

CORPORATE & BUSINESS SYSTEMS

ATTACHMENT A

**FINANCIAL STATEMENTS & AUDITORS
REPORTS FOR FINANCIAL PERIOD 13 MAY
2016 TO 30 JUNE 2017 - MID-COAST
COUNCIL**

EXTRAORDINARY MEETING

24 JANUARY 2018

MidCoast Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

**We deliver services to our community in a
way that adds value and builds trust**



MidCoast Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for MidCoast Council.

(ii) MidCoast Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 06 September 2017. Council has the power to amend and reissue these financial statements.

MidCoast Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the period 13 May 2016 to 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

MidCoast Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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


- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- 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 20 December 2017.



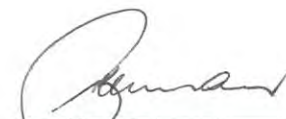
David West
Mayor



Katheryn Smith
Councillor



Glenn Handford
General Manager



Philip Brennan
Responsible accounting officer

MidCoast Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	89,554
User charges and fees	3b	17,069
Interest and investment revenue	3c	4,407
Other revenues	3d	5,195
Grants and contributions provided for operating purposes	3e,f	58,706
Grants and contributions provided for capital purposes	3e,f	35,116
<i>Other income:</i>		
Net gains from the disposal of assets	5	1,157
Net share of interests in joint ventures and associates using the equity method	19	28
Total income from continuing operations		211,232
Expenses from continuing operations		
Employee benefits and on-costs	4a	58,048
Borrowing costs	4b	4,104
Materials and contracts	4c	40,282
Depreciation and amortisation	4d	50,106
Impairment	4d	–
Other expenses	4e	22,175
Total expenses from continuing operations		174,715
Operating result from continuing operations		36,517
Discontinued operations		
Net profit/(loss) from discontinued operations	24	–
Net operating result for the period		36,517
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	1,994,774
Net result for the period		2,031,291
Net operating result attributable to Council		2,031,291
Net operating result attributable to non-controlling interests		–
Net operating result for the period before grants and contributions provided for capital purposes		1,401

MidCoast Council

Statement of Comprehensive Income
for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the period (as per Income Statement)		2,031,291
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		–
Total items which will not be reclassified subsequently to the operating result		–
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–
Total other comprehensive income for the period		–
Total comprehensive income for the period		2,031,291
Total comprehensive income attributable to Council		2,031,291
Total comprehensive income attributable to non-controlling interests		–

MidCoast Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	14,258
Investments	6b	104,315
Receivables	7	14,583
Inventories	8	2,094
Other	8	660
Non-current assets classified as 'held for sale'	22	–
Total current assets		135,910
Non-current assets		
Investments	6b	25,500
Receivables	7	218
Inventories	8	4,649
Infrastructure, property, plant and equipment	9	1,960,223
Investments accounted for using the equity method	19	200
Investment property	14	18,000
Intangible assets	25	–
Total non-current assets		2,008,790
TOTAL ASSETS		2,144,700
LIABILITIES		
Current liabilities		
Payables	10	18,266
Income received in advance	10	654
Borrowings	10	10,357
Provisions	10	15,594
Total current liabilities		44,871
Non-current liabilities		
Payables	10	457
Income received in advance	10	–
Borrowings	10	54,160
Provisions	10	13,921
Total non-current liabilities		68,538
TOTAL LIABILITIES		113,409
Net assets		2,031,291
EQUITY		
Retained earnings	20	2,031,291
Revaluation reserves	20	–
Other reserves	20	–
Council equity interest		2,031,291
Non-controlling equity interests		–
Total equity		2,031,291

This statement should be read in conjunction with the accompanying notes.

MidCoast Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17

\$ '000	Notes	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
Opening balance		-	-	-	-	-	-
a. Correction of prior period errors	20 (c)	-	-	-	-	-	-
b. Changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-	-
Revised opening balance		-	-	-	-	-	-
c. Net result for the period		2,031,291	-	-	2,031,291	-	2,031,291
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income (c&d)		2,031,291	-	-	2,031,291	-	2,031,291
d. Distributions to/(contributions from) non-controlling interests		-	-	-	-	-	-
e. Transfers between equity		-	-	-	-	-	-
Equity – balance at end of the reporting period		2,031,291	-	-	2,031,291	-	2,031,291

MidCoast Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		103,063
User charges and fees		14,159
Investment and interest revenue received		4,051
Grants and contributions		92,404
Bonds, deposits and retention amounts received		441
Other		6,128
Payments:		
Employee benefits and on-costs		(58,892)
Materials and contracts		(38,140)
Borrowing costs		(3,881)
Bonds, deposits and retention amounts refunded		–
Other		(21,422)
Net cash provided (or used in) operating activities	11b	97,911
Cash flows from investing activities		
Receipts:		
Sale of investment securities		103,159
Sale of infrastructure, property, plant and equipment		2,748
Payments:		
Purchase of investment securities		(143,031)
Purchase of infrastructure, property, plant and equipment		(56,942)
Purchase of real estate assets		(27)
Deferred debtors and advances made		(51)
Net cash provided (or used in) investing activities		(94,144)
Cash flows from financing activities		
Receipts:		
Proceeds from borrowings and advances		11,201
Payments:		
Repayment of borrowings and advances		(11,711)
Repayment of finance lease liabilities		(96)
Net cash flow provided (used in) financing activities		(606)
Net increase/(decrease) in cash and cash equivalents		3,161
Plus: cash transferred on amalgamation of councils	29	11,097
Cash and cash equivalents – end of the period	11a	14,258
Additional Information:		
plus: Investments on hand – end of period	6b	129,815
Total cash, cash equivalents and investments		144,073

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

The Local Government (Council Amalgamations) Proclamation 2016 [NSW] ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 3 former councils:

- Great Lakes Council
- Greater Taree City Council
- Gloucester Shire Council

to Mid-Coast (MidCoast) Council as at 12 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of MidCoast Council being 13 May 2016 and ending on 30 June 2017.

As a result, these consolidated financial statements do not have comparative information.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of the 3 former councils acquired as a result of the amalgamation, have been recognised by MidCoast Council at fair value or the carrying value of the former council at the date of proclamation.

MidCoast Council has reviewed the carrying amounts of the previous council's and, except for buildings, assessed the carrying amounts are not materially different from their fair values as at the date of transfer 13 May 2016.

In regard to buildings, MidCoast Council has conducted a comprehensive revaluation and recognised former councils' assets at their fair value as at the date of transfer 13 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting

Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) 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:

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Estimated fair values of investment properties

(ii) Estimated fair values of infrastructure, property, plant and equipment,

(iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7. The impairment of receivables is limited to outstanding rates on some unpaid non-urban land.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Control over granted or contributed assets is normally obtained upon their receipt (or acquittal) or

upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

Interest income from cash & investments is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

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

(vi) Dividend income

Council does not recognise any income from dividends.

(vii) Other income

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General purpose operations

Due to the immaterial value and nature the following committees, entities and operations have been excluded from consolidation.

- *Booral Soldiers Memorial Committee*
- *Bulahdelah School of Arts Hall Committee*
- *Bungwahl Hall Committee*
- *Bunyah Hall Committee*
- *Coolongolook Memorial Hall Committee*
- *Coomba Park Hall Committee*
- *Great Lakes Concert Band*
- *Great Lakes Floodplain Management Committee*
- *Limeburners Creek Hall Committee*
- *Monkerai School of Arts Management Committee*
- *Pacific Palms Community Centre*
- *Friends of Wingham Town Hal*
- *Old Bar Heritage Airstrip Management Committee*

The estimates of (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

Total income from continuing operations	\$45,000
Total expenditure from continuing operations	\$44,000
Total net assets held (ie Equity)	\$103,000
Note:	

Where actual figures are not known, best estimates have been applied.

- Est F Saxby – Art Bequest (former Taree)
- Manning Valley Cultural Fund (former Taree)

- Mid North Coast Weight of Loads Group (former Gloucester)
- Section 355 Committees (former Gloucester)
- Community and Cultural Development
- Economic Development
- Environmental and Planning
- Governance and Risk
- Infrastructure and Works

(ii) 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 property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

(iii) County Councils

Council was the sole member of Mid Coast County Council (MidCoast Water), a body corporate established under the Local Government Act 1993 (NSW) to provide Water Supply & Sewer Service Functions.

Council's Administrator was also the Administrator for Mid Coast Water which was governed independently of MidCoast Council. Therefore it was considered that MidCoast Council neither controlled nor significantly influenced the governance and administration of the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(iv) Interests in other entities

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Interests in joint ventures are accounted for using the equity method in accordance with AASB128

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

Detailed information relating to Council's joint ventures can be found in note 19 (b).

(d) Leases

Finance Lease

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Operational Lease

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes

- 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 that are subject to an insignificant risk of changes in value;
- Bank Overdraft

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) Land held for resale/capitalisation of borrowing costs

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

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

As at the reporting date Council did not classify any financial assets at fair value through the profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When

a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

(j) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures (Forster branch)
- Swimming pools
- Other open space/recreational assets
- Artworks

Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage

As approximated by depreciated historical cost:

- Plant and equipment
- Other infrastructure
- Office Equipment
- Compute Equipment
- Furniture & Fittings
- Other open space/recreational assets (Taree Gloucester Branches)
- Swimming pools (Taree Branch)
- Land improvements
- Library Book stocks
- Roads assets including roads, bridges and footpaths.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that

amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Depreciation

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

- Office equipment	3 to 10 years
- Office furniture	3 to 10 years
- Computer equipment	3 to 10 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 15 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

- Buildings: masonry	20 to 100 years
- Buildings: other	10 to 100 years

Stormwater assets

- Drains	80 to 100 years
- Culverts	50 to 75 years
- Long Life Assets	to 200 years

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Transportation assets

- Sealed roads: surface	10 to 50 years
- Sealed roads: structure	40 to 200 years
- Unsealed roads	10 to 50 years
- Bridge: concrete	60 to 200 years
- Bridge: other	20 to 100 years
- Road pavements	40 to 200 years
- Kerb, gutter and footpaths	20 to 80 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	4 to 50 years
- Other open space/ recreational assets	10 to 100 years
- Other infrastructure	5 to 100 years

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

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

(l) Investment property

Investment properties comprise land and buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

All Investment properties are carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

The last full revaluation for Council's investment properties was for the period ending 30 June 2017.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest 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. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) Borrowing costs

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

(p) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(q) Employee benefits

(i) 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.

(ii) 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.

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.

(iii) 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.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, 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.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on the 2 December 2016 and covers the period ended 30 June 2016.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

As advised by the Local Government Super the amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of the Superannuation Expenses at Note 4(a) for the year ended 30 June 2017 was \$1,220,202.48

The amount of additional contributions included in the total employer contribution advised above is \$937,873.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,380,068 as at 30 June 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined Contribution 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.

(r) 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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) 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.

(v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all fire fighting 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 fire fighting equipment has been purchased or constructed".

The issue of who has control over assets used for rural fire services has been the subject of debate for some time.

Council has recognised all assets including fleet, land and buildings within its financial reports.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(w) 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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-

Generating Specialised Assets of Not-for-Profit Entities

AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 Financial Instruments (December 2009)

AASB 15 Revenue from Contracts with Customers

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 2014-1 Amendments to Australian Accounting Standards (Part E)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)AASB 1057 Application of Australian Accounting Standards

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases* (Appendix D)

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(z) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current & non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	–	1,001	(1,001)	–	–
Corporate Services & Governance	13,276	26,110	(12,834)	18,908	116,684
Commercial Enterprises	2,347	5,817	(3,470)	365	96,375
Community services and education	7,106	8,951	(1,845)	3,604	54,974
Library Services	1,402	6,072	(4,670)	485	21,125
Planning & Environmental Services	6,239	12,280	(6,041)	1,978	6,926
Recreation	4,665	14,270	(9,605)	1,865	106,082
Roads & Drainage Service	45,803	69,992	(24,189)	19,693	1,681,230
Rural Fire & Emergency Services	1,537	3,575	(2,038)	1,410	18,037
Tourism & Economic Development	1,950	2,317	(367)	180	3,881
Waste Management	30,904	24,330	6,574	1,596	39,186
Total functions and activities	115,229	174,715	(59,486)	50,084	2,144,500
Share of gains/(losses) in associates and joint ventures (using the equity method)	28	–	28		200
General purpose income ¹	95,975		95,975	26,448	
Operating result from continuing operations	211,232	174,715	36,517	76,532	2,144,700

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

CIVIC GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration

CORPORATE SERVICES & GOVERNANCE

Costs not otherwise attributed to functions including corporate planning, financial & accounting services,

COMMERCIAL ENTERPRISES

Commercial properties, boat harbour & moorings, entrepreneurial activities, private works, land acquisition & development, Great Lakes Aquatic & Leisure Centre.

COMMUNITY SERVICES

Administration, family day care, child care, youth services, other services to families & children, aged & disabled services (HACC Services), migrant services, Aboriginal services, other community services, education, community halls & other public buildings (museums, art galleries, community centres), public cemeteries, doctors premises, support to community groups.

LIBRARY SERVICES

Books, periodicals & other lending materials, council website, legal information bureau (LIAC), ABS agency, genealogical services, information research services, disability access facilities, internet & database access, CD ROM resources, photocopying/laminating/fax services.

PLANNING & ENVIRONMENTAL SERVICES

Natural systems management, land use planning, development standards, development assessment monitoring, building certification, planning/building & strata subdivision certificates, licensing of caravan parks & places of public entertainment, tree preservation order assessments, environmental health monitoring, on-site sewerage management, food handling control, general regulatory control, animal control.

RECREATION SERVICES

Street trees & gardens, street furniture, sporting fields & amenities, neighbourhood parks, major parks & gardens, beach facilities, surf life saving, public swimming pools, public toilets, boat ramps & wharves, lakes control of noxious weeds, horticultural services, recreation & open space planning.

ROADS & DRAINAGE

Roads & streets, bridges, footpaths, cycleways, parking areas, bus shelters & services, works undertaken for Roads & Traffic Authority, street lighting, street signs, traffic control facilities, culverts, stormwater drains, kerb & gutter, drain cleaning & maintenance, street & gutter cleaning, other.

RURAL FIRE & EMERGENCY SERVICES

Rural fire fighting, brigade management, fire fighting equipment, emergency co-ordination, disaster planning.

TOURISM & ECONOMIC DEVELOPMENT

Tourism promotion & marketing, visitor information services, assistance to festivals & events, business development advice, co-operative marketing opportunities, membership services.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 2(b). Council functions/activities – component descriptions (continued)

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

WASTE MANAGEMENT SERVICES

Domestic waste management services, other waste management services - rubbish collection & disposal, recycling collection & processing, solid waste landfills, waste transfer stations, recycling "drop off" centres, tip shops, licencing of waste transporters, hazardous waste tracking, hazardous substances collection, regulating commercial waste, community education programs.

JOINT VENTURE

Council has an interest in Strategic Services Australia Limited, along with other member councils of Hunter Councils. The activities of this organisation are not controlled by any one council.

Strategic Services Australia Limited has been established to improve the quality & efficiency of local government services throughout the Hunter Region. One such service is the establishment & provision of a Record Repository Centre for the use of the member councils and to outsource this service to other organisations.

This organisation was established in January 2003 after receiving Minister's consent, pursuant to Section 358(1)(a) of the Local Government Act, 1993.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		49,780
Farmland		7,294
Mining		258
Business		8,157
Total ordinary rates		65,489
Special rates		
Other		-
Total special rates		-
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		20,431
Stormwater management services		895
Waste management services (non-domestic)		2,739
Total annual charges		24,065
TOTAL RATES AND ANNUAL CHARGES		89,554

Council has used the following base date valuations provided by the Valuer General in calculating rate:

Former Great Lakes Council area 1/7/2014

Former greater Taree City Council area 1/7/2013

Former Gloucester Shire Council area 1/7/2014

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services		4,655
Waste management services (non-domestic)		458
Total user charges		5,113
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation		1,948
Section 149 certificates (EP&A Act)		375
Section 603 certificates		314
Animal control		111
Beach vehicle licencing		347
Caravan park and camping grounds licence		27
Community health fees (food inspection fees etc.)		131
Engineering – fixing levels and DA fees		227
Freedom of information fees		7
On site sewer waste management fees		974
Outdoor eating licence		47
Section 735a charges		29
Total fees and charges – statutory/regulatory		4,537
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries		665
Leaseback fees – Council vehicles		758
Library and art gallery		67
Saleyards		172
Swimming centres		200
Tourism		84
Private works – section 67		331
Recreation		3
Entertainment centre		77
Landing fees		155
Ageing Services		410
Community land / property rentals		252
Community services		37
Damage bonds		119
Mooring fees		89
Other service fees and misc income		1,339
RMS fees for service		788
Parks and recreation		581
National Disability Insurance Scheme		1,287
Road escort fees		5
Total fees and charges – other		7,419
TOTAL USER CHARGES AND FEES		17,069

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		288
– Interest earned on investments (interest and coupon payment income)		4,163
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided		(44)
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>4,407</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		288
General Council cash and investments		3,750
Restricted investments/funds – external:		
Development contributions		
– Section 94		280
Domestic waste management operations		45
Other Restrictions		44
Total interest and investment revenue recognised		<u>4,407</u>
(d) Other revenues		
Fair value increments – investment properties	14	705
Rental income – investment properties	14	1,154
Rental income – other council properties		645
Fines		576
Legal fees recovery – rates and charges (extra charges)		411
Legal fees recovery – other		2
Commissions and agency fees		336
Diesel rebate		257
Insurance claims & rebates		380
YMCA profit sharing		5
Recycling – scrap metal		39
Reimbursements		103
Transfer from Tip Remediation		236
Other		346
<u>TOTAL OTHER REVENUE</u>		<u>5,195</u>

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	17,679	–
Financial assistance – local roads component	7,534	–
Pensioners' rates subsidies – general component	1,235	–
Total general purpose	26,448	–
Specific purpose		
Pensioners' rates subsidies:		
– Domestic waste management	506	–
Bushfire and emergency services	966	328
Community care	3,266	–
Employment and training programs	5	–
Flood restoration	607	–
Library	515	173
LIRS subsidy	550	–
Noxious weeds	479	–
Public halls	–	8
Street lighting	126	–
Transport (roads to recovery)	8,566	–
Transport (other roads and bridges funding)	228	4,999
Waste and sustainability	53	–
Transport (Bucketts Way upgrade)	95	2,722
Community planning	69	–
Environmental works	1,605	–
Recreation improvements	552	2,181
Other rebates	822	–
Merger Implementation	5,000	–
Stronger Community Funding	–	15,012
Other	651	–
Total specific purpose	24,661	25,423
Total grants	51,109	25,423
Grant revenue is attributable to:		
– Commonwealth funding	19,924	14,509
– State funding	31,032	10,906
– Other funding	153	8
	51,109	25,423

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		–	4,061
Voluntary Planning Agreements		–	30
Total developer contributions	17	–	4,091
Other contributions:			
Community services		249	–
RMS contributions (regional roads, block grant)		5,891	3,689
Crown reserve contribution (caravan parks)		926	–
Library services		14	–
Subdivider dedications (other than by s94)		–	1,865
Tourism / economic development		96	–
Other waste		85	–
Other		336	48
Total other contributions		7,597	5,602
Total contributions		7,597	9,693
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>58,706</u>	<u>35,116</u>

\$ '000	Actual 13/5/16 to 30/6/17
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period (former Councils)	17,899
Add: grants and contributions recognised in the current period but not yet spent:	11,625
Add: grants and contributions received for the provision of goods and services in a future period	–
Less: grants and contributions recognised in a previous reporting period now spent:	(5,422)
Net increase (decrease) in restricted assets during the period	6,203
Unexpended and held as restricted assets	<u>24,102</u>
Comprising:	
– Specific purpose unexpended grants	10,431
– Developer contributions	13,671
	<u>24,102</u>

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		45,588
Employee termination costs		2,454
Travel expenses		110
Employee leave entitlements (ELE)		6,852
Superannuation		3,122
Workers' compensation insurance		1,008
Fringe benefit tax (FBT)		61
Training costs (other than salaries and wages)		338
Superannuation – accumulation scheme		2,486
Other		250
Total employee costs		62,269
Less: capitalised costs		(4,221)
TOTAL EMPLOYEE COSTS EXPENSED		58,048
Number of 'full-time equivalent' employees (FTE) at period end		614
Number of 'full-time equivalent' employees (FTE) at period end (incl. vacancies)		640
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		3,883
Total interest bearing liability costs		3,883
Less: capitalised costs		–
Total interest bearing liability costs expensed		3,883
(ii) Other borrowing costs		
Remediation liabilities	26	221
Total other borrowing costs		221
TOTAL BORROWING COSTS EXPENSED		4,104

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		16,546
Contractor and consultancy costs		
– Contractor costs		21,120
– Consultancy costs		1,388
Auditors remuneration ⁽¹⁾		118
Legal expenses:		
– Legal expenses: planning and development		263
– Legal expenses: other		565
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		282
Total materials and contracts		40,282
Less: capitalised costs		–
TOTAL MATERIALS AND CONTRACTS		40,282
1. Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
(i) Audit and other assurance services		
– Audit of financial statements		110
– Council's internal auditor - other assurance services		8
Remuneration for audit and other assurance services		118
Total remuneration of other Council's Auditors		118
Total Auditor remuneration		118
2. Operating lease payments are attributable to:		
Other		282
		282

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		4,464
Office equipment		561
Furniture and fittings		265
Computer equipment		221
Land improvements (depreciable)		232
Infrastructure:		
– Buildings		7,101
– Other structures		1,059
– Roads		24,989
– Bridges		3,874
– Footpaths		623
– Stormwater drainage		2,279
– Swimming pools		256
– Other open space/recreational assets		1,340
– Other infrastructure		1,910
Other assets		
– Library books		455
– Cemetery assets		11
– Other		58
Asset reinstatement costs	9 & 26	408
Total gross depreciation and amortisation costs		50,106
Less: capitalised costs		–
Total depreciation and amortisation costs		50,106
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>50,106</u>

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		433
Bank charges		207
Contributions/levies to other levels of government		
– NSW fire brigade levy		187
– NSW rural fire service levy		1,453
– Waste levy		6,434
Councillor expenses – mayoral fee		2
Local Representative Committee		304
Councillors' expenses (incl. mayor) – other (excluding fees above)		10
Donations, contributions and assistance to other organisations (Section 356)		929
Electricity and heating		1,316
Insurance		2,488
Postage		326
Printing and stationery		243
Street lighting		1,367
Subscriptions and publications		280
Telephone and communications		835
Valuation fees		341
Plant running costs		3,497
Sewer charges		570
Water charges		489
Other		464
Total other expenses		22,175
Less: capitalised costs		–
<u>TOTAL OTHER EXPENSES</u>		<u>22,175</u>

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Plant and equipment		
Proceeds from disposal – plant and equipment		2,109
Less: carrying amount of plant and equipment assets sold/written off		(1,525)
Net gain/(loss) on disposal		584
Financial assets *		
Proceeds from disposal/redemptions/maturities – financial assets		103,159
Less: carrying amount of financial assets sold/redeemed/matured		(103,159)
Net gain/(loss) on disposal		–
Other		
Proceeds from disposal – Other		639
Less: carrying amount of Other assets sold/written off		(66)
Net gain/(loss) on disposal		573
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,157

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		4,400	–
Cash-equivalent assets ¹			
– Deposits at call		3,058	–
– Short-term deposits		6,800	–
Total cash and cash equivalents		14,258	–
Investments (Note 6b)			
– Term deposits		100,015	4,000
– NCD's, FRN's (with maturities > 3 months)		4,300	21,500
Total investments		104,315	25,500
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		118,573	25,500

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

14,258	–
---------------	----------

Investments

a. 'Held to maturity'

104,315	25,500
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Investments

104,315	25,500
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	13/5/16 to 30/6/17	13/5/16 to 30/6/17
	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	118,573	25,500
attributable to:		
External restrictions (refer below)	40,447	25,500
Internal restrictions (refer below)	72,174	–
Unrestricted	5,952	–
	118,573	25,500

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
-------------------------------	--	------------------------------	-----------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	991	1,716	–	2,707
Subdivision bonds	2,439	1,062	(672)	2,829
Sundry bonds and deposits	659	412	(267)	804
Other sale of land, planning guarantee and relocation, tender and sundry deposits	228	10	(52)	186
External restrictions – included in liabilities	4,317	3,200	(991)	6,526

External restrictions – other

Developer contributions – general (D)	10,808	4,371	(1,508)	13,671
Specific purpose unexpended grants (F)	7,091	3,340	–	10,431
Domestic waste management (G)	24,051	2,764	(240)	26,575
Stormwater management (G)	1,697	607	(655)	1,649
RMS – Coopernook Entrance	517	–	–	517
Environmental levy	2,374	1,713	(1,201)	2,886
RMS – compensatory habitat	12	–	(10)	2
RMS – Moorland/Herons Ck – long term project	1,997	–	(982)	1,015
Crown Lands Act – Section 106 (Boat Harbour)	229	22	(228)	23
Other contributions to works	827	37	(27)	837
ARTC rail crossing	822	–	(35)	787
Cattai Wetlands - Environmental Trust	437	3	–	440
Nabiac Showground	–	26	–	26
Other	1,039	226	(702)	563
External restrictions – other	51,900	13,109	(5,588)	59,421
Total external restrictions	56,217	16,309	(6,579)	65,947

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	5,437	1,722	(1,164)	5,995
Employees leave entitlement	5,291	–	–	5,291
Carry over works	5,230	6,749	(3,846)	8,133
Aquatic centre	300	59	(4)	355
Booral Road reserve	361	–	(361)	–
Bulahdelah Court House	16	–	–	16
Commercial waste	4,188	2	(160)	4,030
Cemetery reserve	31	6	(5)	32
Election	469	143	–	612
Emergency management	163	68	(139)	92
Forster/Tuncurry Crown Harbour and foreshore	50	–	(4)	46
Future land development	217	56	(47)	226
Information Technology	1,125	87	(1)	1,211
Insurance	265	–	–	265
Jimmys Beach foreshore protection	585	300	(433)	452
Lake Street carparking	135	55	–	190
Pacific Palms Community Centre	40	8	–	48
Private memorials	11	18	(20)	9
Quarantine reserve	4,863	3,680	(3,519)	5,024
Roadworks	162	–	(162)	–
Swimming Pool Inspection reserve	43	17	–	60
Sewerage MGT systems	67	–	(67)	–
State Roads	744	67	–	811
Tuncurry Parks Nursery	16	4	(19)	1
Crown Reserves adjacent to Caravan Parks	229	–	–	229
Aquatic Centre equipment	40	37	–	77
Asset management plans	79	–	(36)	43
Commercial development	1,946	1,271	(768)	2,449
Legal expenses	111	–	(111)	–
Tuncurry Supermarket Sinking Fund	160	40	–	200
LIRS reserve	2,473	–	(556)	1,917
Workers Compensation Premium reserve	839	110	–	949
Organisational Development Reserve	82	9	(82)	9
Bulahdelah Mountain Park	523	–	(193)	330
Bulahdelah Way	1,787	–	(137)	1,650
Library IT reserve	56	21	(9)	68
Merger Implementation	–	5,104	(2,030)	3,074
Stronger Communities	–	15,442	(512)	14,930
Merger Savings	–	1,703	–	1,703
All Abilities Park	75	75	–	150
Sporting Field Upgrade & Development	110	–	–	110
Capital Works reserve	823	–	(676)	147
Cemetery Development	113	–	–	113

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Coastal Erosion reserve	52	–	–	52
Council restricted funds	117	26	–	143
Harrington Waters Marina	134	7	–	141
Planning projects	151	8	(11)	148
Property reserve	242	–	(13)	229
Streetlighting	615	–	–	615
FAG In Advance	–	8,579	–	8,579
Other	860	360	–	1,220
Total internal restrictions	41,426	45,833	(15,085)	72,174
TOTAL RESTRICTIONS	97,643	62,142	(21,664)	138,121

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		3,697	215
Interest and extra charges		1,234	–
User charges and fees		849	–
Private works		31	–
Contributions to works		767	–
Accrued revenues			
– Interest on investments		602	–
– Other income accruals		888	–
Deferred debtors		8	3
Government grants and subsidies		5,386	–
Net GST receivable		1,151	–
On site sewer management charges		16	–
Building and land rentals		104	–
Footpaving charges		27	–
Kerb and gutter charges		35	–
Other waste charges		214	–
Other receivables		234	–
Total		15,243	218
Less: provision for impairment			
Rates and annual charges		(356)	–
Interest and extra charges		(304)	–
Total provision for impairment – receivables		(660)	–
<u>TOTAL NET RECEIVABLES</u>		<u>14,583</u>	<u>218</u>
Externally restricted receivables			
Domestic waste management		1,872	–
Stormwater management		890	–
Total external restrictions		2,762	–
Unrestricted receivables		11,821	218
<u>TOTAL NET RECEIVABLES</u>		<u>14,583</u>	<u>218</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

MidCoast Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
Inventories at cost			
Real estate for resale (refer below)		931	4,649
Stores and materials		898	–
Trading stock		265	–
Total inventories at cost		2,094	4,649
<u>TOTAL INVENTORIES</u>		<u>2,094</u>	<u>4,649</u>
(b) Other assets			
Prepayments		660	–
<u>TOTAL OTHER ASSETS</u>		<u>660</u>	<u>–</u>
Externally restricted assets			
There are no restrictions applicable to the above assets.			
Total externally restricted assets		–	–
Total internally restricted assets		–	–
Total unrestricted assets		2,754	4,649
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>		<u>2,754</u>	<u>4,649</u>

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	Current	Non-current
(i) Other disclosures		
(a) Details for real estate development		
Residential	116	3,829
Industrial/commercial	815	820
Total real estate for resale	931	4,649
(Valued at the lower of cost and net realisable value)		
Represented by:		
Acquisition costs	267	3,836
Development costs	664	813
Total costs	931	4,649
Less: provision for under recovery	–	–
Total real estate for resale	931	4,649
Movements:		
Real estate assets at beginning of the year (former Councils)	1,053	4,578
– Purchases and other costs	(103)	71
– Transfers in from (out to) Note 9	(19)	–
Total real estate for resale	931	4,649
(b) Current assets not anticipated to be settled within the next 12 months		2017
The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;		
Future Residential Development tuncurry		746
Forster Developemt Land		3,000
Taree Land for resale		832
Gloucester Future Development Land		71
		4,649

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016				Asset movements during the reporting period						as at 30/6/2017			
	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) real estate assets (Note 8)	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	–	8,888	–	8,888	13,800	5,156	–	–	(9,924)	–	17,920	–	–	17,920
Plant and equipment	–	51,651	25,827	25,824	5,068	92	(1,525)	(4,464)	248	–	–	52,915	27,673	25,242
Office equipment	–	5,602	4,179	1,423	325	–	–	(561)	–	–	–	5,840	4,653	1,187
Furniture and fittings	–	2,650	1,793	857	13	–	–	(265)	–	–	–	2,613	2,008	605
Computer equipment	–	1,177	375	802	523	–	–	(221)	–	–	–	1,700	596	1,104
Land:														
– Operational land	–	44,681	–	44,681	834	–	–	–	–	–	–	45,515	–	45,515
– Community land	–	72,706	–	72,706	–	382	–	–	162	19	–	73,269	–	73,269
– Land under roads (post 30/6/08)	–	107	–	107	7	–	–	–	–	–	–	114	–	114
Land improvements – non-depreciable	–	20	–	20	–	–	–	–	–	–	–	20	–	20
Land improvements – depreciable	–	4,915	1,292	3,623	106	–	–	(232)	52	–	–	5,073	1,524	3,549
Infrastructure:														
– Buildings	–	279,681	122,411	157,270	847	106	–	(7,101)	279	–	–	279,815	128,415	151,400
– Other structures	–	23,902	8,153	15,749	326	–	–	(1,059)	3	–	–	24,233	9,214	15,019
– Roads	–	1,413,816	491,847	921,969	22,420	1,996	–	(24,989)	8,271	–	–	1,445,470	515,803	929,667
– Bridges	–	335,180	125,877	209,303	1,344	–	–	(3,874)	192	–	–	336,703	129,738	206,965
– Footpaths	–	32,860	12,808	20,052	501	–	–	(623)	–	–	–	33,359	13,428	19,931
– Bulk earthworks (non-depreciable)	–	226,157	–	226,157	–	–	–	–	–	–	–	226,157	–	226,157
– Stormwater drainage	–	199,930	66,902	133,028	1,754	–	–	(2,279)	58	–	–	201,742	69,181	132,561
– Swimming pools	–	9,530	5,465	4,065	–	–	–	(256)	–	–	–	9,531	5,722	3,809
– Other open space/recreational assets	–	34,706	16,495	18,211	373	54	–	(1,340)	659	–	–	35,892	17,934	17,958
– Other infrastructure	–	136,110	53,315	82,795	939	–	–	(1,910)	–	–	–	137,050	55,226	81,824
Other assets:														
– Library books	–	3,571	2,051	1,520	518	4	–	(455)	–	–	–	4,092	2,505	1,587
– Cemetery assets	–	481	210	271	–	–	–	(11)	–	–	–	481	221	260
– Other	–	2,274	771	1,503	41	–	–	(58)	–	–	–	2,314	828	1,486
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	–	6,981	3,737	3,244	206	–	–	(404)	–	–	–	7,187	4,141	3,046
– Quarry assets	–	182	150	32	–	–	–	(4)	–	–	–	182	154	28
– Other assets	–	2,906	2,906	–	–	–	–	–	–	–	–	2,906	2,906	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	–	2,900,664	946,564	1,954,100	49,945	7,790	(1,525)	(50,106)	–	19	17,920	2,934,173	991,870	1,960,223

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

MidCoast Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management			
WIP	5,506	–	5,506
Plant and equipment	2,061	1,309	752
Office equipment	73	54	19
Furniture and fittings	52	18	34
Land			
– Operational land	4,406	–	4,406
– Improvements – depreciable	161	15	146
Buildings	5,661	1,196	4,465
Other structures	5,303	982	4,321
Infrastructure	400	116	284
Other assets	8,105	4,499	3,606
Total DWM	31,728	8,189	23,539
Other restricted assets			
Other Assets Waterways	763	42	721
Total other restrictions	763	42	721
TOTAL RESTRICTED I,PP&E	32,491	8,231	24,260

Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

MidCoast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		6,280	–
Goods and services – capital expenditure		1,178	–
Accrued expenses:			
– Borrowings		227	–
– Salaries and wages		524	–
– Other expenditure accruals		4,757	–
Security bonds, deposits and retentions		4,270	457
Rate overpayments, refunds and sale of land		1,025	–
Other		5	–
Total payables		18,266	457
Income received in advance			
Payments received in advance		654	–
Total income received in advance		654	–
Borrowings			
Loans – secured ¹		10,147	53,620
Government advances		122	365
Finance lease liabilities		88	175
Total borrowings		10,357	54,160
Provisions			
Employee benefits:			
Annual leave		4,285	–
Long service leave		11,309	–
Sub-total – aggregate employee benefits		15,594	–
Asset remediation/restoration (future works)	26	–	13,921
Total provisions		15,594	13,921
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		44,871	68,538
(i) Liabilities relating to restricted assets			
Externally restricted assets			
Domestic waste management		5,012	14,002
Bonds & Deposits		3,633	–
Sale of land, planning agreement etc		186	–
Liabilities relating to externally restricted assets		8,831	14,002
Total liabilities relating to restricted assets		8,831	14,002
Total liabilities relating to unrestricted assets		36,040	54,536
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		44,871	68,538

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 15.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017
(ii) Current liabilities not anticipated to be settled within the next twelve months	
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.	
Provisions – employees benefits	13,251
Payables – security bonds, deposits and retentions	3,075
Funds held form Sale of Land for Unpaid rates	145
	<u>16,471</u>

Note 10b. Description of and movements in provisions

Class of provision	2016	13/5/16 to 30/6/17				Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	4,066	219	–	–	–	4,285
Long service leave	11,898	(589)	–	–	–	11,309
ELE on-costs	151	–	(151)	–	–	–
Asset remediation	13,730	191	–	–	–	13,921
Other	70	(70)	–	–	–	–
TOTAL	29,915	(249)	(151)	–	–	29,515

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	14,258
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		14,258
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		36,517
Adjust for non-cash items:		
Depreciation and amortisation		50,106
Net losses/(gains) on disposal of assets		(1,157)
Non-cash capital grants and contributions		(1,865)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment properties		(705)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council		44
Unwinding of discount rates on reinstatement provisions		426
Share of net (profits) or losses of associates/joint ventures		(28)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		14,809
Increase/(decrease) in provision for doubtful debts		67
Decrease/(increase) in inventories		182
Decrease/(increase) in other assets		486
Increase/(decrease) in payables		1,960
Increase/(decrease) in accrued interest payable		(203)
Increase/(decrease) in other accrued expenses payable		(148)
Increase/(decrease) in other liabilities		(1,754)
Increase/(decrease) in employee leave entitlements		(521)
Increase/(decrease) in other provisions		(305)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		97,911
(c) Non-cash investing and financing activities		
Other dedications		1,865
Total non-cash investing and financing activities		1,865
(d) Financing arrangements		
NIL		
(e) Bank guarantees / Loan Guarantees		
NIL		

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings		13,240
Plant and equipment		403
Land Acquisitions		299
Contracted Works		4,683
Other		516
Total commitments		19,141
These expenditures are payable as follows:		
Within the next year		7,693
Later than one year and not later than 5 years		11,448
Later than 5 years		–
Total payable		19,141
Sources for funding of capital commitments:		
Unrestricted general funds		630
Future grants and contributions		6,000
Unexpended grants		5,872
Internally restricted reserves		3,639
Unexpended loans		3,000
Total sources of funding		19,141

Details of capital commitments

Includes capital expenditure committed by Council as at 30 June 2017 in relation to buildings, land acquisition, plant and equipment.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017		
(b) Finance lease commitments				
(i) Commitments under finance leases at the reporting date are payable as follows:				
Within the next year		–		
Later than one year and not later than 5 years		88		
Later than 5 years		175		
Total minimum lease payments		263		
Less: future finance charges		–		
Amount recognised as a liability		263		
(ii) Finance lease liability recognised represent;				
Current liabilities		88		
Non-current liabilities		175		
Total finance lease liabilities disclosed		263		
(iii) General details				
Council leases the following property, plant and equipment under finance leases:				
	Term (years)	Option to purchase	Contingent rent clauses	
Other equipment/assets	3	No	No	263
Total carrying value at year end				263
(c) Operating lease commitments (non-cancellable)				
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:				
Within the next year				185
Later than one year and not later than 5 years				44
Later than 5 years				87
Total non-cancellable operating lease commitments				316
b. Non-cancellable operating leases include the following assets:				
Motor Vehicle lease, Lease of land and lease of computer software.				
Conditions relating to finance and operating leases:				
– All finance and operating lease agreements are secured only against the leased asset.				
– No lease agreements impose any financial restrictions on Council regarding future debt etc.				
(d) Investment property commitments				
Nil				

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13a. Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(489)</u>	-0.28%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	174,226		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>115,520</u>	55.18%	>60.00%
Total continuing operating revenue ⁽¹⁾	209,342		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>88,052</u>	4.50x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	19,569		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>53,721</u>	3.38x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	15,911		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>4,486</u>	4.14%	<10% Rural
Rates, annual and extra charges collectible	108,240		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>118,273</u>	10.58 mths	> 3 mths
Payments from cash flow of operating and financing activities	11,179		

Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017
(a) Investment properties at fair value		
<u>Investment properties on hand</u>		<u>18,000</u>
Reconciliation of annual movement:		
Opening balance (former Councils)		17,295
– Disposals during year		–
– Net gain/(loss) from fair value adjustments		705
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>18,000</u>
(b) Valuation basis		
<p>The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.</p> <p>The 2017 revaluations were based on independent assessments made by: Scott Fullarton Valuer and First State Property Valuers.</p>		
(c) Contractual obligations at reporting date		
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
Details of leased investment properties are as follows;		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year		1,026
Later than 1 year but less than 5 years		4,145
Later than 5 years		9,888
Total minimum lease payments receivable		<u>15,059</u>
(e) Investment property income and expenditure – summary		
Rental income from investment properties:		
– Minimum lease payments		1,154
Direct operating expenses on investment properties:		
– that generated rental income		(188)
Net revenue contribution from investment properties		<u>966</u>
plus:		
Fair value movement for period		<u>705</u>
Total income attributable to investment properties		<u>1,671</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying Amount 2017	Fair Value 2017
Financial assets		
Cash and cash equivalents	14,258	14,258
Investments		
– 'Held to maturity'	129,815	129,815
Receivables	14,801	14,801
Total financial assets	158,874	158,874
Financial liabilities		
Payables	18,723	18,723
Loans/advances	64,254	64,254
Lease liabilities	263	263
Total financial liabilities	83,240	83,240

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio and may request the assistance of independent advisors when required.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	1,096	1,096	(1,096)	(1,096)

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual 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.

There are no significant concentrations of credit risk, through exposure to individual customers, however there is a concentration of outstanding rates and extra charges in relation to properties referred to as non urban. These properties are currently zoned RU2 Rural Landscape and do not have building entitlements.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on non-rate debtors if required.

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

A profile of Council's receivables credit risk at balance date follows:

	2017	2017
	Rates and	
	annual	Other
	charges	receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	6%	74%
Overdue	95%	26%
	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	Rates and	Other
		annual	receivables
		charges	receivables
Current	Current	215	8,565
< 1 year overdue	0 – 30 days overdue	2,259	1,560
1 – 2 years overdue	31 – 60 days overdue	534	290
2 – 5 years overdue	61 – 90 days overdue	391	420
> 5 years overdue	> 91 days overdue	513	714
		3,912	11,549

(iii) Movement in provision for impairment of receivables

Balance at the beginning of the year (former Councils)	593
+ new provisions recognised during the period	82
– amounts already provided for and written off this period	(15)
Balance at the end of the period	660

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Bank overdraft	-	-	-	-	-	-	-	-	-
Trade/other payables	4,727	13,996	-	-	-	-	-	18,723	18,723
Loans and advances	-	10,269	10,080	10,216	8,800	7,055	17,834	64,254	64,254
Lease liabilities	-	88	91	84	-	-	-	263	263
Total financial liabilities	4,727	24,353	10,171	10,300	8,800	7,055	17,834	83,240	83,240

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 the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017	
	Carrying value	Average interest rate
Trade/other payables	18,723	0.00%
Loans and advances – fixed interest rate	64,254	5.42%
Lease liabilities	263	4.69%
	<u>83,240</u>	

Loan agreement breaches

There were no breaches to loan agreements during the reporting period.

Note 16. Material budget variations

In accordance with the Local Government Code of Accounting Practice & Financial Reporting newly merged councils are not required to complete Note 16 - Material Budget Variations.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	211	149	–	4	–	–	364	–
Roads	4,261	1,547	–	120	(1,398)	–	4,530	–
Traffic facilities	–	–	–	–	–	–	–	–
Parking	(247)	37	–	4	–	499	293	–
Open space	2,625	765	–	58	(2)	(618)	2,828	–
Community facilities	1,604	577	–	30	–	–	2,211	–
Rec & Community Facilities	111	7	–	2	(2)	–	118	–
Bushfire facilities	55	39	–	1	–	–	95	–
Administration building	202	148	–	4	–	–	354	–
GLW admin	12	61	–	2	–	–	75	–
Other – surf life saving Hawks Nest	32	2	–	1	–	–	35	–
Other - environmental	495	136	–	8	(79)	–	560	–
Bridges	75	13	–	1	–	–	89	–
Central Library	247	110	–	10	–	–	367	–
Library Bookstocks	68	32	–	3	–	–	103	–
Aquatic Centre	(18)	40	–	–	–	–	22	–
Plan Preparator	(6)	3	–	–	–	–	(3)	–

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

SUMMARY OF CONTRIBUTIONS AND LEVIES (continued)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural Fire Fighting	500	147	–	13	–	–	660	–
Surf Life Saving	(112)	37	–	1	–	–	(74)	–
Section 94 Officer	208	14	–	6	(7)	119	340	–
MP Community Centre	247	61	–	7	–	–	315	–
Other	–	100	–	1	–	–	101	–
S94 contributions – under a plan	10,570	4,025	–	276	(1,488)	–	13,383	–
S94A levies – under a plan	68	4	–	2	–	–	74	–
Total S94 revenue under plans	10,638	4,029	–	278	(1,488)	–	13,457	–
S94 not under plans	170	62	–	2	(20)	–	214	–
S93F planning agreements	–	–	–	–	–	–	–	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	10,808	4,091	–	280	(1,508)	–	13,671	–

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Gloucester Sire Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	278	24		4	–		306	
Parking	7	–		–	–		7	
Rec & Community Facilities	111	7		2	(2)		118	
Total	396	31	–	6	(2)	–	431	–

CONTRIBUTION PLAN - FORSTER DISTRICT (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	211	149		4	–		364	
Roads	397	377		10	–		784	
Parking	189	37		3	–		229	
Open space	508	492		12	(2)	(119)	891	
Community facilities	962	408		19	–		1,389	
Other Surf Life Saving	(146)	27		–	–	119	–	
Total	2,121	1,490	–	48	(2)	–	3,657	–

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION - GREAT LAKES WIDE (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	56	31		1			88	
Bushfire facilities	55	39		1			95	
Administration building	202	148		4			354	
GLW admin	12	61		2			75	
Total	325	279	-	8	-	-	612	-

CONTRIBUTION PLAN - TEA GARDENS / HAWKS NEST (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	-	47		-			47	
Parking	56	-		1			57	
Open space	697	28		12		(499)	238	
Parking Tea Gardens	(499)	-		-		499	-	
Community facilities	73	24		1			98	
Other – surf life saving Hawks Nest	32	2		1			35	
Total	359	101	-	15	-	-	475	-

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - ROAD HAULAGE (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	150	63		3			216	
Total	150	63	-	3	-	-	216	-

CONTRIBUTION PLAN - RURAL ROADS BULADHDELAH, STROUD & RURAL OPEN SPACE (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	271	9		4			284	
Open space	99	17		2			118	
Total	370	26	-	6	-	-	402	-

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - THE BRANCH LANE (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	149	15		3			167	
Total	149	15	-	3	-	-	167	-

CONTRIBUTION PLAN - COOMBA RD & SHALLOW BAY RD (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	158			3			161	
Total	158	-	-	3	-	-	161	-

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - DURALIE COAL (former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	173	68		3			244	
Community facilities	513	114		9			636	
Other - environmental	495	136		8	(79)		560	
Bridges	75	13		1			89	
Total	1,256	331	-	21	(79)	-	1,529	-

CONTRIBUTION PLAN - 2001 PLAN GREATER TAREE (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	260	98		11			369	
Central Library	247	110		10			367	
Library Bookstocks	68	32		3			103	
Aquatic Centre	(18)	40		-			22	
Plan Preparator	(6)	3		-			(3)	
Rural Fire Fighting	225	94		9			328	
Surf Life Saving	34	10		1			45	
Section 94 Officer	208	14		6	(7)		221	
Other	-	6		-			6	
Total	1,018	407	-	40	(7)	-	1,458	-

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2001 PLAN TAREE (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	171	93		6			270	
Open space	148	4		4			156	
Rural Fire Fighting	143	3		4			150	
Other	–	6		–			6	
Total	462	106	–	14	–	–	582	–

CONTRIBUTION PLAN - 2001 PLAN WINGHAM (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	642	14		22			678	
Open space	73	4		2			79	
Rural Fire Fighting	(76)	2		(4)			(78)	
Total	639	20	–	20	–	–	679	–

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 2001 HALLIDAYS POINT (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	998	112		23	(1,198)		(65)	
Open space	707	21		11			739	
Rural Fire Fighting	156	6		2			164	
MP Community Centre	55	11		1			67	
Total	1,916	150	-	37	(1,198)	-	905	-

CONTRIBUTION PLAN - 2010 PLAN OLD BAR (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	592	209		24			825	
Open space	82	11		2			95	
Rural Fire Fighting	3	17		1			21	
MP Community Centre	172	21		5			198	
Total	849	258	-	32	-	-	1,139	-

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 2001 PLAN HARRINGTON (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	282	516		15	(200)		613	
Open space	51	90		2			143	
Rural Fire Fighting	49	25		1			75	
MP Community Centre	20	29		1			50	
Other- Finance	–	2		–			2	
Total	402	662	–	19	(200)	–	883	–

CONTRIBUTION PLAN NUMBER 2016

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	–	88		1			89	
Total	–	88	–	1	–	–	89	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN OLD BAR (former Greater Taree City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
General Purpose	68	4		2			74	
Total	68	4	–	2	–	–	74	–

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(former GloucesterShire Council - Duralie)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	22	57			(20)		59	
Total	22	57	-	-	(20)	-	59	-

(former Great Lakes Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	148	5		2			155	
Total	148	5	-	2	-	-	155	-

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (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) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) 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:

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.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries) **Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates **Note 19(b)**

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations **Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities **Note 19(d)**

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised **Note 19(e)**

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income Actual 13/5/16 to 30/6/17	Council's share of net assets Actual 2017
Joint ventures	28	200
Total	28	200

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017
Strategic Services Australia Ltd	Joint Venture	Equity	200
Total carrying amounts – material joint ventures and associates			200

(b) Details

Name of entity	Principal activity	Place of business
Strategic Services Australia Ltd	Hunter Records repository	Thornton

(c) Relevant interests and fair values

Name of entity	Interest in outputs	Interest in ownership	Proportion of voting power
	2017	2017	2017
Strategic Services Australia Ltd	8.11%	8.11%	8.11%

(d) Summarised financial information for joint ventures and associates

**Strategic
Services
Australia Ltd
2017**

Statement of financial position

Current assets

Cash and cash equivalents

217

Other current assets

1,393

Non-current assets

4,129

Current liabilities

Current financial liabilities (excluding trade and other payables and provisions)

1,690

Other current liabilities

1,362

Non-current liabilities

Non-current financial liabilities (excluding trade and other payables and provisions)

219

Net assets

2,468

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)	Strategic Services Australia Ltd
	13/5/16 to 30/6/17
Reconciliation of the carrying amount	
Opening net assets (former Councils)	2,139
Profit/(loss) for the period	329
Closing net assets	2,468
Council's share of net assets (%)	8.11%
Council's share of net assets (\$)	200
Statement of comprehensive income	
Income	6,213
Depreciation and amortisation	(221)
Other expenses	(6,006)
Profit/(loss) from continuing operations	(14)
Profit/(loss) from discontinued operations	343
Profit/(loss) for period	329
Other comprehensive income	
Total comprehensive income	329
Share of income – Council (%)	8.11%
Profit/(loss) – Council (\$)	28
Total comprehensive income – Council (\$)	28
Dividends received by Council	–

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of period (former Councils)		—
a. Correction of prior period errors	20 (c)	—
b. Changes in accounting policies (prior period effects)	20 (d)	—
c. Other comprehensive income (excl. direct to reserves transactions)		—
d. Net result for the period		2,031,291
e. Distributions to/(contributions from) non-controlling Interests		—
f. Transfers between equity		—
g. Other changes		—
Balance at end of the reporting period		<u>2,031,291</u>

(b) Revaluation reserves

Council has no reportable equity reserves.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the period.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the period.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 06/09/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is aware of the following 'non-adjusting events' that merit disclosure:

Dissolution of MidCoast County Council

The following Local Government Act 1993 - Proclamation was published in the NSW Government Gazette on 28 June 2017 (NSW Government Gazette No 69 of 28 June 2017).

"I, General The Honourable David Hurley AC ASC (Ret'd), Governor of New South Wales, with the advice of the Executive Council, and in pursuance of section 397 of the Local Government Act 1993, do hereby declare that on and from the beginning of 1 July 2017, MidCoast County Council is 'dissolved with its functions and operations subsumed by Mid-Coast Council in line with the provisions in the schedule below."

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 23. Events occurring after the reporting date (continued)

From 1 July 2017 the former MidCoast County Council (MidCoast Water) will form part of the operations of Mid-Coast Council who will continue to provide water and sewerage services to the residents of the Mid-Coast Council area.

Future financial reports will be consolidated reports incorporating the general purpose and water and sewerage activities of the Council. Separate special purpose financial reports will be prepared for the water and sewerage operations.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has various garbage centres and transfer stations situated around the local government area. These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

These future liabilities have however, not been brought to account due to;

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's financial results or financial position as at 30 June 2017.

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision 2017
Gloucester Waste Landfills		574
Quarry sites (various)		265
Tuncurry & Tea Gardens Landfill	commenced	3,420
Landfill	2025	9,662
Balance at end of the reporting period	10(a)	<u>13,921</u>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year (former Councils)	13,730
Amounts capitalised to new or existing assets:	
Effect of a change in discount rates used in PV calculations	205
Amortisation of discount (expensed to borrowing costs) - former Greater Taree City Council	221
Expenditure incurred attributable to provisions - former Great Lakes Council	(235)
Total – reinstatement, rehabilitation and restoration provision	<u>13,921</u>

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Restoration

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

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

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

Rehabilitation

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

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

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Tuncurry Supermarket	30/06/17	–	16,000	–	16,000
Wallis Street Motel	30/06/17	–	2,000	–	2,000
Total investment properties		–	18,000	–	18,000
Infrastructure, property, plant and equipment					
Work In Progress	30/06/17	–	–	17,920	17,920
Plant & Equipment	30/06/17	–	–	25,242	25,242
Office Equipment	30/06/17	–	–	1,187	1,187
Furniture & Fittings	30/06/17	–	–	605	605
Computer Equipment	30/06/17	–	–	1,104	1,104
Operational Land	30/06/14	–	–	45,515	45,515
Community Land	12/05/16	–	–	73,269	73,269
Land Under Roads (post 30/6/08)	12/05/16	–	–	114	114
Land Improvements Non depreciable	12/05/16	–	–	20	20
Land Improvements Depreciable	12/05/16	–	–	3,549	3,549
Buildings	12/05/16	–	–	151,400	151,400
Other Structures	12/05/16	–	–	15,019	15,019
Roads	30/06/15	–	–	929,667	929,667
Bridges	30/06/15	–	–	206,965	206,965
Footpaths	30/06/15	–	–	19,931	19,931
Bulk Earthworks	30/06/15	–	–	226,157	226,157
Stormwater Drainage	30/06/15	–	–	132,561	132,561
Swimming Pools	12/05/16	–	–	3,809	3,809

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Other Open Space Recreational	12/5/2016	—	—	17,958	17,958
Other Infrastructure	12/05/16	—	—	81,824	81,824
Library books	30/06/17	—	—	1,587	1,587
Cemetery Assets	30/06/17	—	—	260	260
Other	30/06/17	—	—	1,486	1,486
Tip Assets	30/06/17	—	—	3,046	3,046
Quarry Assets	30/06/17	—	—	28	28
Total infrastructure, property, plant and equipment		—	—	1,960,223	1,960,223

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

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

MidCoast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Investment Properties

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 2017 were as follows:

Tuncurry Supermarket

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

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

Wallis Street Motel, Forster

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

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

The valuation techniques utilised Level 2 inputs.

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

Art Works

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

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

Cemetery Assets

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

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

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

Plant, Office & Computer Equipment, Furniture & Fittings

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

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

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

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

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

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

Operational Land

Council obtains an independent fair valuation of its operational land every 5 years. The last full revaluation was on the 30 June 2013.

The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144 in relation to the former Great Lakes Council area. First State Property Valuers, performed the valuations in relation to the former Greater Taree and Country Coast Valuers in relation to the former Gloucester Shire Council.

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.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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.

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

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

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

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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 12 May 2016.

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, Swimming Pools & Other Assets

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

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

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

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

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

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

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

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.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

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

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

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

Infrastructure Assets

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

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

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

The following components are included in the valuation process:

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

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

All of Council's infrastructure assets were re valued on the 30 June 2014 or the 30 June 2015.

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.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Work In progress	Plant and equipment	Office equipment	Furniture and fittings	Total
Balance on transfer from former Councils	8,888	25,824	1,423	857	36,992
Transfers from/(to) another asset class	(9,924)	248	–	–	(9,676)
Purchases (GBV)	18,956	5,160	325	13	24,454
Disposals (WDV)	–	(1,525)	–	–	(1,525)
Depreciation and impairment	–	(4,464)	(561)	(265)	(5,290)
Rounding	–	(1)	–	–	(1)
Closing balance – 30/6/17	17,920	25,242	1,187	605	44,954

	Computer Equipment	Operational Land	Community Land	Land Under Roads	Total
Balance on transfer from former Councils	802	44,681	72,706	107	118,296
Transfers from/(to) another asset class	–	–	162	7	169
Purchases (GBV)	523	834	382	–	1,739
Depreciation and impairment	(221)	–	–	–	(221)
Transfer from Note 8	–	–	19	–	19
Closing balance – 30/6/17	1,104	45,515	73,269	114	120,002

	Land Improvements	Buildings	Roads	Bridges	Total
Balance on transfer from former Councils	3,643	157,270	921,969	209,303	1,292,185
Transfers from/(to) another asset class	52	279	8,271	192	8,794
Purchases (GBV)	106	953	24,416	1,344	26,819
Depreciation and impairment	(232)	(7,101)	(24,989)	(3,874)	(36,196)
Closing balance – 30/6/17	3,569	151,401	929,667	206,965	1,291,602

	Footpaths Stormwater Earthworks	other Structure Infrastructure	Open Space swimming Pools	Other asset classes	Total
Balance on transfer from former Councils	379,237	98,544	22,276	6,570	506,627
Transfers from/(to) another asset class	58	3	659	–	720
Purchases (GBV)	2,255	1,265	427	769	4,716
Depreciation and impairment	(2,902)	(2,969)	(1,596)	(932)	(8,399)
Rounding	1	–	–	–	1
Closing balance – 30/6/17	378,649	96,843	21,766	6,407	503,665

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

(4). 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.

I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment	25,242	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Office Equipment	1,187	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Furniture & Fittings	605	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Computer Equipment	1,104	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Community Land	73,269	• Land value As supplied by Valuer-General	<ul style="list-style-type: none"> • Land value May not reflect market value • Varies significantly from asset to asset

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Operational Land	45,515	<ul style="list-style-type: none"> • Market Value /Cost Approach 	<ul style="list-style-type: none"> • Methods used by external valuers may include unobservable inputs
Land Under Roads	114	<ul style="list-style-type: none"> • Price Per Square Metre • Discount factors 	<ul style="list-style-type: none"> • Area of Council rateable land. • Area of Council road pattern.
Land Improvements Depreciable	3,549	<ul style="list-style-type: none"> • Cost Approach 	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Buildings Specialised & Non Specialised	151,400	<ul style="list-style-type: none"> • Cost Approach 	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Methods used by external valuers may include unobservable inputs
Other Structures	15,019	<ul style="list-style-type: none"> • Cost Approach 	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Other Open Space & Recreational Assets	17,958	<ul style="list-style-type: none"> • Cost Approach 	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Swimming Pools	3,809	<ul style="list-style-type: none"> • Cost Approach 	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition

MidCoast Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Other Assets	1,486	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Library Book	1,587	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition
Landfill Remediation	3,046	• Cost Approach	<ul style="list-style-type: none"> • Cost Assessment • Discount Rates • Environmental Issues • Future costs
Roads	929,667	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value
Earthworks	226,157		<ul style="list-style-type: none"> • Asset Condition • Unit rate methodology
Bridges	206,965	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Unit rate methodology
Footpaths	19,931	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Unit rate methodology
Stormwater Drainage	132,561	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Unit rate methodology

MidCoast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Work In Progress	17,920	• Cost Approach	<ul style="list-style-type: none"> • Incomplete work • Useful life • Residual value • Asset Condition • Unit rate methodology
Other Infrastructure	81,824	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Unit rate methodology
Cemetery Assets	260	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Unit rate methodology
Quarry Assets	28	• Cost Approach	<ul style="list-style-type: none"> • Useful life • Residual value • Asset Condition • Unit rate methodology

c. The valuation process for level 3 fair value measurements

See notes contained with Note 4 b (above)

(5). Highest and best use

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

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Related party disclosures

In accordance with the Local Government Code of Accounting Practice & Financial Reporting newly merged authorities are not required to complete Note 28 - Related Party Disclosures.

Note 29. Local Government amalgamation

\$ '000

Notes

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Great Lakes, Greater Taree City & Gloucester Shire Councils to Mid-Coast Council as at 13 May 2016.

		Actual 13/5/16 to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	1,949,838
Accounting policy adjustments	b	44,936
		<u>1,994,774</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Great Lakes Council (GLC)
- Greater Taree City Council (GTCC)
- Gloucester Shire Council (GSC)

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 13 May 2016 with the following exceptions.

Council has as a result of a comprehensive revaluation recognised former councils' building assets at their fair value as at the date of transfer 13 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Great Lakes Council	Greater Taree City Council	Gloucester Shire Council	Gain on local government amalgamation
ASSETS				
Current assets				
Cash and cash equivalents	7,222	3,216	659	11,097
Investments	25,250	35,900	5,750	66,900
Receivables	14,191	13,029	2,179	29,399
Inventories	176	1,278	944	2,398
Other	657	449	40	1,146
Non-current assets classified as 'held for sale'	–	–	–	–
Total current assets	47,496	53,872	9,572	110,940
Non-current assets				
Investments	23,043	–	–	23,043
Receivables	–	271	–	271
Inventories	3,746	832	–	4,578
Infrastructure, property, plant and equipment	771,591	852,041	285,473	1,909,105
Investments accounted for using the equity method	123	–	49	172
Investment property	17,295	–	–	17,295
Net Increase In Assets As a result of merger	24,310	19,682	944	44,936
Total non-current assets	840,108	872,826	286,466	1,999,400
TOTAL ASSETS	887,604	926,698	296,038	2,110,340
LIABILITIES				
Current liabilities				
Payables (excluding bank overdraft)	9,900	6,803	3,476	20,179
Bank overdraft	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	7,169	3,878	254	11,301
Provisions	9,505	4,946	1,820	16,271
Total current liabilities	26,574	15,627	5,550	47,751
Non-current liabilities				
Payables	–	349	–	349
Income received in advance	–	–	–	–
Borrowings	35,269	15,566	2,987	53,822
Provisions	3,656	9,283	705	13,644
Total non-current liabilities	38,925	25,198	3,692	67,815
TOTAL LIABILITIES	65,499	40,825	9,242	115,566
Net assets transferred	822,105	885,873	286,796	1,994,774

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
Adjustments made to recognise net assets at fair value	
Alignment of Accounting Policies	(19,733)
Fair Value Adjustment to Building Assets	33,483
Fair Value of identified assets	31,186
Total adjustments	44,936

(ii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

MidCoast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 30. Council information and contact details

Principal place of business:

4-6 Breese Parade
Forster NSW 2428

Contact details

Mailing address:

PO Box 450
Forster NSW 2428

Opening hours:

Mon-Fri 8.30am to 4.30pm

Telephone: 02 65917222

Facsimile: 02 65917200

Internet: www.midcoast.nsw.gov.au

Email: council@midcoast.nsw.gov.au

Officers

GENERAL MANAGER

Glenn Handford

RESPONSIBLE ACCOUNTING OFFICER

Philip Brennan

PUBLIC OFFICER

Rob Griffiths

AUDITORS

Auditor General of NSW
PO Box 12
Sydney NSW 2001

Administrator/Mayor

John Turner Administrator
David West Mayor

COUNCILLORS

Katheryn Smith
Kathryn Bell
Brad Christensen
Peter Epov
Troy Fowler
Karen Hutchinson
Dr David Keegan
Jan McWilliams
Claire Pontin
Len Roberts

Other information

ABN: 44 961 208 161



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
MidCoast Council

To the Councillors of the MidCoast Council

Opinion

I have audited the accompanying financial statements of MidCoast Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

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 presented, 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 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 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 Responsibility 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' (APES 110).

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

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

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

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

Other Information

The Councillors are responsible for the Other Information, which comprises the information in the Council's annual report for the period 13 May 2016 to 30 June 2017, other than the financial report and my Independent Auditor's Report thereon.

My opinion on the financial report does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial report, the knowledge I obtained during the audit, or appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement in the Other Information, I must report that fact. I have nothing to report in this regard.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large, stylized 'S'.

James Sugumar
Director, Financial Audit Services

20 December 2017
SYDNEY

Mayor David West
MidCoast Council
PO Box 450
FORSTER NSW 2428

Contact: James Sugumar
Phone no: 02 9275 7288
Our ref: D1732433/1759

20 December 2017

Dear Mayor West

Report on the Conduct of the Audit
Audit for the period 13 May 2016 to 30 June 2017
MidCoast Council

I have audited the general purpose financial statements of the MidCoast Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

Formation of MidCoast Council

The Local Government (Council Amalgamations) Proclamation 2016 dated 12 May 2016 established MidCoast Council on 13 May 2016 following a merger of the former Great Lakes Council, Greater Taree City Council and Gloucester Shire Council.

On merger, the staff, assets, rights and liabilities of the former councils were transferred to the MidCoast Council. The gain on amalgamation to MidCoast Council amounted to \$2.0 billion at 13 May 2016.

This is first set of financial statements for the Council. As such there are no comparative balances available to present in the 30 June 2017 financial statements.

INCOME STATEMENT

Operating result

	From 13 May 2016 to 30 June 2017 \$m
Total Revenue	211.2
Total Expenses	(174.7)
Gain on Assets and liabilities transferred from former Councils	1,994.8
Net result for the period	2,031.3

Net Operating Result

Council's net operating result of \$2.0 billion was largely attributable to:

- net assets from former Councils of \$2.0 billion
- rates and annual charges revenue of \$89.5 million representing 42.4 per cent of total revenue
- grants and contributions revenue of \$93.8 million representing 44.4 per cent of total revenue
- employee related expenses of \$58.0 million representing 33.2 per cent of total expenses
- depreciation expense of \$50.1 million representing 28.6 per cent of total expenses
- materials and contract expense of \$40.3 million representing 23.0 per cent of total expenses.

Grants and contributions revenue for the year included:

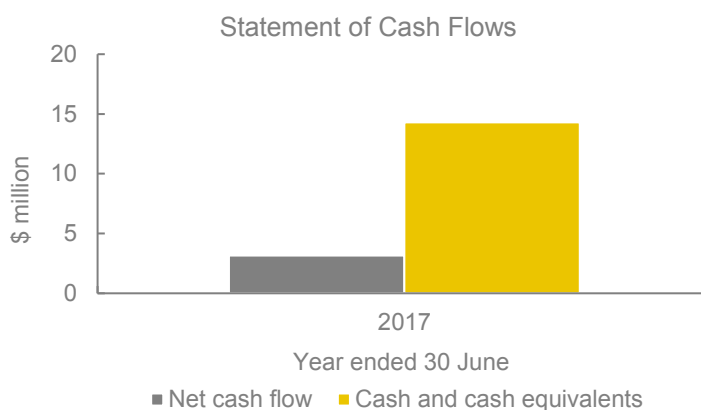
- funding for New Council Implementation of \$5.0 million (Internally Restricted)
- grant revenue for Stronger Communities of \$15.0 million (Internally Restricted)
- funding for 2017 Commonwealth Financial Assistance Grant of \$16.6 million
- early receipt of 2018 Commonwealth Financial Assistance Grant funding of \$8.6 million (Internally Restricted)
- grant funding for Roads to Recovery of \$8.6 million
- capital grant funding for roads and bridges of \$5.0 million
- developer contributions of \$4.1 million (Externally Restricted)
- contributions from the Roads and Maritime Services for regional roads and block grants of \$9.6 million (Externally Restricted).

STATEMENT OF CASH FLOWS

Net cash flow for the period was \$3.2 million.

Council received \$97.9 million from operating activities and paid \$94.7 million in net cash payments during this period.

Total cash and cash equivalents was \$14.3 million at 30 June 2017.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$m	
Externally restricted	65.9	• Externally restricted funds include unspent domestic waste management fund of \$26.6 million, developer contributions of \$13.7 million and unspent grants of \$10.4 million.
Internally restricted	72.2	
Unrestricted	5.9	• Internally restricted funds include \$15.0 million in unspent stronger community fund, \$8.6 million in early receipt of the Financial Assistance Grant and \$8.1 million for capital works.
Total Cash and Investments	144.1	

PERFORMANCE RATIOS

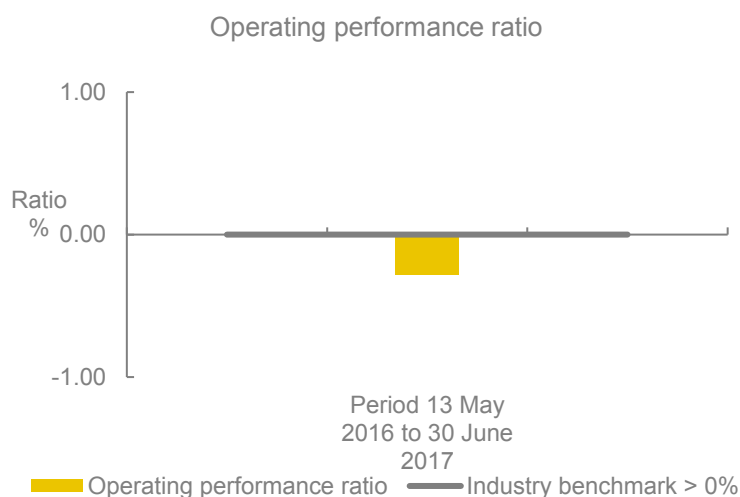
The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7.

Operating performance ratio

- Council did not meet the benchmark of greater than zero per cent for the period 13 May 2016 to 30 June 2017.
- Council recognised expenditure for 13.5 months whilst it recognised ordinary rates revenue relating to 12 months. This inconsistency contributed to a deficit of \$489,000 (excluding capital grants and contributions).

The ‘operating performances 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 the Office of Local Government (OLG) is greater than zero per cent

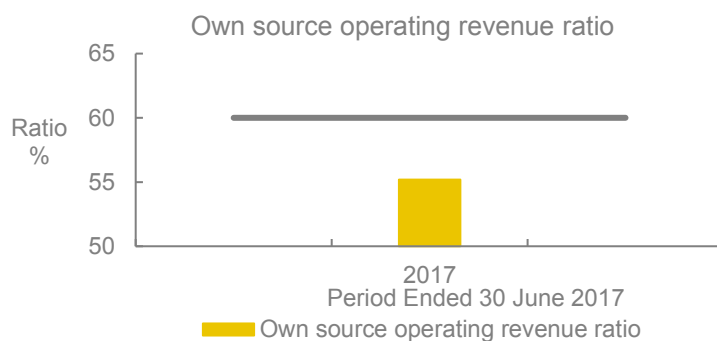


Own source operating revenue ratio

- Council did not meet the benchmark of greater than 60 per cent in the period 13 May 2016 to 30 June 2017.
- This was due to larger receipts of external funding, including early receipt of 2018 Financial Assistance Grant of \$8.6 million, Stronger Communities grant of \$15 million and New Council Implementation funding of \$5 million.

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.

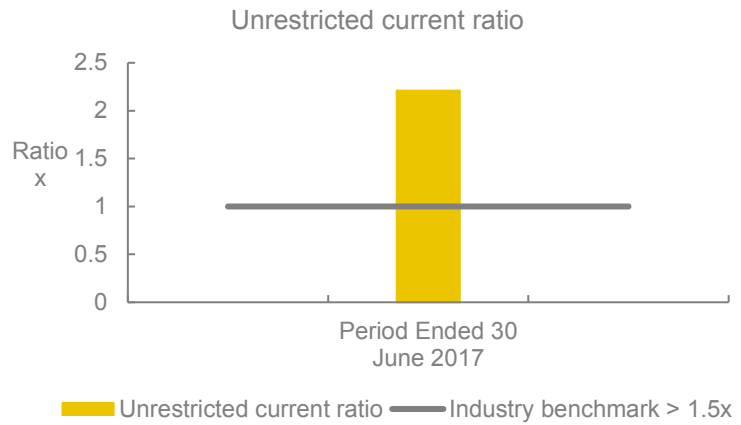


Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.

The 'unrestricted current ratio' is measured by current assets less externally restricted assets divided by current liabilities.

The benchmark set by OLG is greater than 1.5 times.

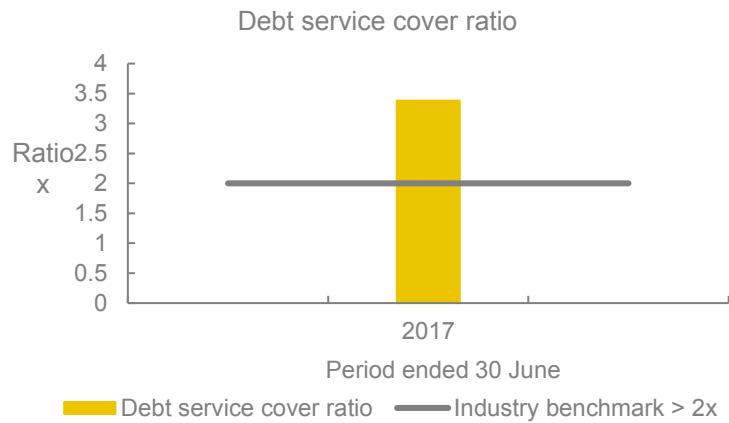


Debt service cover ratio

- Council achieved a ratio of 3.4, exceeding the benchmark of greater than two times.
- Council's operating result is sufficient to meet its existing financing obligations.

The 'debt service cover ratio' is measured by the operating result before interest, depreciation and impairment divided by principal repayments plus borrowing cost.

The benchmark set by OLG is greater than two times.

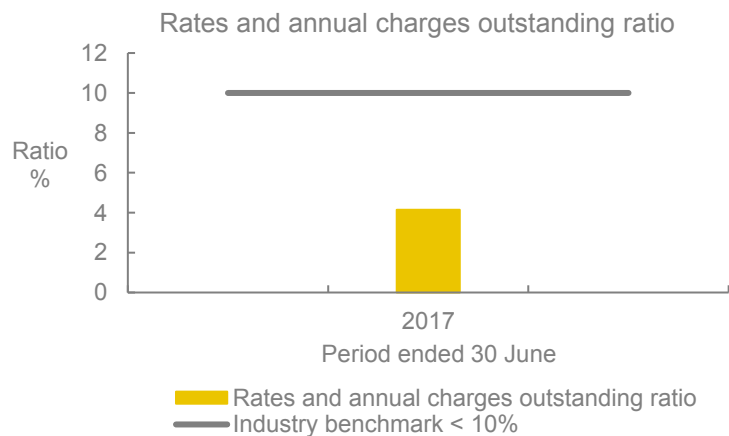


Rates and annual charges outstanding ratio

Council achieved the benchmark for outstanding rates and annual charges

The 'rates and annual charges outstanding ratio' 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 rural councils.

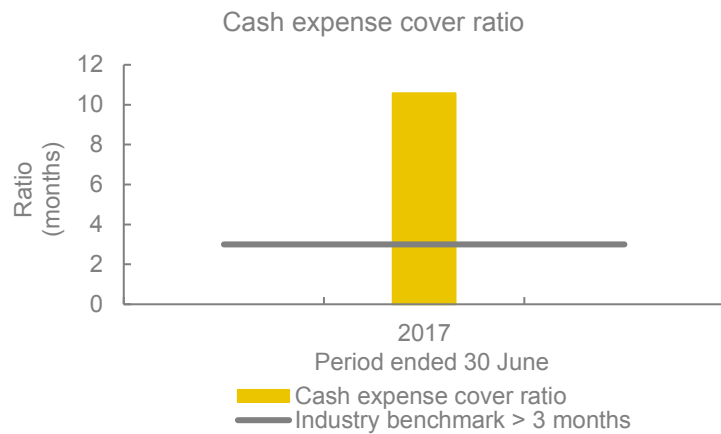


Cash expense cover ratio

Council achieved a cash expense cover ratio of 10.6 months, exceeding the benchmark of greater than three months.

This 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.



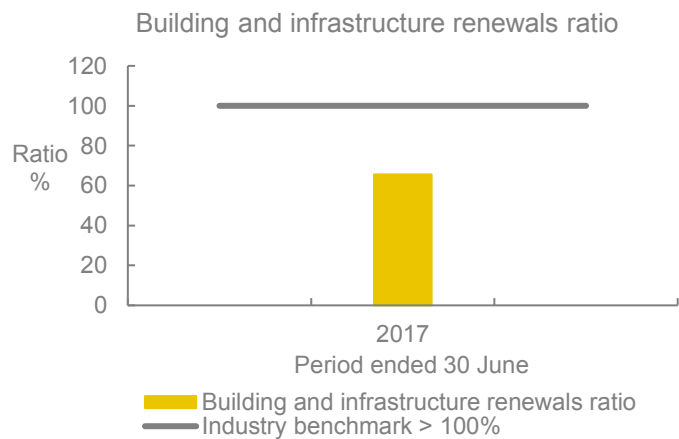
Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio was below the benchmark.
- This indicates the Council's infrastructure renewal has not kept pace with the rate at which the assets were depreciating.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards

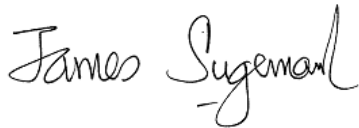
Council is planning to implement the Australian Accounting Standards 'Related Party Disclosures' (AASB 124) from 1 July 2017.

This will require Council to identify relevant related parties including key management personnel and include remuneration, transactions and outstanding balances.

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 reports. The Council's:

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



James Sugumar
Director, Financial Audit Services

cc: Mr Glenn Handford, General Manager
Mr Steve Embry, Director Corporate Services
Mr Wayne Beaman, Partner, RSM Australia

MidCoast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

**We deliver services to our community in a
way that adds value and builds trust**



MidCoast Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor’s Report	9

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 period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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

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


- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- 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 20 December 2017.



David West
Mayor



Katheryn Smith
Councillor



Glenn Handford
General Manager



Philip Brennan
Responsible accounting officer

MidCoast Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

Strategic
Services
Australia Ltd

Category 2

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
User charges	406
Grants and contributions provided for non-capital purposes	96
Other income	1
Total income from continuing operations	503
Expenses from continuing operations	
Employee benefits and on-costs	322
Borrowing costs	8
Materials and contracts	99
Depreciation, amortisation and impairment	18
Debt guarantee fee (if applicable)	1
Other expenses	59
Total expenses from continuing operations	507
Surplus (deficit) from continuing operations before capital amounts	(4)
Grants and contributions provided for capital purposes	–
Surplus (deficit) from continuing operations after capital amounts	(4)
Surplus (deficit) from discontinued operations	28
Surplus (deficit) from all operations before tax	24
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	24
Plus Assets and liabilities transferred from former councils	172
Plus/less: prior period adjustments	–
Plus/less: other adjustments (Rounding)	3
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	1
– Corporate taxation equivalent	–
Add:	
– Subsidy paid/contribution to operations	–
Less:	
– TER dividend paid	–
– Dividend paid	–
Closing retained profits	200
Return on capital %	1.2%
Subsidy from Council	4

MidCoast Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Strategic
Services
Australia Ltd

Category 2

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	18
Receivables	64
Other	8
Non-current assets classified as held for sale	40
Total Current Assets	130
Non-current assets	
Infrastructure, property, plant and equipment	334
Other Rounding	2
Total non-current assets	336
TOTAL ASSETS	466
LIABILITIES	
Current liabilities	
Payables	57
Income received in advance	99
Other current Liabilities	39
Provisions	53
Total current liabilities	248
Non-current liabilities	
Income received in advance	14
Provisions	4
Total non-current liabilities	18
TOTAL LIABILITIES	266
NET ASSETS	200
EQUITY	
Retained earnings	200
TOTAL EQUITY	200

MidCoast Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

MidCoast Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. 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 (NSW), the Local Government (General) 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, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

(where gross operating turnover is over \$2 million)

NIL

Category 2

(where gross operating turnover is less than \$2 million)

Strategic Services Australia Limited

Strategic Services Australia Limited has been established to improve the quality and efficiency of local government services throughout the Hunter Region via resource sharing.

One such service is the establishment of a Record Repository Centre for the use of Member Councils and to outsource this service to other organisations.

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

MidCoast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

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 30%..

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

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

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

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.

(ii) Subsidies

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

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

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

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

MidCoast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 1. 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 2.38% at 30/6/17.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
MidCoast Council

To the Councillors of the MidCoast Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of MidCoast Council's (the Council) Declared Business Activity, Strategic Services Australia Limited, which comprise the statement of financial position as at 30 June 2017, the income statement for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2017, and its financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility 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' (APES 110).

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling 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 Councillors are responsible for the Other Information, which comprises the information in the Council's annual report for the period 13 May 2016 to 30 June 2017, other than the financial report and my Independent Auditor's Report.

My opinion on the financial report does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial report, the knowledge I obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement in the Other Information, I must report that fact. I have nothing to report in this regard.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activity.

Auditor's Responsibility 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:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large, stylized 'S'.

James Sugumar
Director, Financial Audit Services

20 December 2017|
SYDNEY

MidCoast Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

**We deliver services to our community in a
way that adds value and builds trust**



MidCoast Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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Special Schedules¹

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Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	8

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

MidCoast Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,001	–	–	(1,001)
Administration	29,314	9,633	15,066	(4,615)
Public order and safety				
Fire service levy, fire protection, emergency services	3,420	1,101	712	(1,607)
Beach control	327	387	39	99
Enforcement of local government regulations	665	467	–	(198)
Animal control	234	192	–	(42)
Other	5	–	–	(5)
Total public order and safety	4,651	2,147	751	(1,753)
Health	752	423	–	(329)
Environment				
Noxious plants and insect/vermin control	660	586	–	(74)
Other environmental protection	6,027	2,640	125	(3,262)
Solid waste management	24,338	31,808	400	7,870
Street cleaning	264	426	–	162
Drainage	1,000	–	–	(1,000)
Stormwater management	1,366	501	–	(865)
Total environment	33,655	35,961	525	2,831
Community services and education				
Administration and education	1,219	187	–	(1,032)
Social protection (welfare)	80	44	–	(36)
Aged persons and disabled	6,126	5,622	3	(501)
Children's services	222	154	–	(68)
Total community services and education	7,647	6,007	3	(1,637)
Housing and community amenities				
Public cemeteries	816	651	–	(165)
Public conveniences	491	–	–	(491)
Street lighting	1,557	300	–	(1,257)
Town planning	3,651	1,252	21	(2,378)
Other community amenities	766	–	–	(766)
Total housing and community amenities	7,281	2,203	21	(5,057)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

MidCoast Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,542	457	572	(3,513)
Museums	–	–	–	–
Art galleries	379	88	33	(258)
Community centres and halls	1,118	228	99	(791)
Performing arts venues	1,263	349	5	(909)
Other performing arts	–	–	–	–
Other cultural services	83	–	–	(83)
Sporting grounds and venues	2,046	255	636	(1,155)
Swimming pools	4,098	641	–	(3,457)
Parks and gardens (lakes)	7,196	681	1,199	(5,316)
Other sport and recreation	1,159	266	478	(415)
Total recreation and culture	21,884	2,965	3,022	(15,897)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,484	824	–	(660)
Other mining, manufacturing and construction	82	–	–	(82)
Total mining, manufacturing and const.	1,566	824	–	(742)
Transport and communication				
Urban roads (UR) – local	17,897	2,074	2,779	(13,044)
Urban roads – regional	1,001	384	–	(617)
Sealed rural roads (SRR) – local	12,019	3,824	3,412	(4,783)
Sealed rural roads (SRR) – regional	10,212	6,284	6,822	2,894
Unsealed rural roads (URR) – local	11,764	2,969	537	(8,258)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	1,849	22	111	(1,716)
Bridges on SRR – local	1,780	124	591	(1,065)
Bridges on URR – local	2,176	2	230	(1,944)
Bridges on regional roads	466	72	385	(9)
Parking areas	59	–	–	(59)
Footpaths	426	47	–	(379)
Aerodromes	1,419	220	365	(834)
Other transport and communication	2,604	1,515	68	(1,021)
Total transport and communication	63,672	17,537	15,300	(30,835)
Economic affairs				
Camping areas and caravan parks	46	67	–	21
Other economic affairs	3,246	2,346	428	(472)
Total economic affairs	3,292	2,413	428	(451)
Totals – functions	174,715	80,113	35,116	(59,486)
General purpose revenues ⁽¹⁾		95,975		95,975
Share of interests – joint ventures and associates using the equity method	–	28		28
NET OPERATING RESULT ⁽²⁾	174,715	176,116	35,116	36,517

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

MidCoast Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–						–	–	–
NSW Treasury Corporation	–	–	–						–	–	–
Other State Government	–	–	–						–	–	–
Public subscription	–	–	–						–	–	–
Financial institutions	11,072	53,194	64,266	11,201	11,483	150	–	3,869	10,147	53,687	63,834
Other	–	–	–						–	–	–
Total loans	11,072	53,194	64,266	11,201	11,483	150	–	3,869	10,147	53,687	63,834
Other long term debt											
Ratepayers advances	–	–	–						–	–	–
Government advances	122	487	609	–	122	–	–	–	122	365	487
Finance leases	107	252	359	–	96	–	–	14	88	175	263
Deferred payments	–	–	–						–	–	–
Total long term debt	229	739	968	–	218	–	–	14	210	540	750
Total debt	11,301	53,933	65,234	11,201	11,701	150	–	3,883	10,357	54,227	64,584

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

MidCoast Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–	–	806	1,097	24,200	47,199	8%	46%	46%	0%	0%
	Council Works Depot	183	183	216	254	6,767	12,355	10%	49%	34%	5%	2%
	Council Public Halls	624	624	388	107	9,841	21,313	6%	29%	49%	14%	2%
	Libraries	72	72	314	112	9,498	12,920	62%	20%	15%	3%	0%
	Cultural/Community Facilities	841	841	1,650	289	45,617	83,726	15%	39%	40%	6%	0%
	Other Buildings	1,384	1,384	1,759	609	55,477	102,302	18%	45%	28%	9%	0%
	Sub-total	3,104	3,104	5,133	2,468	151,400	279,815	16.2%	41.2%	35.9%	6.5%	0.2%
Other structures	Structures not included in Buildings	312	312	200	558	15,019	24,232	0%	0%	87%	13%	0%
	Sub-total	312	312	200	558	15,019	24,232	0.0%	0.0%	87.0%	13.0%	0.0%
Roads	Sealed roads	80,634	93,982	11,136	7,317	750,573	1,142,010	22%	32%	29%	15%	3%
	Unsealed roads	9,702	5,846	3,462	3,273	160,835	247,090	32%	45%	15%	7%	1%
	Bridges	20,372	4,726	1,953	1,102	206,965	336,703	25%	47%	21%	7%	0%
	Footpaths/Cycleways	1,649	623	532	57	19,931	33,359	25%	36%	34%	5%	0%
	Kerb & Gutter	3,133	1,387	212	426	18,259	56,370	14%	17%	65%	3%	1%
	Bulk Earthworks	–	–	–	–	226,157	226,157	100%	0%	0%	0%	0%
	Sub-total	115,490	106,564	17,295	12,175	1,382,720	2,041,689	31.8%	32.0%	23.6%	10.7%	1.8%

MidCoast Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	3,557	1,578	1,970	860	132,561	201,742	17%	47%	30%	6%	0%
	Sub-total	3,557	1,578	1,970	860	132,561	201,742	16.7%	46.8%	30.1%	6.1%	0.3%
Open space/recreational assets	Swimming pools	712	712	319	293	3,809	9,530	11%	21%	51%	14%	4%
	Other Recreational/Open Space Assets	2,281	2,281	1,653	3,728	17,958	35,892	16%	34%	34%	15%	2%
	Sub-total	2,993	2,993	1,972	4,021	21,767	45,422	14.5%	31.2%	37.8%	14.4%	2.0%
Other infrastructure assets	Other - Other Infrastructure	6,791	6,791	122	81	81,824	137,050	8%	12%	77%	2%	1%
	Sub-total	6,791	6,791	122	81	81,824	137,050	8.0%	12.0%	77.0%	2.0%	1.0%
	TOTAL – ALL ASSETS	132,247	121,342	26,692	20,163	1,785,291	2,729,950	27.3%	32.8%	28.8%	9.6%	1.5%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

MidCoast Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>28,504</u>	65.63%
Depreciation, amortisation and impairment	<u>43,431</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>132,247</u>	8.46%
Net carrying amount of infrastructure assets	<u>1,562,683</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>20,163</u>	0.76
Required asset maintenance	<u>26,692</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>121,342</u>	4.44%
Gross replacement cost	<u>2,729,950</u>	

Notes

* All asset performance indicators are calculated using the asset 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

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Great Lakes	Greater Taree	Gloucester	Total
Notional general income calculation ⁽¹⁾					
Last year notional general income yield	a	32,671	30,316	5,048	68,035
Plus or minus adjustments ⁽²⁾	b	95	245	11	351
Notional general income	c = (a + b)	32,766	30,561	5,059	68,386
Permissible income calculation					
Special variation percentage ⁽³⁾	d	10.00%	10.00%	10.00%	10.00%
Or rate peg percentage	e	0.00%	0.00%	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	0.00%	0.00%
Less expiring special variation amount	g	(1,712)	(1,403)	–	(3,115)
Plus special variation amount	h = d x (c – g)	3,105	2,916	506	6,527
Or plus rate peg amount	i = c x e	–	–	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–
Sub-total	k = (c + g + h + i + j)	34,159	32,074	5,565	71,798
Plus (or minus) last year's carry forward total	l	–	1	3	4
Less valuation objections claimed in the previous year	m	(2)	–	–	(2)
Sub-total	n = (l + m)	(2)	1	3	2
Total permissible income	o = k + n	34,157	32,075	5,568	71,800
Less notional general income yield	p	34,160	32,054	5,561	71,775
Catch-up or (excess) result	q = o – p	(3)	21	7	25
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	3	–	–	3
Less unused catch-up ⁽⁵⁾	s	–	–	(3)	(3)
Carry forward to next year	t = q + r – s	0	21	4	25

MidCoast Council

Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

\$'000

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*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

MidCoast Council

To the Councillors of MidCoast Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of MidCoast Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of MidCoast Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Information

The Councillors are responsible for the Other Information, which comprises information in the Council's annual report for the period 13 May 2016 to 30 June 2017, other than Special Schedule No.8 and my Independent Auditor's Report thereon.

My opinion on Special Schedule No.8 does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with Special Schedule No.8, the knowledge I obtained during the audit, or appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement in the Other Information, I must report that fact. I have nothing to report in this regard.

Councillors' Responsibility for Special Schedule No. 8

The Councillors are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

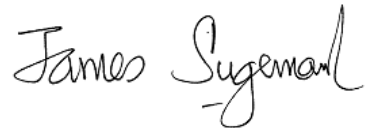
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not 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 Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

James Sugumar
Director, Financial Audit Services

20 December 2017
SYDNEY