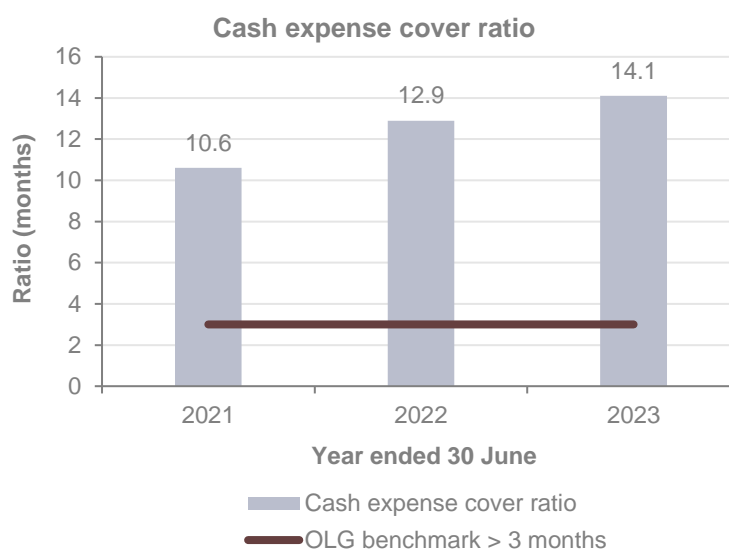
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$118.6 million of infrastructure, property, plant and equipment during the 2022–23 financial year, compared to \$80.6 million in the prior year. A further \$36.1 million was spent on new assets, compared to \$30.8 million in the prior year.

OTHER MATTERS

Legislative compliance

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

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

Lawrissa Chan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

MidCoast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Special Purpose Financial Statements

for the year ended 30 June 2023

| Contents | Page |
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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 2023

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:

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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,
- accord with Council's accounting and other records; and
- 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 25 October 2023.



Claire Pontin

Mayor

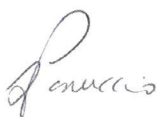
25 October 2023



Katheryn Stinson

Councillor

25 October 2023



Adrian Panuccio

General Manager

25 October 2023



Phil Brennan

Responsible Accounting Officer

25 October 2023

MidCoast Council

Income Statement of water supply business activity

for the year ended 30 June 2023

| \$ '000 | 2023 | 2022 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 14,694 | 14,076 |
| User charges | 27,401 | 25,982 |
| Fees | 1,207 | 1,291 |
| Interest and investment income | 520 | 178 |
| Other income | 505 | 307 |
| Total income from continuing operations | 44,327 | 41,834 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 8,829 | 7,577 |
| Borrowing costs | 4,194 | 4,553 |
| Materials and services | 15,353 | 14,357 |
| Depreciation, amortisation and impairment | 15,486 | 13,963 |
| Net loss from the disposal of assets | 2,213 | 529 |
| Calculated taxation equivalents | 269 | 275 |
| Debt guarantee fee (if applicable) | 710 | 762 |
| Other expenses | 470 | 525 |
| Total expenses from continuing operations | 47,524 | 42,541 |
| Surplus (deficit) from continuing operations before capital amounts | (3,197) | (707) |
| Grants and contributions provided for capital purposes | 5,463 | 6,872 |
| Surplus (deficit) from continuing operations after capital amounts | 2,266 | 6,165 |
| Surplus (deficit) from all operations before tax | 2,266 | 6,165 |
| Surplus (deficit) after tax | 2,266 | 6,165 |
| Plus opening retained profits | 442,251 | 435,049 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 269 | 275 |
| – Debt guarantee fees | 710 | 762 |
| Less: | | |
| – Tax equivalent dividend paid | (127) | – |
| Closing accumulated surplus | 445,369 | 442,251 |
| Return on capital % | 0.2% | 0.6% |
| Subsidy from Council | 24,221 | 17,869 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 2,266 | 6,165 |
| Less: capital grants and contributions (excluding developer contributions) | (935) | (775) |
| Surplus for dividend calculation purposes | 1,331 | 5,390 |
| Potential dividend calculated from surplus | 666 | 2,695 |

MidCoast Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

| \$ '000 | 2023 | 2022 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 40,738 | 38,961 |
| User charges | 3,222 | 3,152 |
| Fees | 282 | 403 |
| Interest and investment income | 1,918 | 651 |
| Other income | 405 | 593 |
| Total income from continuing operations | 46,565 | 43,760 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 8,120 | 6,992 |
| Borrowing costs | 2,980 | 3,418 |
| Materials and services | 16,175 | 15,710 |
| Depreciation, amortisation and impairment | 11,306 | 10,610 |
| Net loss from the disposal of assets | 3,039 | 727 |
| Calculated taxation equivalents | 233 | 238 |
| Debt guarantee fee (if applicable) | 443 | 504 |
| Other expenses | 145 | 147 |
| Total expenses from continuing operations | 42,441 | 38,346 |
| Surplus (deficit) from continuing operations before capital amounts | 4,124 | 5,414 |
| Grants and contributions provided for capital purposes | 4,801 | 6,488 |
| Surplus (deficit) from continuing operations after capital amounts | 8,925 | 11,902 |
| Surplus (deficit) from all operations before tax | 8,925 | 11,902 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (1,031) | (1,354) |
| Surplus (deficit) after tax | 7,894 | 10,548 |
| Plus opening retained profits | 436,856 | 424,212 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 233 | 238 |
| – Debt guarantee fees | 443 | 504 |
| – Corporate taxation equivalent | 1,031 | 1,354 |
| Less: | | |
| – Tax equivalent dividend paid | (116) | – |
| Closing accumulated surplus | 446,341 | 436,856 |
| Return on capital % | 1.4% | 1.6% |
| Subsidy from Council | 12,781 | 11,452 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 7,894 | 10,548 |
| Surplus for dividend calculation purposes | 7,894 | 10,548 |
| Potential dividend calculated from surplus | 3,947 | 5,274 |

MidCoast Council

Income Statement of Midcoast Assist

for the year ended 30 June 2023

| \$ '000 | 2023 Category 1 | 2022 Category 1 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| Fees | 8,352 | 7,239 |
| Grants and contributions provided for operating purposes | 1,042 | 1,146 |
| Other income | 243 | 12 |
| Total income from continuing operations | 9,637 | 8,397 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 7,465 | 7,434 |
| Borrowing costs | 2 | 1 |
| Materials and services | 1,418 | 2,292 |
| Depreciation, amortisation and impairment | 105 | 127 |
| Calculated taxation equivalents | 335 | 236 |
| Total expenses from continuing operations | 9,325 | 10,090 |
| Surplus (deficit) from continuing operations before capital amounts | 312 | (1,693) |
| Surplus (deficit) from continuing operations after capital amounts | 312 | (1,693) |
| Surplus (deficit) from all operations before tax | 312 | (1,693) |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (78) | — |
| Surplus (deficit) after tax | 234 | (1,693) |
| Plus accumulated surplus | 767 | 2,224 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments Payroll | 335 | 236 |
| – Corporate taxation equivalent | 78 | — |
| Add: | | |
| Less: | | |
| Closing accumulated surplus | 1,414 | 767 |
| Return on capital % | 72.9% | (368.6)% |
| Subsidy from Council | — | 1,709 |

MidCoast Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

| \$ '000 | 2023 | 2022 |
|---|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 16,547 | 16,619 |
| Investments | 13,500 | 15,500 |
| Receivables | 8,847 | 8,845 |
| Other | 29 | 6 |
| Total current assets | 38,923 | 40,970 |
| Non-current assets | | |
| Right of use assets | 231 | 245 |
| Investments | 3,000 | 3,000 |
| Infrastructure, property, plant and equipment | 627,302 | 593,300 |
| Investment property | 1,424 | 1,369 |
| Total non-current assets | 631,957 | 597,914 |
| Total assets | 670,880 | 638,884 |
| LIABILITIES | | |
| Current liabilities | | |
| Contract liabilities | 204 | 852 |
| Lease liabilities | (6) | 7 |
| Payables | 1,547 | 1,635 |
| Borrowings | 5,347 | 5,199 |
| Employee benefit provisions | 2,973 | 3,012 |
| Total current liabilities | 10,065 | 10,705 |
| Non-current liabilities | | |
| Lease liabilities | 258 | 266 |
| Borrowings | 65,639 | 71,009 |
| Employee benefit provisions | 239 | 59 |
| Total non-current liabilities | 66,136 | 71,334 |
| Total liabilities | 76,201 | 82,039 |
| Net assets | 594,679 | 556,845 |
| EQUITY | | |
| Accumulated surplus | 445,368 | 442,251 |
| Revaluation reserves | 149,311 | 114,594 |
| Total equity | 594,679 | 556,845 |

MidCoast Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

| \$ '000 | 2023 | 2022 |
|---|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 17,825 | 37,291 |
| Investments | 25,000 | 22,000 |
| Receivables | 6,028 | 5,306 |
| Other | 29 | — |
| Total current assets | 48,882 | 64,597 |
| Non-current assets | | |
| Right of use assets | 69 | 72 |
| Investments | 55,250 | 34,750 |
| Infrastructure, property, plant and equipment | 494,660 | 554,216 |
| Investment property | 1,423 | 1,369 |
| Total non-current assets | 551,402 | 590,407 |
| Total assets | 600,284 | 655,004 |
| LIABILITIES | | |
| Current liabilities | | |
| Lease liabilities | 6 | 6 |
| Payables | 1,344 | 1,457 |
| Borrowings | 5,445 | 6,024 |
| Employee benefit provisions | 2,973 | 3,012 |
| Total current liabilities | 9,768 | 10,499 |
| Non-current liabilities | | |
| Lease liabilities | 66 | 68 |
| Borrowings | 38,824 | 44,333 |
| Employee benefit provisions | 240 | 59 |
| Total non-current liabilities | 39,130 | 44,460 |
| Total liabilities | 48,898 | 54,959 |
| Net assets | 551,386 | 600,045 |
| EQUITY | | |
| Accumulated surplus | 446,343 | 436,856 |
| Revaluation reserves | 105,043 | 163,189 |
| Total equity | 551,386 | 600,045 |

MidCoast Council

Statement of Financial Position of Midcoast Assist

as at 30 June 2023

| \$ '000 | 2023 Category 1 | 2022 Category 1 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 2,041 | 1,786 |
| Receivables | 554 | 635 |
| Total current assets | 2,595 | 2,421 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 431 | 459 |
| Right of use assets | 92 | 61 |
| Total non-current assets | 523 | 520 |
| Total assets | 3,118 | 2,941 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 795 | 1,297 |
| Lease liabilities | 31 | 19 |
| Employee benefit provisions | 779 | 806 |
| Total current liabilities | 1,605 | 2,122 |
| Non-current liabilities | | |
| Lease liabilities | 62 | 42 |
| Employee benefit provisions | 37 | 10 |
| Total non-current liabilities | 99 | 52 |
| Total liabilities | 1,704 | 2,174 |
| Net assets | 1,414 | 767 |
| EQUITY | | |
| Retained earnings | 1,414 | 767 |
| Total equity | 1,414 | 767 |

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 2021* (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%** (21/22 25%)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 5.45% 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% (21/22 25%).

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 2022/2023 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 4.02% at 30/6/2023.

(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 2023 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and 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 2023, 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 2022–23 (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).

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

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 2023 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.



Lawrissa Chan
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

MidCoast Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



MidCoast Council

Special Schedules

for the year ended 30 June 2023

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| Special Schedules: | |
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| Report on infrastructure assets as at 30 June 2023 | 6 |

MidCoast Council

Permissible income for general rates (Merger Councils)

| | | 2022/23 | 2023/24 |
|---|---------------------------|------------------|------------------|
| \$ '000 | Notes | MidCoast Council | MidCoast Council |
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 86,414 | 88,742 |
| Plus or minus adjustments ² | b | 336 | 642 |
| Notional general income | $c = a + b$ | 86,750 | 89,384 |
| Permissible income calculation | | | |
| Or rate peg percentage | e | 2.25% | 3.90% |
| Or plus rate peg amount | $i = e \times (c + g)$ | 1,952 | 3,486 |
| Sub-total | $k = (c + g + h + i + j)$ | 88,702 | 92,870 |
| Plus (or minus) last year's carry forward total | l | 83 | 32 |
| Less valuation objections claimed in the previous year | m | (11) | - |
| Sub-total | $n = (l + m)$ | 72 | 32 |
| Total permissible income | $o = k + n$ | 88,774 | 92,902 |
| Less notional general income yield | p | 88,742 | 92,817 |
| Catch-up or (excess) result | $q = o - p$ | 32 | 85 |
| Carry forward to next year ⁶ | $t = q + r + s$ | 32 | 85 |

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 2024.

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 2022–23 (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).

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

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 2023 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 2023'.

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.



Lawrissa Chan
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

MidCoast Council

Report on infrastructure assets as at 30 June 2023

| 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 | 2022/23 Required maintenance ^a | 2022/23 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 | 6,984 | 6,984 | 1,004 | 395 | 60,674 | 91,279 | 7.0% | 61.0% | 19.0% | 13.0% | 0.0% |
| | Council Offices/Administration Centres | 14,880 | 14,880 | 982 | 622 | 53,600 | 89,250 | 41.0% | 5.0% | 2.0% | 52.0% | 0.0% |
| | Council Works Depots | 2,100 | 2,100 | 139 | 86 | 6,460 | 12,673 | 9.0% | 7.0% | 56.0% | 28.0% | 0.0% |
| | Council Public Halls | 4,003 | 4,003 | 274 | 12 | 12,449 | 24,945 | 0.0% | 16.0% | 50.0% | 34.0% | 0.0% |
| | Libraries | 890 | 890 | 104 | 87 | 5,369 | 9,450 | 0.0% | 18.0% | 75.0% | 7.0% | 0.0% |
| | Cultural/Community Facilities | 31,734 | 31,734 | 2,706 | 1,837 | 135,683 | 245,962 | 4.0% | 25.0% | 47.0% | 23.0% | 1.0% |
| | Sub-total | 60,591 | 60,591 | 5,209 | 3,039 | 274,235 | 473,559 | 11.39% | 27.07% | 34.08% | 26.93% | 0.50% |
| Other structures | Other structures Not Included In Buildings | 1,268 | 1,268 | 166 | 736 | 10,680 | 15,102 | 20.0% | 52.0% | 10.0% | 18.0% | 0.0% |
| | Sub-total | 1,268 | 1,268 | 166 | 736 | 10,680 | 15,102 | 20.00% | 52.00% | 10.00% | 18.00% | 0.00% |
| Roads | Sealed roads | 150,566 | 150,566 | 13,575 | 33,143 | 951,408 | 1,523,619 | 13.0% | 39.0% | 31.0% | 14.0% | 3.0% |
| | Unsealed roads | 6,708 | 6,708 | 3,562 | 650 | 46,996 | 75,002 | 12.0% | 28.0% | 57.0% | 2.0% | 1.0% |
| | Bridges | 7,728 | 7,728 | 2,016 | 607 | 147,186 | 201,802 | 20.0% | 59.0% | 16.0% | 4.0% | 1.0% |
| | Footpaths/Cycleways | 3,084 | 3,084 | 672 | 160 | 34,290 | 49,092 | 29.0% | 29.0% | 39.0% | 2.0% | 1.0% |
| | Kerb & Guttering | 22,419 | 22,419 | 336 | 48 | 118,847 | 204,165 | 11.0% | 10.0% | 74.0% | 4.0% | 1.0% |
| | Bulk earthworks | — | — | — | — | 800,176 | 800,176 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 190,505 | 190,505 | 20,161 | 34,608 | 2,098,903 | 2,853,856 | 37.99% | 26.94% | 25.14% | 8.13% | 1.90% |
| Water supply network | Water supply network | 57,201 | 57,201 | 9,219 | 9,625 | 553,794 | 805,529 | 36.0% | 35.0% | 16.0% | 9.0% | 4.0% |
| | Sub-total | 57,201 | 57,201 | 9,219 | 9,625 | 553,794 | 805,529 | 36.00% | 35.00% | 16.00% | 9.00% | 4.00% |
| Sewerage network | Sewerage network | 50,962 | 50,962 | 9,533 | 8,598 | 451,441 | 656,143 | 36.0% | 27.0% | 24.0% | 9.0% | 4.0% |
| | Sub-total | 50,962 | 50,962 | 9,533 | 8,598 | 451,441 | 656,143 | 36.00% | 27.00% | 24.00% | 9.00% | 4.00% |
| Stormwater drainage | Stormwater drainage | 36,551 | 36,551 | 2,513 | 422 | 334,794 | 506,769 | 20.0% | 45.0% | 30.0% | 4.0% | 1.0% |
| | Sub-total | 36,551 | 36,551 | 2,513 | 422 | 334,794 | 506,769 | 20.00% | 45.00% | 30.00% | 4.00% | 1.00% |

MidCoast Council

Report on infrastructure assets as at 30 June 2023 (continued)

| 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 | 2022/23 Required maintenance ^a | 2022/23 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 |
| Open space / recreational assets | Swimming pools | 2,866 | 2,866 | 133 | 1,255 | 5,108 | 12,123 | 1.0% | 5.0% | 50.0% | 39.0% | 5.0% |
| | Other Recreational/Open Space Assets | 5,542 | 5,542 | 627 | 6,286 | 35,799 | 57,025 | 11.0% | 50.0% | 25.0% | 10.0% | 4.0% |
| | Sub-total | 8,408 | 8,408 | 760 | 7,541 | 40,907 | 69,148 | 9.25% | 42.11% | 29.38% | 15.08% | 4.20% |
| Total – all assets | | 405,486 | 405,486 | 47,561 | 64,569 | 3,764,754 | 5,380,106 | 33.00% | 30.13% | 24.89% | 9.75% | 2.30% |

(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 2023

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2023 | Indicator 2023 | Indicator 2022 | Benchmark |
|--|-----------------|-------------------|-------------------|-----------|
| Buildings and infrastructure renewals ratio | | | | |
| Asset renewals ¹ | 118,555 | 128.13% | 117.43% | > 100.00% |
| Depreciation, amortisation and impairment | 92,525 | | | |
| Infrastructure backlog ratio | | | | |
| Estimated cost to bring assets to a satisfactory standard | 405,486 | 10.33% | 2.98% | < 2.00% |
| Net carrying amount of infrastructure assets | 3,925,266 | | | |
| Asset maintenance ratio | | | | |
| Actual asset maintenance | 64,569 | 135.76% | 114.03% | > 100.00% |
| Required asset maintenance | 47,561 | | | |
| Cost to bring assets to agreed service level | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 405,486 | 7.54% | 2.00% | |
| Gross replacement cost | 5,380,106 | | | |

(*) 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 2023

Infrastructure asset performance indicators (by fund)

| \$ '000 | General fund | | Water fund | | Sewer fund | | Benchmark |
|--|--------------|---------|------------|---------|------------|--------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Buildings and infrastructure renewals ratio | | | | | | | |
| Asset renewals ¹ | 158.21% | 137.37% | 42.01% | 103.06% | 49.77% | 43.37% | > 100.00% |
| Depreciation, amortisation and impairment | | | | | | | |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 10.18% | 2.82% | 10.33% | 4.07% | 11.29% | 2.70% | < 2.00% |
| Net carrying amount of infrastructure assets | | | | | | | |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | 160.87% | 130.17% | 104.40% | 92.55% | 90.19% | 95.84% | > 100.00% |
| Required asset maintenance | | | | | | | |
| Cost to bring assets to agreed service level | | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 7.59% | 1.97% | 7.10% | 2.31% | 7.77% | 1.76% | |
| Gross replacement cost | | | | | | | |

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