

ANNUAL FINANCIAL STATEMENTS - 2018/19

Ordinary Meeting 24 October 2019

Attachment 3

DRAFT Annual Financial Statements 2018/19

Part A – Auditor’s Report on the Conduct of the Audit

This is the draft (long form) audit report on the general purpose financial statements, noting an intention to issue an unmodified audit opinion.

Part B – General Purpose Financial Statements

These statements provide the consolidated operating result for 2018/19 and the consolidated financial position of Council as at 30 June 2019. The notes included with the statements provide details on income and expenditure, assets and liabilities. The notes also highlight the cash position of Council and identify which funds are externally restricted.

Part C – Special Purpose Financial Statements

These statements are prepared as a result of National Competition Policy and relate to those aspects of Council’s operations that are considered to be business activities.

Part D – Special Schedules

These schedules are prepared primarily for the Australian Bureau of Statistics and are used to gather information for comparative purposes.

PART A

Draft Conduct of the Audit



Cr David Wright
Mayor
Ballina Shire Council
PO Box 450
BALLINA NSW 2478

Contact: Gearoid Fitzgerald
Phone no: 9275 7392
Our ref:

Xx October 2019

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2019 Ballina Shire Council

I have audited the general purpose financial statements (GPFS) of the Ballina Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

| | 2019 | 2018 | Variance |
|--|------|------|----------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 50.7 | 48.0 | ↑ 5.6 |
| User charges and fees revenue | 24.3 | 21.5 | ↑ 13.0 |
| Grants and contributions revenue | 46.9 | 48.8 | ↓ 3.9 |
| Operating result for the year | 45.5 | 46.2 | ↓ 1.5 |
| Net operating result before capital grants and contributions | 6.4 | 5.8 | ↑ 10.3 |

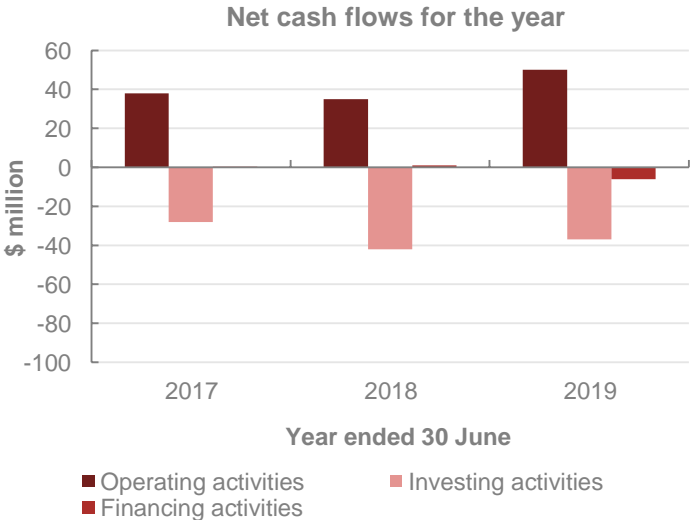
Council’s operating result (\$45.5 million including the effect of depreciation and amortisation expense of \$18.9 million) was \$0.7 million lower than the 2017–18 result.

The decrease is largely attributable to the following:

- Rates and annual charges revenue (\$50.7 million) increased by \$2.7 million (5.6 per cent) in 2018–2019. Council had an approved Special Rate Variation which resulted in an increase in general rates revenue of 7.9 per cent in 2018–19
- User charges and fees revenue (\$24.3 million) increased by \$2.8 million (13.0 per cent) in 2018–2019. Swimming pool income increased by \$1.1m as the facilities were closed for redevelopment in 2018–19. Water user charges increased by \$0.6 million in 2018–19
- Grants and contributions revenue (\$46.9 million) decreased by \$1.9 million (3.9 per cent) in 2018–2019 due to mainly to:
 - \$1.0 million decrease in Roads to Recovery funding received
 - \$7.0 million increase in capital grants. The increase largely relates to funding received for upgrading the Ballina Byron Gateway Airport and the construction of the Ballina Indoor Sports Centre
 - In both 2017-18 and 2018-19, developer contributions and dedications were well in excess of previous years, however 2018-19 saw a net decrease of \$6.7 million
- Employee benefits and on costs (\$25.0 million) increased by \$2.0 million (8.7 per cent) in 2018–2019
- Loss on disposal of assets (\$1.0 million) increased by \$1.0 million in 2018–2019. In 2017–2018 Council made a \$1.9 million gain on disposal of assets, largely due to the sale of real estate assets. There were no real estate asset sales in 2018–2019.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$15.3 million. This was predominantly due to higher rates and annual charges, user charges and fees and capital grants received (as set out above).
- Net cash used in investing activities decreased by \$5.3 million. Capital expenditure reduced by \$4.9 million and was \$34.1 million for 2018–2019.
- Net cash used in financing activities increased by \$7.6 million. There were no new loans drawn in 2018-19.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2019 | 2018 | Commentary |
|-----------------------------|-------------|-------------|---|
| | \$m | \$m | |
| External restrictions | 52.5 | 41.9 | <ul style="list-style-type: none"> The increase in externally restricted cash and investments of \$10.6 million is predominantly due to increases of \$6.3 million for developer contributions, \$1.7 million for water supplies and \$1.2 million for specific purpose unexpended grants. |
| Internal restrictions | 31.6 | 34.4 | |
| Unrestricted | 5.5 | 4.5 | |
| Cash and investments | 89.6 | 80.8 | <ul style="list-style-type: none"> Internally restricted cash and investments has decreased by \$2.8 million. A decrease in the sports centre reserve of \$2.2 million was most significant. Unrestricted balances provide liquidity for day-to-day operations. |

PERFORMANCE

Operating performance ratio

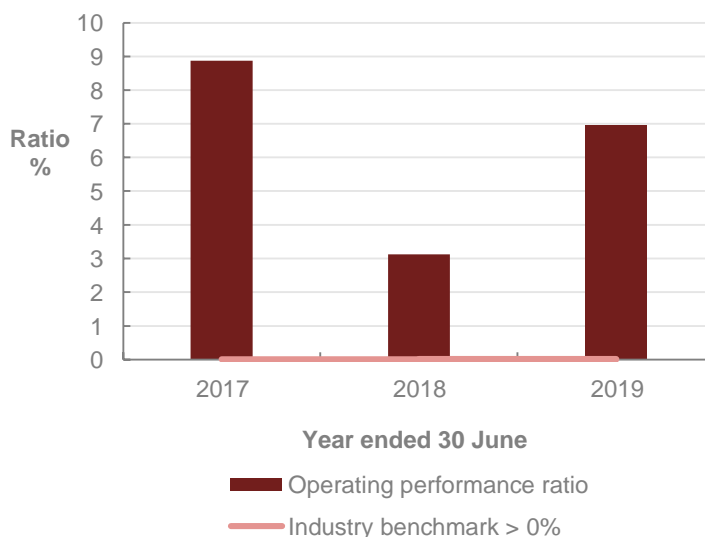
Council's has exceeded the industry benchmark in 2018–19.

The improvement is reflective of an increase in Council's operating surplus before capital items for 2018–19.

The 2016–17 year was impacted by Council receiving a one-off RMS operating contribution for maintenance of the Hinterland Way (previously the Pacific Highway).

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

Operating performance ratio



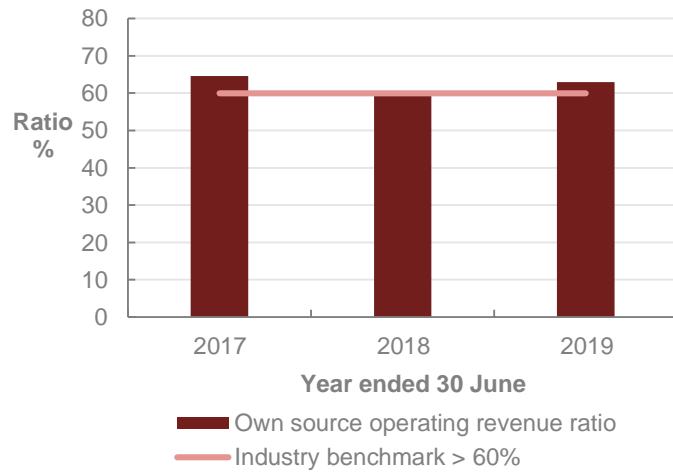
Own source operating revenue ratio

Council has exceeded the industry benchmark, which illustrates that revenue streams, such as rental income from investment properties, reduce Council's reliance on government funding.

The ratio has been negatively impacted in recent years due to higher levels of capital grants and contributions.

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 the former OLG is greater than 60 per cent.

Own source operating revenue ratio



Unrestricted current ratio

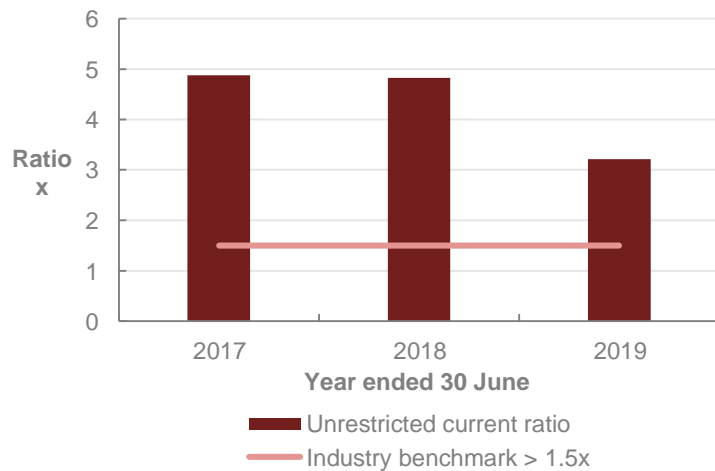
Council has exceeded the industry benchmark, but the ratio has declined over the last year. The reduction from the prior year is due to an increase in current payables as at 30 June 2019. The increase in payables is largely attributable to amounts outstanding for the Ballina Indoor Sports Centre construction.

Council has \$3.21 in liquid current assets for every \$1 of current liabilities.

Wastewater funds 'unrestricted current ratio' as at 30 June 2019 is 0.89x.

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

Unrestricted current ratio



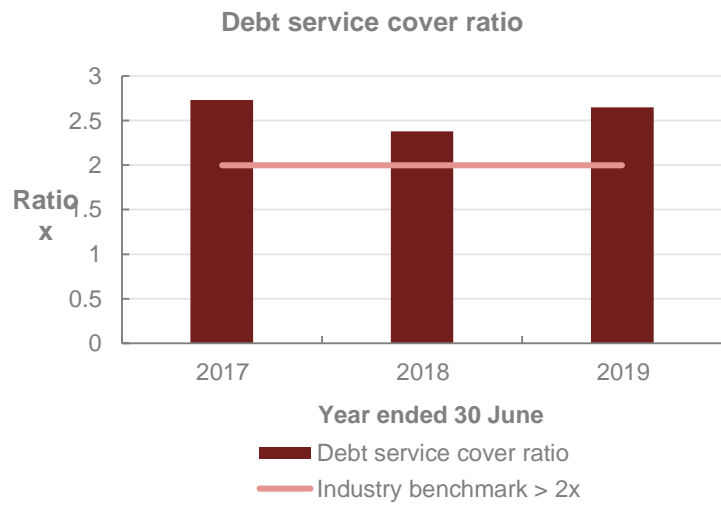
Debt service cover ratio

Council continues to exceed the industry benchmark.

Debt service levels have remained consistent with previous years.

The wastewater fund achieved a ratio of 1.30, being an increase of 0.16 from 2017-18. Council should continue to monitor the wastewater fund position to ensure cash flow over the short to medium term is sufficient to service debt repayment obligations.

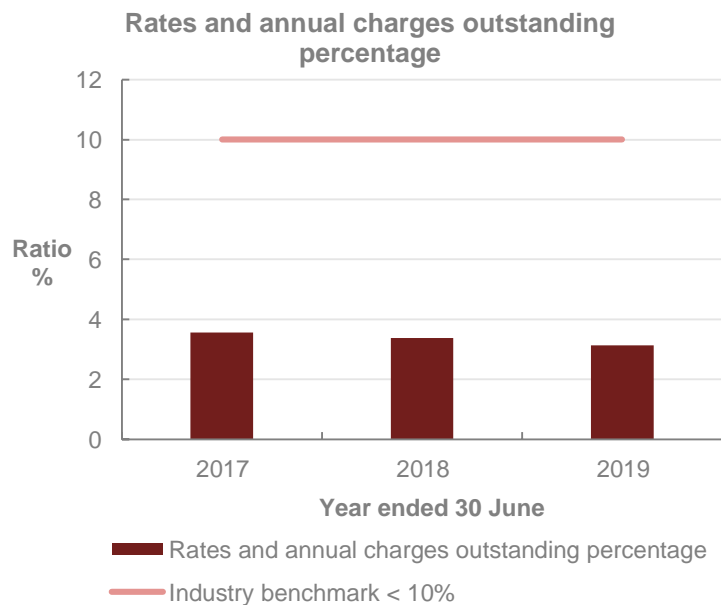
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council has consistently achieved the industry benchmark for this ratio as it continues to improve debt collection outcomes.

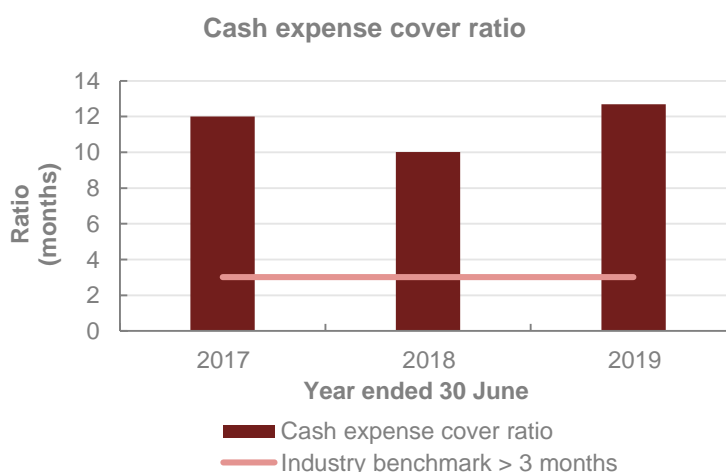
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council has improved its ratio and is well above the industry benchmark. Council has increased cash reserves whilst maintaining expenditure levels.

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



Infrastructure, property, plant and equipment renewals

Council's total asset renewals in the 2018-19 year was \$18.2 million, compared to \$24.4 million in 2017-18. In 2018-19 there was a decrease in asset renewals, with major renewal of the Ballina and Alstonville swimming pools having occurred in 2017-18.

Despite the decrease in capital expenditure, renewals continue to exceed the rate at which these assets are depreciating.

OTHER MATTERS

New accounting standards implemented

| Application period | Overview |
|---|---|
| AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures' | |
| For the year ended 30 June 2019 | <p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p> |

Prior period error

Council revalued its land (including improvements), buildings and other structures as at 1 July 2018. In completing this revaluation, it was identified that:

- discounting factors had not previously been applied to values to reflect the restrictions placed on land under roads
- Council controlled assets existed that were not previously recorded in its fixed asset registers.

Council's disclosure of the impact of correcting this prior period error is disclosed in Note 13(b).

Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Paul Hickey, General Manager
John Rutledge, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

PART B

General Purpose Financial Statements

Ballina Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*Serving the community of today while preparing for the
challenges of tomorrow.*



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

40 Cherry St
Ballina NSW 2478

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 financial year ended 30 June 2019.

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 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.

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2019.

David Wright

Mayor

24 October 2019

Eoin Johnston

Deputy Mayor

24 October 2019

Paul Hickey

General Manager

24 October 2019

Linda Coulter

Responsible Accounting Officer

24 October 2019

Income Statement

for the year ended 30 June 2019

| Original unaudited budget 2019 | \$ '000 | Notes | Actual 2019 | Restated Actual 2018 ^{1, 2} |
|--|--|-------|----------------|--|
| Income from continuing operations | | | | |
| <u>Revenue:</u> | | | | |
| 49,818 | Rates and annual charges | 3a | 50,714 | 48,042 |
| 22,685 | User charges and fees | 3b | 24,254 | 21,537 |
| 1,792 | Interest and investment revenue | 3c | 2,564 | 2,164 |
| 3,095 | Other revenues | 3d | 4,820 | 5,496 |
| 8,398 | Grants and contributions provided for operating purposes | 3e,3f | 7,744 | 8,374 |
| 24,686 | Grants and contributions provided for capital purposes | 3e,3f | 39,143 | 40,463 |
| <u>Other income:</u> | | | | |
| 1,095 | Net gains from the disposal of assets | 5 | – | 1,897 |
| – | Fair value increment on investment properties | 10 | 680 | – |
| – | Net share of interests in joint ventures and associates using the equity method | 15 | – | 55 |
| 111,569 | Total income from continuing operations | | 129,919 | 128,028 |
| Expenses from continuing operations | | | | |
| 23,515 | Employee benefits and on-costs | 4a | 25,033 | 23,019 |
| 4,953 | Borrowing costs | 4b | 4,905 | 5,556 |
| 29,559 | Materials and contracts | 4c | 27,054 | 26,734 |
| 19,074 | Depreciation and amortisation | 4d | 18,924 | 19,415 |
| 6,552 | Other expenses | 4e | 7,461 | 7,072 |
| – | Net losses from the disposal of assets | 5 | 996 | – |
| – | Net share of interests in joint ventures and associates using the equity method | 15 | 5 | – |
| 83,653 | Total expenses from continuing operations | | 84,378 | 81,796 |
| 27,916 | Operating result from continuing operations | | 45,541 | 46,232 |
| 27,916 | Net operating result for the year | | 45,541 | 46,232 |
| 27,916 | Net operating result attributable to council | | 45,541 | 46,232 |
| 3,230 | Net operating result for the year before grants and contributions provided for capital purposes | | 6,398 | 5,769 |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

(2) See 13 b) for details regarding the restatement as a result of Prior Period Error

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

Statement of Comprehensive Income

for the year ended 30 June 2019

| \$ '000 | Notes | 2019 | Restated 2018 ^{1,2} |
|--|-------|---------------|---------------------------------|
| Net operating result for the year (as per Income Statement) | | 45,541 | 46,232 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of IPP&E | 9 | 26,100 | 27,342 |
| Total items which will not be reclassified subsequently to the operating result | | 26,100 | 27,342 |
| Total other comprehensive income for the year | | 26,100 | 27,342 |
| Total comprehensive income for the year | | 71,641 | 73,574 |
| Total comprehensive income attributable to Council | | 71,641 | 73,574 |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

(2) See Note 13 b) for details regarding the restatement as a result of Prior Period Error

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

Statement of Financial Position

as at 30 June 2019

| \$ '000 | Notes | 2019 | Restated 2018 ^{1,2} | Restated 1 July 2017 ² |
|---|-------|------------------|---------------------------------|--------------------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalent assets | 6(a) | 12,246 | 5,625 | 11,989 |
| Investments | 6(b) | 56,508 | 62,507 | 59,896 |
| Receivables | 7 | 10,786 | 9,219 | 8,310 |
| Inventories | 8a | 2,411 | 1,472 | 2,420 |
| Other | 8b | 391 | 343 | 341 |
| Current assets classified as 'held for sale' | | – | – | 1,400 |
| Total current assets | | 82,342 | 79,166 | 84,356 |
| Non-current assets | | | | |
| Investments | 6(b) | 20,907 | 12,664 | 8,022 |
| Receivables | 7 | 205 | 237 | 310 |
| Inventories | 8a | 2,623 | 2,535 | 1,678 |
| Infrastructure, property, plant and equipment | 9 | 1,278,060 | 1,221,854 | 1,149,665 |
| Investment property | 10a | 22,705 | 22,025 | 22,025 |
| Investments accounted for using the equity method | 15 | 1,154 | 1,159 | 20 |
| Total non-current assets | | 1,325,654 | 1,260,474 | 1,181,720 |
| TOTAL ASSETS | | 1,407,996 | 1,339,640 | 1,266,076 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 11 | 9,941 | 7,063 | 8,538 |
| Income received in advance | 11 | 1,364 | 1,184 | 1,011 |
| Borrowings | 11 | 6,636 | 6,624 | 6,219 |
| Provisions | 12 | 8,489 | 7,972 | 8,091 |
| Total current liabilities | | 26,430 | 22,843 | 23,859 |
| Non-current liabilities | | | | |
| Borrowings | 11 | 70,418 | 76,870 | 76,078 |
| Provisions | 12 | 4,113 | 4,533 | 4,319 |
| Total non-current liabilities | | 74,531 | 81,403 | 80,397 |
| TOTAL LIABILITIES | | 100,961 | 104,246 | 104,256 |
| Net assets | | 1,307,035 | 1,235,394 | 1,161,820 |
| EQUITY | | | | |
| Accumulated surplus | 13a | 765,417 | 719,876 | 673,644 |
| Revaluation reserves | 13a | 541,618 | 515,518 | 488,176 |
| Council equity interest | | 1,307,035 | 1,235,394 | 1,161,820 |
| Total equity | | 1,307,035 | 1,235,394 | 1,161,820 |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

(2) See Note 13 b) for details regarding the restatement as a result of Prior Period Error

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

Statement of Changes in Equity

for the year ended 30 June 2019

| \$ '000 | Notes | 2019 ² | | | 2018 ^{1, 2} | | |
|--|-------|---------------------|---------------------------|------------------|----------------------|---------------------------|------------------|
| | | Accumulated surplus | IPP&E revaluation reserve | Total equity | Accumulated surplus | IPP&E revaluation reserve | Total equity |
| Opening balance | | 723,429 | 504,281 | 1,227,710 | 675,946 | 476,939 | 1,152,885 |
| Correction of prior period errors | 13b | (3,553) | 11,237 | 7,684 | (2,302) | 11,237 | 8,935 |
| Restated opening balance | | 719,876 | 515,518 | 1,235,394 | 673,644 | 488,176 | 1,161,820 |
| Net operating result for the year | | 45,541 | – | 45,541 | 47,483 | – | 47,483 |
| Correction of prior period errors | 13b | – | – | – | (1,251) | – | (1,251) |
| Restated net operating result for the period | | 45,541 | – | 45,541 | 46,232 | – | 46,232 |
| Other comprehensive income | | | | | | | |
| – Gain (loss) on revaluation of IPP&E | 9 | – | 26,100 | 26,100 | – | 27,342 | 27,342 |
| Other comprehensive income | | – | 26,100 | 26,100 | – | 27,342 | 27,342 |
| Total comprehensive income | | 45,541 | 26,100 | 71,641 | 46,232 | 27,342 | 73,574 |
| Equity – balance at end of the reporting period | | 765,417 | 541,618 | 1,307,035 | 719,876 | 515,518 | 1,235,394 |

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

(2) See 13 b) for details regarding the restatement as a result of Prior Period Error

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

Statement of Cash Flows

for the year ended 30 June 2019

| Original unaudited budget 2019 | \$ '000 | Notes | Actual 2019 | Actual 2018 |
|---|--|-------|-----------------|-----------------|
| Cash flows from operating activities | | | | |
| <u>Receipts</u> | | | | |
| 49,818 | Rates and annual charges | | 50,711 | 47,266 |
| 22,685 | User charges and fees | | 25,416 | 22,605 |
| 1,792 | Investment and interest revenue received | | 2,545 | 2,022 |
| 33,084 | Grants and contributions | | 29,561 | 23,684 |
| – | Bonds, deposits and retention amounts received | | 700 | – |
| 3,095 | Other | | 9,099 | 8,246 |
| <u>Payments</u> | | | | |
| (23,515) | Employee benefits and on-costs | | (24,510) | (23,052) |
| (29,559) | Materials and contracts | | (24,871) | (30,207) |
| (4,953) | Borrowing costs | | (4,964) | (5,374) |
| – | Bonds, deposits and retention amounts refunded | | – | (23) |
| (6,552) | Other | | (13,669) | (10,476) |
| 45,895 | Net cash provided (or used in) operating activities | 14b | 50,018 | 34,691 |
| Cash flows from investing activities | | | | |
| <u>Receipts</u> | | | | |
| 4,380 | Sale of real estate assets | | – | 3,644 |
| – | Sale of infrastructure, property, plant and equipment | | 641 | 1,637 |
| – | Deferred debtors receipts | | 23 | 20 |
| <u>Payments</u> | | | | |
| 11,942 | Purchase of investment securities | | (2,244) | (7,152) |
| (66,640) | Purchase of infrastructure, property, plant and equipment | | (34,136) | (39,046) |
| – | Purchase of real estate assets | | (1,241) | (1,355) |
| (50,318) | Net cash provided (or used in) investing activities | | (36,957) | (42,252) |
| Cash flows from financing activities | | | | |
| <u>Receipts</u> | | | | |
| 10,847 | Proceeds from borrowings and advances | | – | 18,532 |
| <u>Payments</u> | | | | |
| (6,624) | Repayment of borrowings and advances | | (6,440) | (17,335) |
| 4,223 | Net cash flow provided (used in) financing activities | | (6,440) | 1,197 |
| (200) | Net increase/(decrease) in cash and cash equivalents | | 6,621 | (6,364) |
| 5,625 | Plus: cash and cash equivalents – beginning of year | 14a | 5,625 | 11,989 |
| 5,425 | Cash and cash equivalents – end of the year | 14a | 12,246 | 5,625 |
| Additional Information: | | | | |
| 77,415 | plus: Investments on hand – end of year | 6(b) | 77,415 | 75,171 |
| 82,840 | Total cash, cash equivalents and investments | | 89,661 | 80,796 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 October 2019.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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.

Council is a not-for-profit entity.

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

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

The impact on the reported position, performance and/or disclosures have been discussed in Note 13(c).

(b) Historical cost convention

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

(c) 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:

- estimated fair values of investment properties – refer Note 10,
- estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- estimated asset remediation provisions – refer Note 12,
- employee benefit provisions – refer Note 12.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General Purpose Operations
- Water Supply
- Wastewater Service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$6,218,000 - refer Note 16.

Council has calculated that as at 1 July 2019 the lease commitments will be \$3,504,540.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Of these commitments, approximately \$209,971 relate to short-term leases, \$217,938 to low value leases and \$6,804 relates to peppercorn leases.

For these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

Council anticipates it will recognise lease liabilities (on its balance sheet) of \$3,069,827 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$3,069,827.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

There is expected to be no impact by transition to this standard.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The specific impacts of AASB1058 for Council are expected to be:

As at 30 June 2019 Council has received \$989,000 of grant funding in advance where works have not commenced or been finalised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

The 2019/20 impact can be summarised as follows:

1 July 2019

| | |
|---------------------|--------------------|
| Contract Liability | \$989,000 Increase |
| Accumulated Surplus | \$989,000 Decrease |

During 2020 as performance obligations are met:

| | |
|--------------------|--------------------|
| Contract Liability | \$989,000 Decrease |
| Grant Income | \$989,000 Increase |

Council will continue to assess when income is received and will recognise income in accordance with this standard.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council considers that this standard is not expected to have a material impact overall.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a). Council functions/activities – financial information ^{1, 2}

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

| \$ '000 | Income from continuing operations | | Expenses from continuing operations | | Operating result from continuing operations | | Grants included in income from continuing operations | | Total assets held (current and non-current) | |
|--|-----------------------------------|----------------|-------------------------------------|---------------|---|---------------|--|--------------|---|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Corporate and Community Division | 49,021 | – | 14,655 | – | 34,366 | – | 12,650 | – | 172,109 | – |
| Civil Services Division | 38,132 | – | 33,135 | – | 4,997 | – | 1,623 | – | 878,544 | – |
| Planning and Environmental Health Division | 3,608 | – | 8,625 | – | (5,017) | – | 68 | – | 2,510 | – |
| Strategic and Community Facilities Group | – | 7,365 | – | 6,780 | – | 585 | – | 419 | – | 56,859 |
| Development and Environmental Health Group | – | 2,867 | – | 5,237 | – | (2,370) | – | 265 | – | 2,337 |
| Civil Services Group (General Fund) | – | 39,746 | – | 33,879 | – | 5,867 | – | 1,525 | – | 884,456 |
| General Manager's Group | – | 37,398 | – | 8,367 | – | 29,031 | – | 5,013 | – | 57,067 |
| Water Operations | 14,692 | 14,818 | 11,026 | 10,805 | 3,666 | 4,013 | 2 | – | 106,949 | 101,020 |
| Wastewater Operations | 24,466 | 25,834 | 16,937 | 16,728 | 7,529 | 9,106 | – | – | 247,884 | 237,901 |
| Total functions and activities | 129,919 | 128,028 | 84,378 | 81,796 | 45,541 | 46,232 | 14,343 | 7,222 | 1,407,996 | 1,339,640 |

(1) See 2 b) Council adopted a new organisation structure in 2019

(2) See 13 b) for details regarding the restatement as a result of Prior Period Error

Notes to the Financial Statements

for the year ended 30 June 2019

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

In 2019 Council adopted a new organisation structure as follows:

Corporate and Community Division covers the following programs:

Governance

This program relates to expenses associated with the General manager's office, the elected Council and the Corporate and Community Division.

Community Facilities

This program includes revenues and expenses for the operation of the Kentwell Centre, Lennox Head Cultural and Community Centre, Alstonville Leisure and Entertainment Centre, the Richmond Room, the Ballina Surf Club, the Northern Rivers Community Gallery, Naval Museum and a number of small halls.

Library Services

Costs associated with the operation of the Council owned libraries, which are managed by the Richmond Tweed Regional Library, through Lismore City Council.

Swimming Pools

Revenues and expenses associated with the operation of the Ballina and Alstonville swimming pools.

Tourism

Includes costs associated with the management of a range of activities including visitor services, marketing and grant administration.

Communications

Includes costs associated with the elected councillors and the General Manager's office, which includes the corporate communications function.

Financial Services

This program covers financial services such as creditors, debtors, statutory/management reporting, purchasing, rates and customer service.

Information Services

This program comprises the expenses associated with the provision of information services to Council. This includes computer equipment, software and geographical information services.

Human Resources and Risk Management

Costs associated with the human resource management function, payroll and risk management such as insurance premiums.

Property Management

Includes costs associated with Council's commercial property portfolio.

Ballina Byron Gateway Airport

Revenue and expenses associated with the operation of the airport.

Civil Services Division covers the following programs:

Asset Management

Includes costs related to the supervision and administration of the programs provided by Civil Services.

Procurement Depot and Ancillary Building management

Includes costs to manage and maintain a number of corporate and community buildings including the Council Administration Centre and the Council depot, along with costs associated with Council's procurement functions.

Stormwater and Environmental Management

Relates to services such as flood plain management and pollution control activities such as stormwater drainage.

Roads and Bridges

Provision of urban and rural road services and the maintenance and improvement of bridges.

Ancillary Transport Services

Includes ancillary transport services such as street lighting, footpaths, kerb and gutter and parking.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Roads and Maritime Services (RMS)

All revenues and expenses related to works funded through the RMS for RMS controlled roads.

Open Spaces and Reserves

Costs associated with the maintenance of all Council parks, reserves, public amenities, cemeteries, beaches and sporting grounds.

Fleet Management and Workshop

Revenues and expenses related to the management of Council's fleet and workshop.

Rural Fire Service

Costs associated with the provision of rural fire services.

Quarries and Sandpit

Revenues and expenses associated with the lease and operation of the quarries owned by Council.

Landfill and Resource Management

This represents the operation of the Ballina landfill site, along with other waste initiatives.

Domestic Waste Management

Provision of domestic waste collection services to residential properties.

Planning and Environmental Health Division covers the following programs:

Strategic Planning

This program includes all revenues and expenses related to strategic planning projects such as planning proposals (land rezonings), local environmental plans, development control plans, heritage studies and economic development programs.

Development Services

Revenues and expenses associated with the assessment and management of development applications.

Building Services

Revenues and expenses associated with the provision of building certification services and the assessment of the building application section of development applications.

Environmental and Public Health Services

Revenues and expenses associated with the provision of services such as environmental health, food premise inspections and licences required under the Local Government Act.

Public Order

Revenues and expenses associated with the delivery of ranger services and a parking officer.

Water Operations

This program includes the revenue raised to finance the water programs and management and operational expenses associated with the delivery of those programs.

Wastewater Operations

This program includes the revenue raised to finance the wastewater programs, management expenses and expenses associated with the delivery of wastewater services to the local government area.

In 2018 Council had the following organisation structure:

Strategic and Community Facilities Group covered the following programs:

Strategic Planning

This program includes all revenues and expenses related to strategic planning projects such as planning proposals (land rezonings), local environmental plans, development control plans, heritage studies and economic development programs.

Community Facilities

This program includes revenues and expenses for the operation of the Kentwell Centre, Lennox Head Cultural and Community Centre, Alstonville Leisure and Entertainment Centre, the Richmond Room, the Ballina Surf Club, the Northern Rivers Community Gallery, Naval Museum and a number of small halls.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Library Services

Costs associated with the operation of the Council owned libraries, which are managed by the Richmond Tweed Regional Library, through Lismore City Council.

Swimming Pools

Revenues and expenses associated with the operation of the Ballina and Alstonville swimming pools.

Tourism

Includes costs associated with the management of a range of activities including visitor services, marketing and grant administration.

Development and Environmental Health Group covered the following programs:

Development Services

Revenues and expenses associated with the assessment and management of development applications.

Building Services

Revenues and expenses associated with the provision of building certification services and the assessment of the building application section of development applications.

Environmental and Public Health Services

Revenues and expenses associated with the provision of services such as environmental health, food premise inspections and licences required under the Local Government Act.

Public Order

Revenues and expenses associated with the delivery of ranger services and a parking officer.

Civil Services Group (General Fund) covered the following programs:

Engineering Management

Includes costs related to the supervision and administration of the programs provided by Civil Services.

Procurement and Building Management

Includes costs to manage and maintain a number of corporate and community buildings including the Council Administration Centre and the Council depot, along with costs associated with Council's procurement functions.

Stormwater and Environmental Management

Relates to services such as flood plain management and pollution control activities such as stormwater drainage.

Roads and Bridges

Provision of urban and rural road services and the maintenance and improvement of bridges.

Ancillary Transport Services

Includes ancillary transport services such as street lighting, footpaths, kerb and gutter and parking.

Roads and Maritime Services (RMS)

All revenues and expenses related to works funded through the RMS for RMS controlled roads.

Open Spaces and Reserves

Costs associated with the maintenance of all Council parks, reserves, public amenities, cemeteries, beaches and sporting grounds.

Fleet Management and Workshop

Revenues and expenses related to the management of Council's fleet and workshop.

Rural Fire Service

Costs associated with the provision of rural fire services.

Quarries and Sandpit

Revenues and expenses associated with the lease and operation of the quarries owned by Council.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Landfill and Resource Management

This represents the operation of the Ballina landfill site, along with other waste initiatives.

Domestic Waste Management

Provision of domestic waste collection services to residential properties.

The General Manager's Group consisted of the following programs:

Communications

Includes costs associated with the elected councillors and the General Manager's office, which includes the corporate communications function.

Financial Services

This program covers financial services such as creditors, debtors, statutory/management reporting, purchasing, rates and customer service.

Information Services

This program comprises the expenses associated with the provision of information services to Council. This includes computer equipment, software and geographical information services.

Human Resources and Risk Management

Costs associated with the human resource management function, payroll and risk management such as insurance premiums.

Property Management

Includes costs associated with Council's commercial property portfolio.

Ballina Byron Gateway Airport

Revenue and expenses associated with the operation of the airport.

Water Operations

This program includes the revenue raised to finance the water programs and management and operational expenses associated with the delivery of those programs.

Wastewater Operations

This program includes the revenue raised to finance the wastewater programs, management expenses and expenses associated with the delivery of wastewater services to the local government area.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

| \$ '000 | 2019 | 2018 |
|---|---------------|---------------|
| (a) Rates and annual charges | | |
| Ordinary rates | | |
| Residential | 17,406 | 15,963 |
| Farmland | 1,569 | 1,551 |
| Business | 4,243 | 4,008 |
| Less: pensioner rebates (mandatory) | (632) | (625) |
| Rates levied to ratepayers | 22,586 | 20,897 |
| Pensioner rate subsidies received | 348 | 344 |
| Total ordinary rates | 22,934 | 21,241 |
| Annual charges | | |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small> | | |
| Domestic waste management services | 6,465 | 6,386 |
| Stormwater management services | 384 | 380 |
| Water supply services | 3,910 | 3,774 |
| Wastewater services | 16,855 | 16,112 |
| Waste management services (non-domestic) | 540 | 521 |
| Less: pensioner rebates (mandatory) | (831) | (827) |
| Annual charges levied | 27,323 | 26,346 |
| Pensioner subsidies received: | | |
| – Water | 159 | 157 |
| – Sewerage | 159 | 156 |
| – Domestic waste management | 139 | 142 |
| Total annual charges | 27,780 | 26,801 |
| TOTAL RATES AND ANNUAL CHARGES | 50,714 | 48,042 |

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

Accounting policy for rates and charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioners rebates.

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.

| \$ '000 | 2019 | 2018 |
|--|---------------|--------------|
| (b) User charges and fees | | |
| Specific user charges | | |
| <small>(per s.502 - specific 'actual use' charges)</small> | | |
| Water supply services | 7,902 | 7,290 |
| Wastewater services | 1,475 | 1,336 |
| Waste management services (non-domestic) | 1,129 | 1,275 |
| Total specific user charges | 10,506 | 9,901 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| \$ '000 | 2019 | 2018 |
|---|---------------|---------------|
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Planning and building regulation | 2,348 | 2,160 |
| Private works – section 67 | 67 | 182 |
| Total fees and charges – statutory/regulatory | 2,415 | 2,342 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| Aerodrome | 6,727 | 6,536 |
| Cemeteries | 394 | 396 |
| Swimming centres | 1,094 | – |
| Waste disposal tipping fees | 1,059 | 1,263 |
| Ferry tolls | 553 | 493 |
| Plant hire | 317 | 267 |
| Other | 1,189 | 339 |
| Total fees and charges – other | 11,333 | 9,294 |
| TOTAL USER CHARGES AND FEES | 24,254 | 21,537 |

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

| | | |
|--|--------------|--------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 48 | 55 |
| – Cash and investments | 2,516 | 2,008 |
| Fair value adjustments | | |
| – Movements in investments at fair value through profit and loss | – | 101 |
| TOTAL INTEREST AND INVESTMENT REVENUE | 2,564 | 2,164 |

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

| | | |
|---|--------------|--------------|
| Overdue rates and annual charges (general fund) | 48 | 55 |
| General Council cash and investments | 2,516 | 2,109 |
| Total interest and investment revenue | 2,564 | 2,164 |

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | 2019 | 2018 |
|--|-------|---------------------|---------------------|
| (d) Other revenues | | | |
| Rental income – investment property | 10 | 1,872 | 1,851 |
| Rental income – other council properties | | 1,469 | 1,482 |
| Fines – parking | | 227 | 199 |
| Fines – other | | 113 | 171 |
| Legal fees recovery – rates and charges (extra charges) | | 37 | 74 |
| Commissions and agency fees | | 35 | 51 |
| Insurance claims recoveries | | 123 | 259 |
| Recycling income (non-domestic) | | 159 | 108 |
| Miscellaneous sales | | 51 | 75 |
| Reassessment of provision for remediation | | 484 | – |
| Initial recognition of share in joint ventures and associate | | – | 1,084 |
| Other | | 250 | 142 |
| <u>TOTAL OTHER REVENUE</u> | | <u>4,820</u> | <u>5,496</u> |

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| \$ '000 | Operating 2019 | Operating 2018 | Capital 2019 | Capital 2018 ¹ |
|--|-------------------|-------------------|-----------------|------------------------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance | 2,255 | 2,171 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance | 2,339 | 2,221 | – | – |
| Total general purpose | 4,594 | 4,392 | – | – |
| Specific purpose | | | | |
| Bushfire and emergency services | 74 | 74 | – | – |
| Library | 108 | 124 | – | – |
| LIRS subsidy | 200 | 241 | – | – |
| NSW rural fire services | 113 | 115 | – | – |
| Street lighting | 98 | 100 | – | – |
| Natural disaster funding | 185 | 104 | – | – |
| Shaws Bay management plan | – | – | 12 | 182 |
| Airport | – | – | 3,232 | 449 |
| Northern Rivers Business Recovery | – | 150 | – | – |
| Coastal Shared Path East | – | – | – | 290 |
| Keith Hall Boat Ramp | – | – | 13 | 229 |
| Stronger Country - Ballina Indoor Sports Centre | – | – | 3,500 | – |
| Lennox Community Centre Enhancement Project | – | – | 700 | – |
| Gallery Cultural Fund | 22 | – | 121 | – |
| Stronger Country - Skennars Head | – | – | 327 | – |
| Wollongbar sportsfields | – | – | 132 | – |
| Federal Regional Grant - Coastal Path | – | – | 253 | – |
| Noise attenuation Quays Reserve | – | – | 50 | – |
| Ballina Surf Club | – | – | 115 | – |
| Williams Reserve lighting | – | – | 72 | – |
| Pop Denison Master Plan | – | – | 83 | – |
| Other | 219 | 273 | 120 | 499 |
| Total specific purpose | 1,019 | 1,181 | 8,730 | 1,649 |
| Total grants | 5,613 | 5,573 | 8,730 | 1,649 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 4,594 | 4,395 | – | – |
| – State funding | 1,019 | 1,178 | 8,668 | 1,649 |
| – Other funding | – | – | 62 | – |
| | 5,613 | 5,573 | 8,730 | 1,649 |

(1) This column has been restated

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Operating 2019 | Operating 2018 | Capital 2019 | Capital 2018 ¹ |
|--|-------|-------------------|-------------------|-----------------|------------------------------|
| (f) Contributions | | | | | |
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | | |
| Cash contributions | | | | | |
| S 7.11 – contributions towards amenities/services | | – | – | 7,873 | 4,680 |
| S 64 – water supply contributions | | – | – | 1,175 | 1,031 |
| S 64 – wastewater service contributions | | – | – | 2,456 | 2,077 |
| Total developer contributions – cash | | – | – | 11,504 | 7,788 |
| Non-cash contributions | | | | | |
| S 7.11 – contributions towards amenities/services | | – | – | – | 4,912 |
| Total developer contributions non-cash | | – | – | – | 4,912 |
| Total developer contributions | 22 | – | – | 11,504 | 12,700 |
| Other contributions: | | | | | |
| Cash contributions | | | | | |
| RMS contributions (regional roads, block grant) | | 1,000 | 954 | 671 | 4,297 |
| Wastewater (excl. section 64 contributions) | | – | – | 25 | 40 |
| Employment and training studies | | 295 | 335 | – | – |
| Management plans and studies | | 85 | 21 | – | – |
| Roadworks | | 198 | 1,211 | 1,508 | 54 |
| Contaminated Lands Officer | | 140 | – | – | – |
| Richmond River Governance | | 91 | – | – | – |
| Killen Falls Toilets | | – | – | 65 | – |
| Private dust sealing contributions | | – | – | 136 | – |
| Ballina Indoor Sports Centre | | – | – | 140 | – |
| Other | | 322 | 280 | 35 | 60 |
| Total other contributions – cash | | 2,131 | 2,801 | 2,580 | 4,451 |
| Non-cash contributions | | | | | |
| Dedications – subdivisions (other than by s7.11) | | – | – | 16,209 | 21,663 |
| Other | | – | – | 120 | – |
| Total other contributions – non-cash | | – | – | 16,329 | 21,663 |
| Total other contributions | | 2,131 | 2,801 | 18,909 | 26,114 |
| Total contributions | | 2,131 | 2,801 | 30,413 | 38,814 |
| TOTAL GRANTS AND CONTRIBUTIONS | | 7,744 | 8,374 | 39,143 | 40,463 |

(1) This column has been restated. Refer to Note 13(b) for details regarding the restatement as a result of prior period error.

Accounting policy for grants and contributions

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

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

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

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

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(g) Unspent grants and contributions

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

| | | |
|---|--------------|------------|
| Unexpended at the close of the previous reporting period | 569 | 453 |
| Add: operating grants recognised in the current period but not yet spent | 1,427 | 305 |
| Less: operating grants recognised in a previous reporting period now spent | (342) | (189) |
| Unexpended and held as restricted assets (operating grants) | 1,654 | 569 |

Unexpended operating grants are included as externally restricted cash at Note 6(c). The majority of this balance relates to grant funding received for community facilities.

Contributions

| | | |
|---|---------------|---------------|
| Unexpended at the close of the previous reporting period | 23,668 | 20,457 |
| Add: contributions received for the provision of goods and services in a future period | 12,731 | 9,222 |
| Less: contributions recognised in a previous reporting period now spent | (6,402) | (6,011) |
| Unexpended and held as restricted assets (contributions) | 29,997 | 23,668 |

Unexpended contributions are summarised at Note 22.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

| \$ '000 | 2019 | 2018 |
|--|---------------|---------------|
| (a) Employee benefits and on-costs | | |
| Salaries and wages | 20,093 | 18,762 |
| Employee leave entitlements (ELE) | 4,208 | 3,718 |
| Superannuation – defined contribution plans | 1,937 | 1,757 |
| Superannuation – defined benefit plans | 533 | 582 |
| Workers' compensation insurance | 426 | 285 |
| Fringe benefit tax (FBT) | 17 | 18 |
| Payroll tax | 320 | 303 |
| Training costs (other than salaries and wages) | 130 | 88 |
| Other | 68 | 81 |
| Total employee costs | 27,732 | 25,594 |
| Less: capitalised costs | (2,699) | (2,575) |
| TOTAL EMPLOYEE COSTS EXPENSED | 25,033 | 23,019 |
| Number of 'full-time equivalent' employees (FTE) at year end | 319 | 306 |

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Superannuation – defined benefit plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all councils.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the Scheme. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated.

The current standard contribution rates are:

Division B 1.9 times employee contributions
 Division C 2.5% salaries
 Division D 1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 for 4 years to 30 June 2021, apportioned according to each employer's share of accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

The expected contributions to the Scheme by Council for the next annual reporting period are \$447,546.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

| Employer reserves only* | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets | 1,798.7 | |
| Past Service Liabilities | 1,784.2 | 100.8% |
| Vested Benefits | 1,792.0 | 100.4% |

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

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

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

** plus promotional increase

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

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed Council is 0.64%. Additional contributions are estimated to remain in place until 30 June 2021, it is estimated that there are \$516,000 additional past service contributions remaining. However, the Trustee will be reviewing the financial position of the Scheme on an annual basis and will provide updates to Council accordingly. The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ended 30 June 2019 was \$432,087. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

There is no relief under the Scheme's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity. There are no specific provisions under the Scheme's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(b) Borrowing costs

(i) Interest bearing liability costs

| | | |
|--|--------------|--------------|
| Interest on loans | 4,635 | 5,212 |
| Total interest bearing liability costs expensed | 4,635 | 5,212 |

(ii) Other borrowing costs

| | | |
|---|------------|------------|
| Unwinding of present value discounts and premiums | 270 | 344 |
| Total other borrowing costs | 270 | 344 |

TOTAL BORROWING COSTS EXPENSED

| | |
|--------------|--------------|
| 4,905 | 5,556 |
|--------------|--------------|

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| \$ '000 | 2019 | 2018 |
|--|---------------|---------------|
| (c) Materials and contracts | | |
| Raw materials and consumables | 25,638 | 24,883 |
| Contractor and consultancy costs | 233 | 204 |
| Auditors remuneration ² | 148 | 138 |
| Legal expenses: | | |
| – Legal expenses: planning and development | 466 | 863 |
| – Legal expenses: other | 118 | 198 |
| Operating leases: | | |
| – Operating lease rentals: minimum lease payments ¹ | 451 | 448 |
| Total materials and contracts | <u>27,054</u> | <u>26,734</u> |
| TOTAL MATERIALS AND CONTRACTS | <u>27,054</u> | <u>26,734</u> |

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

| | | |
|----------------|------------|------------|
| Computers | 150 | 193 |
| Motor vehicles | 301 | 255 |
| | <u>451</u> | <u>448</u> |

2. Auditor remuneration

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

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

| | | |
|--|-----------|-----------|
| Audit and review of financial statements | 75 | 75 |
| Remuneration for audit and other assurance services | <u>75</u> | <u>75</u> |
| Total Auditor-General remuneration | <u>75</u> | <u>75</u> |

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

| | | |
|--|------------|------------|
| Internal auditing (Grant Thornton Australia) | 73 | 63 |
| Remuneration for audit and other assurance services | <u>73</u> | <u>63</u> |
| Total remuneration of non NSW Auditor-General audit firms | <u>73</u> | <u>63</u> |
| Total Auditor remuneration | <u>148</u> | <u>138</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | 2019 | 2018 |
|---|-------|---------------|---------------|
| (d) Depreciation, amortisation and impairment of intangible assets and IPP&E | | | |
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,701 | 1,674 |
| Office equipment | | 27 | 136 |
| Furniture and fittings | | 5 | 5 |
| Land improvements (depreciable) | | 95 | 357 |
| Infrastructure: | | | |
| – Buildings | | 2,612 | 2,943 |
| – Bulk earthworks | | 138 | 132 |
| – Other structures | | 503 | 624 |
| – Roads | | 6,177 | 5,933 |
| – Bridges | | 618 | 613 |
| – Footpaths | | 444 | 413 |
| – Stormwater drainage | | 1,627 | 1,532 |
| – Water supply network | | 1,399 | 1,413 |
| – Sewerage network | | 3,494 | 3,495 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| Future reinstatement costs – tips | 9,12 | 19 | 134 |
| Future reinstatement costs – quarries | 9,12 | 65 | 11 |
| Total gross depreciation and amortisation costs | | 18,924 | 19,415 |
| Total depreciation and amortisation costs | | 18,924 | 19,415 |
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u> | | 18,924 | 19,415 |

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| \$ '000 | 2019 | 2018 |
|--|--------------|--------------|
| (e) Other expenses | | |
| Advertising | 157 | 114 |
| Bad and doubtful debts | 11 | – |
| Bank charges | 127 | 118 |
| Contributions/levies to other levels of government | | |
| – Department of planning levy | 123 | 144 |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | 58 | 71 |
| – Waste levy | 95 | 108 |
| – Other contributions/levies | 209 | 215 |
| Councillor expenses – mayoral fee | 43 | 42 |
| Councillor expenses – councillors' fees | 198 | 193 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 47 | 46 |
| Donations, contributions and assistance to other organisations | 2,314 | 2,304 |
| Electricity and heating | 1,696 | 1,452 |
| Insurance | 1,282 | 1,261 |
| Street lighting | 687 | 588 |
| Subscriptions and publications | 76 | 75 |
| Telephone and communications | 228 | 235 |
| Other | 110 | 106 |
| Total other expenses | 7,461 | 7,072 |
| TOTAL OTHER EXPENSES | 7,461 | 7,072 |

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

| \$ '000 | Notes | 2019 | 2018 |
|--|-------|----------------|--------------|
| Property (excl. investment property) | | | |
| Proceeds from disposal – property | | 346 | 12 |
| Less: carrying amount of property assets sold/written off | | (271) | (140) |
| Net gain/(loss) on disposal | | 75 | (128) |
| Plant and equipment | | | |
| | 9 | | |
| Proceeds from disposal – plant and equipment | | 295 | 198 |
| Less: carrying amount of plant and equipment assets sold/written off | | (84) | (40) |
| Net gain/(loss) on disposal | | 211 | 158 |
| Infrastructure | | | |
| | 9 | | |
| Less: carrying amount of infrastructure assets sold/written off | | (1,282) | (635) |
| Net gain/(loss) on disposal | | (1,282) | (635) |
| Real estate assets held for sale | | | |
| | 8 | | |
| Proceeds from disposal – real estate assets | | – | 3,860 |
| Less: carrying amount of real estate assets sold/written off | | – | (1,487) |
| Net gain/(loss) on disposal | | – | 2,373 |
| Non-current assets classified as ‘held for sale’ | | | |
| Proceeds from disposal – non-current assets ‘held for sale’ | | – | 1,427 |
| Less: carrying amount of ‘held for sale’ assets sold/written off | | – | (1,298) |
| Net gain/(loss) on disposal | | – | 129 |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | (996) | 1,897 |

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

| \$ '000 | 2019 | 2018 |
|--|---------------|--------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 3,246 | 5,625 |
| Cash-equivalent assets | | |
| – Short-term deposits | 9,000 | – |
| Total cash and cash equivalents | 12,246 | 5,625 |

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Investments | | | | |
| a. 'Financial assets at fair value through profit and loss' | | | | |
| – 'Designated at fair value on initial recognition' | – | – | 2,007 | 6,664 |
| b. 'Financial assets at amortised cost' / 'held to maturity' (2018) | 56,508 | 20,907 | 60,500 | 6,000 |
| Total Investments | 56,508 | 20,907 | 62,507 | 12,664 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | 68,754 | 20,907 | 68,132 | 12,664 |
| Financial assets at fair value through the profit and loss | | | | |
| NCD's, FRN's (with maturities > 3 months) | – | – | 2,007 | 6,664 |
| Total | – | – | 2,007 | 6,664 |
| Financial assets at amortised cost / held to maturity (2018) | | | | |
| Long term deposits | 53,500 | 13,000 | 60,500 | 6,000 |
| NCD's, FRN's (with maturities > 3 months) | 3,008 | 7,907 | – | – |
| Total | 56,508 | 20,907 | 60,500 | 6,000 |

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

(a) 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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

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. Investments 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.

Impairment of available for sale investments

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000 | 2019 | | 2018 | |
|--|---------------|---------------|---------------|---------------|
| | Current | Non-current | Current | Non-current |
| Total cash, cash equivalents and investments | 68,754 | 20,907 | 68,132 | 12,664 |
| attributable to: | | | | |
| External restrictions | 31,625 | 20,907 | 29,199 | 12,664 |
| Internal restrictions | 31,637 | – | 34,389 | – |
| Unrestricted | 5,492 | – | 4,544 | – |
| | <u>68,754</u> | <u>20,907</u> | <u>68,132</u> | <u>12,664</u> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

Details of restrictions

External restrictions – included in liabilities

| | | |
|--|--------------|--------------|
| Deposits and retentions | 2,834 | 2,134 |
| Water and wastewater ELE's | 868 | 719 |
| External restrictions – included in liabilities | <u>3,702</u> | <u>2,853</u> |

External restrictions – other

| | | |
|---|---------------|---------------|
| Developer contributions – general | 12,575 | 9,059 |
| Developer contributions – water fund | 10,182 | 8,766 |
| Developer contributions – wastewater fund | 7,240 | 5,843 |
| RMS contributions | 77 | 77 |
| Specific purpose unexpended grants | 1,654 | 467 |
| Water supplies | 10,479 | 8,728 |
| Wastewater services | 2,261 | 2,317 |
| Domestic waste management | 3,251 | 2,474 |
| Other | 1,111 | 1,279 |
| External restrictions – other | <u>48,830</u> | <u>39,010</u> |
| Total external restrictions | <u>52,532</u> | <u>41,863</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000 | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| Internal restrictions | | |
| Plant and vehicle replacement | 1,302 | 1,155 |
| Employees leave entitlement | 3,133 | 3,013 |
| Carry over works | 2,579 | 2,794 |
| Bypass maintenance funding | 3,632 | 3,747 |
| Cemeteries | 338 | 266 |
| Crown land rentals | 115 | 172 |
| Financial assistance grant in advance | 2,339 | 2,221 |
| Property reserves | 5,692 | 3,521 |
| Landfill and resource management | 71 | 1,712 |
| Management plans and studies | 842 | 491 |
| Quarries | 857 | 833 |
| Rental properties refurbishment | 787 | 899 |
| Road works | 4,008 | 5,521 |
| Sports centre | 767 | 2,963 |
| Strategic studies | 550 | 452 |
| Swimming pools | – | 119 |
| Skennars Head Sportfields | 1,009 | 1,250 |
| Healthy Waterways | 260 | 363 |
| Other sportsfields | 737 | 382 |
| Other | 2,619 | 2,515 |
| Total internal restrictions | 31,637 | 34,389 |
| TOTAL RESTRICTIONS | 84,169 | 76,252 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Purpose | | | | |
| Rates and annual charges | 1,456 | 61 | 1,453 | 61 |
| Interest and extra charges | 70 | 30 | 100 | 43 |
| User charges and fees | 2,725 | 114 | 2,646 | 110 |
| Private works | 21 | – | 52 | – |
| Accrued revenues | | | | |
| – Interest on investments | 714 | – | 652 | – |
| Airport charges | 923 | – | 1,469 | – |
| Amounts due from other councils | 48 | – | 54 | – |
| Deferred debtors | 18 | – | 18 | 23 |
| Government grants and subsidies | 3,378 | – | 1,790 | – |
| Net GST receivable | 721 | – | 78 | – |
| Waste centre fees | 36 | – | 30 | – |
| Other debtors | 727 | – | 930 | – |
| Total | 10,837 | 205 | 9,272 | 237 |
| Less: provision of impairment | | | | |
| User charges and fees | (51) | – | (53) | – |
| Total provision for impairment – receivables | (51) | – | (53) | – |
| TOTAL NET RECEIVABLES | 10,786 | 205 | 9,219 | 237 |
| Externally restricted receivables | | | | |
| Water supply | | | | |
| – Specific purpose grants | – | – | 6 | – |
| – Rates and availability charges | – | – | 290 | 12 |
| – Other | 2,262 | 94 | 2,018 | 82 |
| Sewerage services | | | | |
| – Rates and availability charges | – | – | 401 | 17 |
| – Other | 1,270 | 76 | 885 | 62 |
| Domestic waste management | | | | |
| | 164 | 6 | 188 | 8 |
| Stormwater management | | | | |
| | 9 | – | 12 | – |
| Total external restrictions | 3,705 | 176 | 3,800 | 181 |
| Unrestricted receivables | 7,081 | 29 | 5,419 | 56 |
| TOTAL NET RECEIVABLES | 10,786 | 205 | 9,219 | 237 |
| Movement in provision for impairment of receivables | | | | |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | | | 53 | 91 |
| + new provisions recognised during the year | | | 10 | 31 |
| – amounts already provided for and written off this year | | | (12) | – |
| – amounts provided for but recovered during the year | | | – | (69) |
| Balance at the end of the period | | | 51 | 53 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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 are classified as non-current assets. Receivables are included in 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.

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Collectability of receivables is reviewed on an on-going 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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| (a) Inventories | | | | |
| (i) Inventories at cost | | | | |
| Real estate for resale | 1,713 | 2,623 | 762 | 2,535 |
| Stores and materials | 677 | – | 689 | – |
| Trading stock | 21 | – | 21 | – |
| Total inventories at cost | 2,411 | 2,623 | 1,472 | 2,535 |
| <u>TOTAL INVENTORIES</u> | <u>2,411</u> | <u>2,623</u> | <u>1,472</u> | <u>2,535</u> |

(b) Other assets

| | | | | |
|----------------------------------|-------------------|-----------------|-------------------|-----------------|
| Prepayments | 391 | – | 343 | – |
| <u>TOTAL OTHER ASSETS</u> | <u>391</u> | <u>–</u> | <u>343</u> | <u>–</u> |

Externally restricted assets

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|--------------------|-----------------|---------------------|-----------------|---------------------|
| Water | | | | |
| Prepayments | 170 | – | – | – |
| Total water | 170 | – | – | – |

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|--|---------------------|---------------------|---------------------|---------------------|
| Total externally restricted assets | 170 | – | – | – |
| Total internally restricted assets | – | – | – | – |
| Total unrestricted assets | 2,632 | 2,623 | 1,815 | 2,535 |
| <u>TOTAL INVENTORIES AND OTHER ASSETS</u> | <u>2,802</u> | <u>2,623</u> | <u>1,815</u> | <u>2,535</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

| \$ '000 | Notes | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| (a) Details for real estate development | | | | | |
| Residential | | – | 641 | – | 518 |
| Industrial/commercial | | 1,713 | 1,982 | 762 | 2,017 |
| Total real estate for resale | | 1,713 | 2,623 | 762 | 2,535 |
| (Valued at the lower of cost and net realisable value) | | | | | |
| Represented by: | | | | | |
| Acquisition costs | | – | – | – | 202 |
| Development costs | | 1,713 | 2,623 | 762 | 2,333 |
| Total costs | | 1,713 | 2,623 | 762 | 2,535 |
| Total real estate for resale | | 1,713 | 2,623 | 762 | 2,535 |
| Movements: | | | | | |
| Real estate assets at beginning of the year | | 762 | 2,535 | 1,751 | 1,678 |
| – Purchases and other costs | | 951 | 290 | 1,243 | 112 |
| – Transfers in from (out to) Note 10 | | – | (202) | – | – |
| – WDV of sales (expense) | 5 | – | – | (1,487) | – |
| – Transfer between current/non-current | | – | – | (745) | 745 |
| Total real estate for resale | | 1,713 | 2,623 | 762 | 2,535 |

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Trading stock

Trading stock is stated at the lower of cost and net realisable value. 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.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

| | as at 30/6/2018 ¹ | | | Asset movements during the reporting period | | | | | | | | as at 30/6/2019 | | |
|--|------------------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|--|--------------------------------------|-----------------------|--------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals ² | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Tfrs from/(to) real estate assets (Note 8) | Revaluation movement to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 47,084 | – | 47,084 | 14,011 | 14,704 | – | – | (32,049) | (919) | – | 44 | 42,875 | – | 42,875 |
| Plant and equipment | 22,213 | (14,269) | 7,944 | 4 | 1,607 | (84) | (1,701) | 153 | – | – | – | 23,892 | (15,969) | 7,923 |
| Office equipment | 1,519 | (1,424) | 95 | – | – | – | (27) | – | – | – | – | 1,519 | (1,451) | 68 |
| Furniture and fittings | 423 | (399) | 24 | – | – | – | (5) | – | – | – | – | 423 | (404) | 19 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 46,513 | – | 46,513 | – | 35 | – | – | – | 2,754 | 202 | 16,381 | 65,885 | – | 65,885 |
| – Community land | 112,492 | – | 112,492 | – | 323 | (250) | – | – | (2,754) | – | (27,141) | 82,670 | – | 82,670 |
| – Land under roads (post 30/6/08) | 1,646 | – | 1,646 | – | 74 | – | – | 65 | – | – | 218 | 2,003 | – | 2,003 |
| Land improvements – non-depreciable | 12,504 | – | 12,504 | 7 | – | (21) | – | 1,417 | 11 | – | 636 | 14,554 | – | 14,554 |
| Land improvements – depreciable | 15,903 | (11,933) | 3,970 | – | – | – | (95) | 8 | – | – | (6) | 7,602 | (3,725) | 3,877 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings | 133,411 | (57,046) | 76,365 | 279 | 63 | (384) | (2,612) | 4,476 | (11) | – | 21,768 | 151,434 | (51,490) | 99,944 |
| – Other structures | 19,533 | (7,310) | 12,223 | 188 | 255 | (98) | (503) | 11,682 | 191 | – | 9,789 | 44,598 | (10,871) | 33,727 |
| – Roads | 446,464 | (103,684) | 342,780 | 2,794 | 4,937 | (159) | (6,177) | 3,779 | (6) | – | – | 457,809 | (109,861) | 347,948 |
| – Bridges | 51,035 | (18,702) | 32,333 | – | – | – | (618) | – | – | – | – | 51,035 | (19,320) | 31,715 |
| – Footpaths | 34,285 | (8,340) | 25,945 | 98 | 1,051 | (31) | (444) | 604 | – | – | – | 36,007 | (8,784) | 27,223 |
| – Bulk earthworks | 138,503 | (528) | 137,975 | 107 | 965 | (83) | (138) | 631 | – | – | – | 140,123 | (666) | 139,457 |
| – Stormwater drainage | 129,044 | (47,476) | 81,568 | 94 | 3,873 | – | (1,627) | 646 | – | – | – | 133,657 | (49,103) | 84,554 |
| – Water supply network | 115,256 | (41,979) | 73,277 | 62 | 1,247 | – | (1,399) | 1,149 | – | – | 1,150 | 119,558 | (44,072) | 75,486 |
| – Sewerage network | 278,193 | (71,436) | 206,757 | 567 | 4,039 | (527) | (3,494) | 7,439 | (185) | – | 3,261 | 293,972 | (76,115) | 217,857 |
| Reinstatement, rehabilitation and restoration assets (refer Note 12): | | | | | | | | | | | | | | |
| – Tip assets | 1,737 | (1,586) | 151 | – | – | – | (19) | – | – | – | – | 1,737 | (1,605) | 132 |
| – Quarry assets | 1,050 | (842) | 208 | – | – | – | (65) | – | – | – | – | 1,050 | (907) | 143 |
| Total Infrastructure, property, plant and equipment | 1,608,808 | (386,954) | 1,221,854 | 18,211 | 33,173 | (1,637) | (18,924) | – | (919) | 202 | 26,100 | 1,672,403 | (394,343) | 1,278,060 |

(1) See Note 13 (b) for details regarding the restatement as a result of prior period errors

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment (continued)

| | as at 30/6/2017 ¹ | | | Asset movements during the reporting period | | | | | | | | as at 30/6/2018 | | |
|--|------------------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------------------|------------------------------|---|--|-----------------------|--------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals ² | Additions new assets | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Other movements ³ | Tfrs from/(to) 'held for sale' category | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 24,483 | – | 24,483 | 21,003 | 15,374 | – | – | (13,776) | – | – | – | 47,084 | – | 47,084 |
| Plant and equipment | 21,598 | (13,162) | 8,436 | – | 1,221 | (39) | (1,674) | – | – | – | – | 22,213 | (14,269) | 7,944 |
| Office equipment | 1,519 | (1,288) | 231 | – | – | – | (136) | – | – | – | – | 1,519 | (1,424) | 95 |
| Furniture and fittings | 423 | (394) | 29 | – | – | – | (5) | – | – | – | – | 423 | (399) | 24 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 46,411 | – | 46,411 | – | – | – | – | – | – | 102 | – | 46,513 | – | 46,513 |
| – Community land | 112,492 | – | 112,492 | – | – | – | – | – | – | – | – | 112,492 | – | 112,492 |
| – Land under roads (post 30/6/08) | 1,507 | – | 1,507 | – | 139 | – | – | – | – | – | – | 1,646 | – | 1,646 |
| Land improvements – non-depreciable | 9,486 | – | 9,486 | – | – | – | – | 3,018 | – | – | – | 12,504 | – | 12,504 |
| Land improvements – depreciable | 15,903 | (11,576) | 4,327 | – | – | – | (357) | – | – | – | – | 15,903 | (11,933) | 3,970 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings | 127,204 | (52,728) | 74,476 | 296 | – | (140) | (2,943) | 3,008 | – | – | 1,668 | 133,411 | (57,046) | 76,365 |
| – Other structures | 18,084 | (6,448) | 11,636 | – | 230 | – | (624) | 609 | – | – | 372 | 19,533 | (7,310) | 12,223 |
| – Roads | 546,305 | (94,746) | 451,559 | 2,721 | 7,711 | (466) | (5,933) | 4,120 | (127,817) | – | 10,885 | 446,464 | (103,684) | 342,780 |
| – Bridges | 49,362 | (17,470) | 31,892 | 12 | 13 | – | (613) | – | (40) | – | 1,069 | 51,035 | (18,702) | 32,333 |
| – Footpaths | 30,915 | (7,651) | 23,264 | – | 1,611 | – | (413) | 687 | 9 | – | 787 | 34,285 | (8,340) | 25,945 |
| – Bulk earthworks (non-depreciable) | 4,121 | (8) | 4,113 | 236 | 1,251 | (158) | (132) | 313 | 127,848 | – | 4,504 | 138,503 | (528) | 137,975 |
| – Stormwater drainage | 117,671 | (44,375) | 73,296 | 58 | 6,093 | – | (1,532) | 1,198 | – | – | 2,455 | 129,044 | (47,476) | 81,568 |
| – Water supply network | 111,388 | (39,738) | 71,650 | – | 1,407 | (12) | (1,413) | 170 | – | – | 1,475 | 115,256 | (41,979) | 73,277 |
| – Sewerage network | 266,410 | (66,472) | 199,938 | 53 | 5,481 | – | (3,495) | 653 | – | – | 4,127 | 278,193 | (71,436) | 206,757 |
| Reinstatement, rehabilitation and restoration assets (refer Note 12): | | | | | | | | | | | | | | |
| – Tip assets | 1,720 | (1,452) | 268 | – | 17 | – | (134) | – | – | – | – | 1,737 | (1,586) | 151 |
| – Quarry assets | 1,002 | (831) | 171 | – | 48 | – | (11) | – | – | – | – | 1,050 | (842) | 208 |
| Total Infrastructure, property, plant and equipment | 1,508,004 | (358,339) | 1,149,665 | 24,379 | 40,596 | (815) | (19,415) | – | – | 102 | 27,342 | 1,608,808 | (386,954) | 1,221,854 |

(1) See 13 b) for details regarding the restatement as a result of Prior Period Error

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

(3) During the year Council reviewed the classification of a number of assets. This majority of this movement (\$127,848,000) relates to the reclassification of the bulk earthworks component of road and bridge assets into bulk earthworks. Council considers this component to be more appropriately classified as bulk earthworks and provide more relevant information

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| | | | |
|-----------------------------------|-------------|--------------------------------------|-----------|
| Plant and equipment | Years | Other equipment | Years |
| Office equipment | 10 to 20 | Playground equipment | 10 to 20 |
| Office furniture | 10 to 20 | Benches, seats etc. | 10 to 20 |
| Computer equipment | 3 to 8 | | |
| Vehicles | 3 to 5 | Buildings | |
| Heavy plant/road making equipment | 8 to 15 | Buildings: masonry | 80 to 100 |
| Other plant and equipment | 2 to 20 | Buildings: other | 30 to 40 |
| | | Stormwater assets | |
| Water and sewer assets | | Drains | 80 to 100 |
| Dams and reservoirs | 80 to 100 | Culverts | 60 to 80 |
| Bores | 30 to 40 | Flood control structures | 80 to 100 |
| Reticulation pipes: PVC | 80 | | |
| Reticulation pipes: other | 60 to 100 | | |
| Pumps and telemetry | 10 to 40 | | |
| | | Other infrastructure assets | |
| Transportation assets | | Bulk earthworks | 1000 |
| Sealed roads: surface | 10 to 30 | Swimming pools | 40 to 60 |
| Sealed roads: structure | 20 to 40 | Other open space/recreational assets | 20 |
| Unsealed roads | 100 to 1000 | Other infrastructure | 20 |
| Bridge: concrete | 80 to 100 | | |
| Bridge: other | 40 to 80 | | |
| Road pavements | 60 to 100 | | |
| Kerb, gutter and footpaths | 60 to 100 | | |

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.

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment (continued)

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

In previous years Council only recognised Rural Fire Service building assets. During 2019 Council also recognised Rural Fire Service equipment for the first time. Refer to Note 13(b) for further details.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

| \$ '000 | 2019 | 2018 |
|---|---------------|---------------|
| (a) Investment property at fair value | | |
| Investment property on hand | 22,705 | 22,025 |
| Reconciliation of annual movement: | | |
| Opening balance | 22,025 | 22,025 |
| – Net gain/(loss) from fair value adjustments | 680 | – |
| CLOSING BALANCE – INVESTMENT PROPERTY | 22,705 | 22,025 |

(b) Contractual obligations at reporting date

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

(c) Leasing arrangements – Council as lessor

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

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 | 1,682 | 1,709 |
| Later than 1 year but less than 5 years | 1,221 | 3,171 |
| Later than 5 years | 941 | – |
| Total minimum lease payments receivable | 3,844 | 4,880 |

(d) Investment property income and expenditure – summary

| | | |
|--|--------------|--------------|
| Rental income from investment property: | | |
| – Minimum lease payments | 1,646 | 1,628 |
| – Outgoings recouped | 226 | 223 |
| Direct operating expenses on investment property: | | |
| – that generated rental income | (229) | (241) |
| Net revenue contribution from investment property | 1,643 | 1,610 |
| plus: | | |
| Fair value movement for year | 680 | – |
| Total income attributable to investment property | 2,323 | 1,610 |

Accounting policy for investment property

Investment property, principally comprising freehold office and retail buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|---|----------------------|----------------------|----------------------|----------------------|
| Payables | | | | |
| Goods and services | 6,347 | – | 4,176 | – |
| Accrued expenses: | | | | |
| – Borrowings | 244 | – | 265 | – |
| – Salaries and wages | 516 | – | 488 | – |
| Security bonds, deposits and retentions | 2,834 | – | 2,134 | – |
| Total payables | 9,941 | – | 7,063 | – |
| Income received in advance | | | | |
| Payments received in advance | 1,364 | – | 1,184 | – |
| Total income received in advance | 1,364 | – | 1,184 | – |
| Borrowings | | | | |
| Loans – secured ¹ | 6,636 | 70,418 | 6,624 | 76,870 |
| Total borrowings | 6,636 | 70,418 | 6,624 | 76,870 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>17,941</u> | <u>70,418</u> | <u>14,871</u> | <u>76,870</u> |

(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 18.

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|--|----------------------|----------------------|----------------------|----------------------|
| (a) Payables and borrowings relating to restricted assets | | | | |
| Externally restricted assets | | | | |
| Water | 24 | – | 21 | – |
| Sewer | 3,676 | 49,483 | 3,529 | 52,885 |
| Other | – | – | 2,900 | – |
| Payables and borrowings relating to externally restricted assets | 3,700 | 49,483 | 6,450 | 52,885 |
| Total payables and borrowings relating to restricted assets | 3,700 | 49,483 | 6,450 | 52,885 |
| Total payables and borrowings relating to unrestricted assets | 14,241 | 20,935 | 8,421 | 23,985 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>17,941</u> | <u>70,418</u> | <u>14,871</u> | <u>76,870</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

| | | |
|--|--------------|------------|
| Payables – security bonds, deposits and retentions | 1,815 | 914 |
| Total payables and borrowings | 1,815 | 914 |

(c) Changes in liabilities arising from financing activities

| \$ '000 | as at 30/6/2018 | | Non-cash acquisitions | Non-cash fair value changes | Other non-cash movements | as at 30/6/2019 | |
|-----------------|--------------------|----------------|--------------------------|-----------------------------------|--------------------------------|--------------------|--|
| | Opening Balance | Cash flows | | | | Closing balance | |
| Loans – secured | 83,494 | (6,440) | – | – | – | 77,054 | |
| TOTAL | 83,494 | (6,440) | – | – | – | 77,054 | |

| \$ '000 | as at 30/6/2017 | | Non-cash acquisitions | Non-cash fair value changes | Other non-cash movements | as at 30/6/2018 | |
|-----------------|--------------------|--------------|--------------------------|-----------------------------------|--------------------------------|--------------------|--|
| | Opening Balance | Cash flows | | | | Closing balance | |
| Loans – secured | 82,297 | 1,197 | – | – | – | 83,494 | |
| TOTAL | 82,297 | 1,197 | – | – | – | 83,494 | |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

| | | |
|-------------------------------------|---------------|---------------|
| Loan Facilities | 77,054 | 83,494 |
| Credit cards/purchase cards | 750 | 575 |
| Total financing arrangements | 77,804 | 84,069 |

Drawn facilities as at balance date:

| | | |
|---|---------------|---------------|
| – Loan Facilities | 77,054 | 83,494 |
| – Credit cards/purchase cards | 140 | 142 |
| Total drawn financing arrangements | 77,194 | 83,636 |

Undrawn facilities as at balance date:

| | | |
|---|------------|------------|
| – Credit cards/purchase cards | 610 | 433 |
| Total undrawn financing arrangements | 610 | 433 |

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Payables

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

Borrowings

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 drawdown occurs. To the extent that 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

| \$ '000 | 2019 Current | 2019 Non-current | 2018 Current | 2018 Non-current |
|--|---------------------|---------------------|---------------------|---------------------|
| Provisions | | | | |
| Employee benefits | | | | |
| Annual leave | 2,556 | – | 2,298 | – |
| Sick leave | 1,990 | – | 2,086 | – |
| Long service leave | 3,943 | 361 | 3,588 | 383 |
| Sub-total – aggregate employee benefits | 8,489 | 361 | 7,972 | 383 |
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | – | 3,752 | – | 4,150 |
| Sub-total – asset remediation/restoration | – | 3,752 | – | 4,150 |
| <u>TOTAL PROVISIONS</u> | <u>8,489</u> | <u>4,113</u> | <u>7,972</u> | <u>4,533</u> |

(a) Provisions relating to restricted assets

| | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Externally restricted assets | | | | |
| Water | 207 | 9 | 143 | 6 |
| Sewer | 627 | 25 | 591 | 26 |
| Domestic waste management | 157 | 6 | 169 | 8 |
| Provisions relating to externally restricted assets | 991 | 40 | 903 | 40 |
| Total provisions relating to restricted assets | 991 | 40 | 903 | 40 |
| Total provisions relating to unrestricted assets | 7,498 | 4,073 | 7,069 | 4,493 |
| <u>TOTAL PROVISIONS</u> | <u>8,489</u> | <u>4,113</u> | <u>7,972</u> | <u>4,533</u> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(b) Current provisions not anticipated to be settled within the next twelve months

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

| | | |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 5,345 | 4,997 |
| | <u>5,345</u> | <u>4,997</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

(c) Description of and movements in provisions

| \$ '000 | Other provisions | |
|---|-------------------|-------|
| | Asset remediation | Total |
| 2019 | | |
| At beginning of year | 4,150 | 4,150 |
| Changes to provision: | | |
| – Revised costs | (370) | (370) |
| – Revised life | 10 | 10 |
| – Revised discount rate | (124) | (124) |
| Unwinding of discount | 86 | 86 |
| Total other provisions at end of period | 3,752 | 3,752 |
| 2018 | | |
| At beginning of year | 4,006 | 4,006 |
| – Revised life | 3 | 3 |
| – Revised discount rate | 62 | 62 |
| Unwinding of discount | 79 | 79 |
| Total other provisions at end of period | 4,150 | 4,150 |

Nature and purpose of non-employee benefit provisions

Asset remediation

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.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

On-costs

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

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

Provisions for close-down and restoration, and 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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

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

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.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

(b) Correction of errors relating to a previous reporting period**Nature of prior-period error**

As a result of the revaluation of Land, Buildings, Structures and Land under Roads performed during 2018/19, the following prior period errors have been identified:

| Summary of prior year items impacting on IPPE | \$'000 |
|--|---------------|
| Land under roads (1) | (13,795) |
| Operational land (3) | 1,892 |
| Operational land (4) | 2,918 |
| Community land (3) | 2,166 |
| Buildings (3) | 5,451 |
| Buildings (5) | 5,108 |
| Non-depreciable land improvements (3) | 1,084 |
| Non-depreciable land improvements (4) | 3,211 |
| Plant and equipment (6) | 900 |
| Total for correction of prior period errors at 1 July 2017 | 8,935 |
| Land under roads (2) | (1,251) |
| Total for correction of prior period errors at 30 June 2018 | 7,684 |

| Summary of prior year items impacting on Accumulated Surplus | \$'000 |
|---|----------------|
| Incorrect valuation of land under roads (1) | (13,795) |
| New found assets as a result of developer provided assets not previously recorded (3) | 10,593 |
| Fire equipment that council controls and not previously recorded (6) | 900 |
| Total for correction of prior year errors 1 July 2017 | (2,302) |
| Land under roads additions in 2017/18 (2) | (1,251) |
| Total for correction of prior year errors 30 June 2018 | (3,553) |

Summary of prior year items impacting on Revaluation Reserve

| | |
|--|---------------|
| New found assets not previously recorded (4) | 6,129 |
| Water and wastewater buildings as a result of incorrect componentisation of the treatment plants (5) | 5,108 |
| Total for correction of prior year errors 1 July 2017 | 11,237 |
| Total for correction of prior year errors 30 June 2018 | 11,237 |

Each of the above line items are discussed in further detail below.

1. Incorrect Valuation of Land under Roads in previous years (error to Accumulated Surplus)

During the revaluation undertaken during 2018/19, Council identified that Land Under Roads balances were overstated by 90% as an incorrect rate for valuation had been used in previous years. As Council considers the error to be material and it is practicable to do so, balances as at 1 July 2017 have been adjusted as follows:

| | |
|---------------------|-----------------------|
| Accumulated Surplus | \$13,795,000 Decrease |
| Land under Roads | \$13,795,000 Decrease |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**2. Land under Roads Additions in 2017/2018 (error to Accumulated Surplus)**

The land under roads additions capitalised in 2017/18 were also overstated by 90% as the incorrect rate for valuation had been used in that year. As Council considers this error to be material the error has been corrected by restating each of the affected financial statement line items for 2017/18 as follows:

| | |
|--|----------------------|
| Non-cash capital grants and contributions in Note 3(f) | \$1,251,000 Decrease |
| Land Under Roads purchases in Note 10 | \$1,251,000 Decrease |
| Accumulated Surplus as shown in Statement of Changes in Equity | \$1,251,000 Decrease |

3. New found assets as a result of Developer Provided Assets not previously recorded (error to Accumulated Surplus)

During the revaluation undertaken during 2018/19, Council identified assets previously dedicated by developers and also improvements to those buildings by tenants that were not previously recorded in the Council's balance Sheet. As Council considers the error to be material and it is practicable to do so, balances as at 1 July 2017 have been adjusted as follows:

| | |
|-----------------------------------|-----------------------|
| Operational Land | \$1,892,000 Increase |
| Community Land | \$2,166,000 Increase |
| Buildings | \$5,451,000 Increase |
| Non-depreciable land improvements | \$1,084,000 Increase |
| Accumulated Surplus | \$10,593,000 Increase |

4. New found assets not previous recorded (error to Revaluation Reserve)

During the revaluation undertaken during 2018/19, Council identified other operational land and non-depreciable land improvements that were not previously recorded in the Council's balance Sheet. As Council considers the error to be material and it is practicable to do so, balances as at 1 July 2017 have been adjusted as follows:

| | |
|-----------------------------------|----------------------|
| Operational Land | \$2,918,000 Increase |
| Non-depreciable land improvements | \$3,211,000 Increase |
| Revaluation reserve | \$6,129,000 Increase |

5. Water and wastewater buildings prior period errors are a result of incorrect componentisation of the treatment plants (error to Revaluation Reserve)

When the water and wastewater treatment plants were originally capitalised, the buildings components were not separately identified.

Water and wastewater infrastructure assets were revalued in 2016/17. At that time, an adjustment of the valuation of those assets was put to the revaluation reserve in error. As Council considers the error to be material and it is practicable to do so, balances as at 1 July 2017 have been adjusted as follows:

| | |
|---------------------|----------------------|
| Buildings | \$5,108,000 Increase |
| Revaluation reserve | \$5,108,000 Increase |

6. Fire equipment that Council controls and not previously recorded (error to Accumulated Surplus)

In previous years, Council had recognised RFS buildings as Council controlled assets, however had not recognised the fire equipment. It has been assessed that the fire equipment is council controlled and should have been previously recognised. As Council considers the error to be material and it is practicable to do so, balances as at 1 July 2017 have been adjusted as follows:

| | |
|---------------------|---------------------|
| Plant and equipment | \$ 900,000 Increase |
| Accumulated Surplus | \$ 900,000 Increase |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Changes to the opening Statement of Financial Position at 1 July 2017

Statement of Financial Position

| \$ '000 | Original Balance 1 July, 2017 | Impact Increase/ (decrease) | Restated Balance 1 July, 2017 |
|---|-------------------------------------|-----------------------------------|-------------------------------------|
| Infrastructure, property, plant and equipment | 1,140,730 | 8,935 | 1,149,665 |
| Total assets | 1,257,141 | 8,935 | 1,266,076 |
| Total liabilities | 104,256 | – | 104,256 |
| Accumulated Surplus | 675,946 | (2,302) | 673,644 |
| Revaluation reserves | 476,939 | 11,237 | 488,176 |
| Total equity | 1,152,885 | 8,935 | 1,161,820 |

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

| \$ '000 | Original Balance 30 June, 2018 | Impact Increase/ (decrease) | Restated Balance 30 June, 2018 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Infrastructure, property, plant and equipment | 1,214,170 | 7,684 | 1,221,854 |
| Total assets | 1,331,956 | 7,684 | 1,339,640 |
| Total liabilities | 104,246 | – | 104,246 |
| Accumulated Surplus | 723,429 | (3,553) | 719,876 |
| Revaluation reserves | 504,281 | 11,237 | 515,518 |
| Total equity | 1,227,710 | 7,684 | 1,235,394 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Income Statement**

| \$ '000 | Original Balance 30 June, 2018 | Impact Increase/ (decrease) | Restated Balance 30 June, 2018 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| Grants and contributions provided for capital purposes | 41,714 | (1,251) | 40,463 |
| Total income from continuing operations | 129,279 | (1,251) | 128,028 |
| Total expenses from continuing operations | 81,796 | – | 81,796 |
| Net operating result for the year | 47,483 | (1,251) | 46,232 |

Statement of Comprehensive Income

| \$ '000 | Original Balance 30 June, 2018 | Impact Increase/ (decrease) | Restated Balance 30 June, 2018 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| Net operating result for the year | 47,483 | (1,251) | 46,232 |
| Total comprehensive income for the year | 74,825 | (1,251) | 73,574 |

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

The financial assets of Council have been reclassified into financial assets measured at amortised cost on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are.

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are nil.

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

| \$ '000 | Classific- ation under AASB 139 | Classific- ation under AASB 9 | Carrying amount under AASB 139 | Reclassi- fication | Remeasu- rements | Carrying amount under AASB 9 |
|--|---------------------------------------|-------------------------------------|---|-----------------------|---------------------|---------------------------------------|
| Financial assets | | | | | | |
| Trade and other receivables | Loans and receivables | Amortised cost | 9,456 | – | – | 9,456 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 5,625 | – | – | 5,625 |
| Term deposits | Held to maturity | Amortised cost | 66,500 | – | – | 66,500 |
| NCD's, FRN's (with maturities > 3 months) | Held to maturity | Amortised cost | – | 8,761 | – | 8,761 |
| NCD's, FRN's (with maturities > 3 months) | FVTPL | Amortised cost | 8,761 | (8,761) | – | – |
| Total financial assets under AASB 9 at 1 July 2018 | | | 90,342 | – | – | 90,342 |
| Financial liabilities | | | | | | |
| Trade payables | Other financial liabilities | Other financial liabilities | 7,063 | – | – | 7,063 |
| Secured bank loans | Other financial liabilities | Other financial liabilities | 83,494 | – | – | 83,494 |
| Total financial liabilities under AASB 9 at 1 July 2018 | | | 90,557 | – | – | 90,557 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

| \$ '000 | Notes | 2019 | 2018 |
|---|-------|---------------|---------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6(a) | 12,246 | 5,625 |
| Balance as per the Statement of Cash Flows | | 12,246 | 5,625 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 45,541 | 46,232 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 18,924 | 19,415 |
| Net losses/(gains) on disposal of assets | | 996 | (1,897) |
| Non-cash capital grants and contributions | | (16,329) | (27,724) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | | |
| – Investments classified as 'at fair value' or 'held for trading' | | – | (101) |
| – investment property | | (680) | – |
| Unwinding of discount rates on reinstatement provisions | | (38) | 141 |
| Share of net (profits)/losses of associates/joint ventures using the equity method | | 5 | (55) |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | (1,556) | (602) |
| Increase/(decrease) in provision for impairment of receivables | | (2) | (38) |
| Decrease/(increase) in inventories | | 12 | (41) |
| Decrease/(increase) in other current assets | | (48) | (2) |
| Increase/(decrease) in payables | | 2,171 | (759) |
| Increase/(decrease) in accrued interest payable | | (21) | 41 |
| Increase/(decrease) in other accrued expenses payable | | 28 | (23) |
| Increase/(decrease) in other liabilities | | 880 | 150 |
| Increase/(decrease) in provision for employee benefits | | 495 | (49) |
| Increase/(decrease) in other provisions | | (360) | 3 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 50,018 | 34,691 |
| (c) Non-cash investing and financing activities | | | |
| Developer contributions 'in kind' | | 16,329 | 26,575 |
| Estimated future reinstatement, etc costs | | – | 65 |
| Total non-cash investing and financing activities | | 16,329 | 26,640 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

| \$ '000 | Council's share of net income | | Council's share of net assets | |
|--------------|-------------------------------|-----------|-------------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Associates | (5) | 55 | 1,154 | 1,159 |
| Total | (5) | 55 | 1,154 | 1,159 |

(a) Associates

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

(a) Summarised financial information for individually immaterial associates

Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

| \$ '000 | 2019 | 2018 |
|--|------------|-----------|
| Individually immaterial associates | | |
| Aggregate carrying amount of individually immaterial associates | 1,154 | 1,159 |
| Aggregate amounts of Council's share of individually immaterial associates: | | |
| Profit/(loss) from continuing operations | (5) | 55 |
| Total comprehensive income – individually immaterial associates | (5) | 55 |

(b) The nature and extent of significant restrictions relating to associates

Council signed a new Richmond Tweed Regional Library (RTRL) deed with 3 other local Councils on 29 November 2017 resulting in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to on termination of this deed equal share of the total equity at 30 June 2017, and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated. Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

(b) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

| Name of entity/operation | Principal activity/type of entity | 2019 Net profit | 2019 Net assets |
|--|---|--------------------|--------------------|
| North East Weight of Loads Group (NEWLOG) | Enforcement of load weights carried by heavy vehicles. Joint Venture | (378) | 20 |

Reasons for non-recognition

Council's share of NEWLOG net assets is 17.71%, Council considers this immaterial to the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

(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 and other structures | 3,620 | 5,756 |
| Plant and equipment | – | 598 |
| Infrastructure | 5,661 | 830 |

Inventory

| | | |
|------------------------|-------|-----|
| Real estate for resale | 3,399 | 178 |
|------------------------|-------|-----|

Total commitments

| | |
|---------------|--------------|
| <u>12,680</u> | <u>7,362</u> |
|---------------|--------------|

These expenditures are payable as follows:

| | | |
|----------------------|--------|-------|
| Within the next year | 12,680 | 7,362 |
|----------------------|--------|-------|

Total payable

| | |
|---------------|--------------|
| <u>12,680</u> | <u>7,362</u> |
|---------------|--------------|

Details of capital commitments

Capital expenditure commitments relate to the Airport terminal upgrade, Airport Boulevard, Ballina Indoor Sports Centre, Coastal path and other various projects.

(b) 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 | 549 | 602 |
| Later than one year and not later than 5 years | 5,669 | 5,874 |
| Total non-cancellable operating lease commitments | <u>6,218</u> | <u>6,476</u> |

b. Non-cancellable operating leases include the following assets:

Various items of information technology, plant and equipment.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and operating leases:

– All operating agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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) Statewide Limited

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

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

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

(ii) 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.

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management

Risk management

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

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

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

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

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.

| \$ '000 | Carrying value 2019 | Carrying value 2018 | Fair value 2019 | Fair value 2018 |
|--|------------------------|------------------------|--------------------|--------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 12,246 | 5,625 | 12,246 | 5,625 |
| Receivables | 10,991 | 9,456 | 10,991 | 9,456 |
| Investments | | | | |
| – 'Financial assets at amortised cost' / 'held to maturity' (2018) | 77,415 | 66,500 | 77,415 | 66,500 |
| Fair value through profit and loss | | | | |
| Investments | | | | |
| – 'Designated at fair value on initial recognition' | – | 8,671 | – | 8,671 |
| Total financial assets | 100,652 | 90,252 | 100,652 | 90,252 |
| Financial liabilities | | | | |
| Payables | 9,941 | 7,063 | 9,941 | 7,063 |
| Loans/advances | 77,054 | 83,494 | 104,683 | 105,036 |
| Total financial liabilities | 86,995 | 90,557 | 114,624 | 112,099 |

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. 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 as required by Local Government regulations.

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the 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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

| \$ '000 | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|--------|--------------------------|---------|
| | Profit | Equity | Profit | Equity |
| 2019 | | | | |
| Possible impact of a 10% movement in market values | 1,092 | 1,092 | (1,092) | (1,092) |
| Possible impact of a 1% movement in interest rates | 852 | 852 | (852) | (852) |
| 2018 | | | | |
| Possible impact of a 10% movement in market values | 867 | 867 | (867) | (867) |
| Possible impact of a 1% movement in interest rates | 797 | 797 | (797) | (797) |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council received detailed reports where appropriate.

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

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

Credit risk profile**Receivables – rates, annual charges and user fees**

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.

| \$ '000 | Not yet overdue | < 1 year overdue | 1 - 2 years overdue | 2 - 5 years overdue | > 5 years overdue | Total |
|-----------------------|-----------------|------------------|---------------------|---------------------|-------------------|-------|
| 2019 | | | | | | |
| Gross carrying amount | 2,825 | 1,631 | – | – | – | 4,456 |
| 2018 | | | | | | |
| Gross carrying amount | 2,754 | 1,659 | – | – | – | 4,413 |

Receivables - non-rates, annual charges and user fees

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

| \$ '000 | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | > 91 days overdue | Total |
|------------------------|-----------------|---------------------|----------------------|----------------------|-------------------|-------|
| 2019 | | | | | | |
| Gross carrying amount | 4,871 | 194 | 160 | 132 | 132 | 5,489 |
| Expected loss rate (%) | 0.00% | 1.00% | 1.00% | 2.00% | 2.00% | 0.16% |
| ECL provision | – | 2 | 2 | 3 | 3 | 10 |
| 2018 | | | | | | |
| Gross carrying amount | 3,349 | 610 | 182 | 10 | 292 | 4,443 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ECL provision | – | – | – | – | – | – |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

| \$ '000 | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: | | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|---------------|----------------|---------------|------------------------|------------------------------|
| | | | | 1 - 5 Years | > 5 Years | | |
| 2019 | | | | | | | |
| Trade/other payables | 0.00% | 2,834 | 7,107 | – | – | 9,941 | 9,941 |
| Loans and advances | 5.97% | 132 | 11,006 | 36,097 | 67,674 | 114,909 | 77,054 |
| Total financial liabilities | | 2,966 | 18,113 | 36,097 | 67,674 | 124,850 | 86,995 |
| 2018 | | | | | | | |
| Trade/other payables | 0.00% | 2,134 | 4,929 | – | – | 7,063 | 7,063 |
| Loans and advances | 5.68% | – | 11,281 | 39,048 | 75,730 | 126,059 | 83,494 |
| Total financial liabilities | | 2,134 | 16,210 | 39,048 | 75,730 | 133,122 | 90,557 |

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 2018/19 was adopted by the Council on 28/06/2018 and is unaudited.

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

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

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

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

| \$ '000 | 2019 Budget | 2019 Actual | 2019 ----- Variance ----- | |
|---|----------------|----------------|------------------------------|----------------|
| REVENUES | | | | |
| Rates and annual charges | 49,818 | 50,714 | 896 | 2% F |
| User charges and fees | 22,685 | 24,254 | 1,569 | 7% F |
| Interest and investment revenue | 1,792 | 2,564 | 772 | 43% F |
| Higher than projected investment holdings resulted in an increase in investment revenue. | | | | |
| Other revenues | 3,095 | 4,820 | 1,725 | 56% F |
| Reassessment of provision for remediation resulted in recognising other income of \$483,000 in 2019. | | | | |
| Operating grants and contributions | 8,398 | 7,744 | (654) | (8)% U |
| Capital grants and contributions | 24,686 | 39,143 | 14,457 | 59% F |
| Council received \$2,328,000 of developer contributed assets during the year above what was forecast and the remaining movement is due to timing of capital projects completion and receipt of funding. | | | | |
| Net gains from disposal of assets | 1,095 | – | (1,095) | 100% U |
| There were no sales in land development works in 2019 and the variance is due to the timing of projects. | | | | |
| Fair value increment on investment property | – | 680 | 680 | ∞ F |
| Investment properties were revalued in 2019 resulting in recognising a gain on revaluation of \$680,000.. | | | | |
| EXPENSES | | | | |
| Employee benefits and on-costs | 23,515 | 25,033 | (1,518) | (6)% U |
| Borrowing costs | 4,953 | 4,905 | 48 | 1% F |
| Materials and contracts | 29,559 | 27,054 | 2,505 | 8% F |
| Depreciation and amortisation | 19,074 | 18,924 | 150 | 1% F |
| Other expenses | 6,552 | 7,461 | (909) | (14)% U |
| Some of the expenses that contributed to the variance were street lighting and utility bills. | | | | |
| Net losses from disposal of assets | – | 996 | (996) | ∞ U |
| There were no sales in land development works in 2019 and the variance is due to the timing of projects. | | | | |
| Joint ventures and associates – net losses | – | 5 | (5) | ∞ U |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

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

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

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

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

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

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

| 2019 | Notes | Fair value measurement hierarchy | | | Total | |
|--|-------|----------------------------------|--------------------------------------|---------------------------------------|-----------|---|
| | | Date of latest valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs |
| Investment property | 10 | | | | | |
| Land and buildings | | | – | 22,705 | – | 22,705 |
| Total investment property | | | – | 22,705 | – | 22,705 |
| Infrastructure, property, plant and equipment | 9 | | | | | |
| Plant and equipment * | | | – | – | 7,923 | 7,923 |
| Office equipment | | | – | – | 68 | 68 |
| Furniture and fittings | | | – | – | 19 | 19 |
| Operational land * | | | – | 65,885 | – | 65,885 |
| Community land * | | | – | – | 82,670 | 82,670 |
| Land under roads * | | | – | – | 2,003 | 2,003 |
| Land improvements – non-depreciable * | | | – | – | 14,554 | 14,554 |
| Land Improvements – depreciable | | | – | – | 3,877 | 3,877 |
| Buildings – non-specialised | | | – | 9,324 | – | 9,324 |
| Buildings – specialised * | | | – | – | 90,620 | 90,620 |
| Other structures | | | – | – | 33,727 | 33,727 |
| Roads | | | – | – | 347,948 | 347,948 |
| Bridges | | | – | – | 31,715 | 31,715 |
| Footpaths | | | – | – | 27,223 | 27,223 |
| Bulk earthworks | | | – | – | 139,457 | 139,457 |
| Stormwater drainage | | | – | – | 84,554 | 84,554 |
| Water supply network | | | – | – | 75,486 | 75,486 |
| Wastewater network | | | – | – | 217,857 | 217,857 |
| Tip remediation | | | – | – | 132 | 132 |
| Quarries remediation | | | – | – | 143 | 143 |
| Total infrastructure, property, plant and equipment | | | – | 75,209 | 1,159,976 | 1,235,185 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

| 2018 | Notes | 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 | |
| Held at fair value through profit or loss | | | – | 8,671 | – | 8,671 |
| Total financial assets | | | – | 8,671 | – | 8,671 |
| Investment property | 10 | | | | | |
| Land and buildings | | | – | 22,025 | – | 22,025 |
| Total investment property | | | – | 22,025 | – | 22,025 |
| Infrastructure, property, plant and equipment | 9 | | | | | |
| Plant and equipment * | | | – | – | 7,944 | 7,944 |
| Office equipment | | | – | – | 95 | 95 |
| Furniture and fittings | | | – | – | 24 | 24 |
| Operational land * | | | – | 46,513 | – | 46,513 |
| Community land * | | | – | – | 112,492 | 112,492 |
| Land under roads * | | | – | – | 1,646 | 1,646 |
| Land improvements – non-depreciable * | | | – | – | 12,504 | 12,504 |
| Land Improvements – depreciable | | | – | – | 3,970 | 3,970 |
| Buildings – non-specialised | | | – | 6,081 | – | 6,081 |
| Buildings – specialised * | | | – | – | 70,284 | 70,284 |
| Other structures | | | – | – | 12,223 | 12,223 |
| Roads | | | – | – | 342,780 | 342,780 |
| Bridges | | | – | – | 32,333 | 32,333 |
| Footpaths | | | – | – | 25,945 | 25,945 |
| Bulk earthworks | | | – | – | 137,975 | 137,975 |
| Stormwater drainage | | | – | – | 81,568 | 81,568 |
| Water supply network | | | – | – | 73,277 | 73,277 |
| Wastewater network | | | – | – | 206,757 | 206,757 |
| Tip remediation | | | – | – | 151 | 151 |
| Quarries remediation | | | – | – | 208 | 208 |
| Total infrastructure, property, plant and equipment | | | – | 52,594 | 1,122,176 | 1,174,770 |

(*) See Note 13 (b) for details regarding restatement of prior period errors

(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.

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

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

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

Investment property

Council obtains valuations of its investment property on a bi-annual basis and reviews this at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The fair value of the investment property is determined by a qualified valuer who has experience in the location of the properties.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

A valuation was completed as at 9 May 2019 by Taylor Burne, AAPI, for all investment properties except of Norfolk Homes at 67, Piper Drive, Ballina. The latter was valued in-house by an experienced and qualified Council employee, Mr Paul Tsikleas, AAPI as at 30 June 2019.

The valuations are based on the capitalisation of estimated net rental returns. The key unobservable input to the valuation is the price per square metre and expected rates of return determined by the market.

Infrastructure, property, plant and equipment (IPP&E)

Operational Land

This asset class comprises all of Council's land classified as Operational land under the NSW Local Government Act 1993.

Council obtains its fair values for operational land from an external valuer every 3 to 5 years (last valuation being 2019) using predominantly Level 2 inputs.

Level 1 and Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration.

The key unobservable inputs to the valuation are the rate per square metre and the description of the land. There has been no change to the valuation process during the reporting period.

Buildings - Non-Specialised

Non-specialised buildings were valued by Scott Fullerton Valuations Pty Ltd in 2019 using the "Market approach" utilising Level 2 inputs.

The properties fair values have been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

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

Plant and Equipment, Office Equipment, Furniture and Fittings

Plant and equipment, office equipment and furniture and fittings are valued at cost but are disclosed at fair value in the notes.

The carrying value of these assets is assumed to approximate fair value due to the nature of the items

The key unobservable inputs to the valuation are the remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

Community Land

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land

The Office of Local Government has determined that community land and controlled Crown land may be valued as follows: The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for land under clause 31 of AASB 116.

Valuations of all Council's Community land and Council controlled land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

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

Land under Road

Council has elected to recognise land under roads where the road was acquired on or after 1 July 2008. Land under roads have been valued using the Englobo methodology which applies the square metre rates applicable for nearby or adjacent Community land having regard to the highest and best use for this land, with a 90% discount.

Changes to the valuation process during the reporting period have been disclosed at Note 13(b).

Land Improvements- Depreciable and Non-Depreciable

This asset class comprises land improvements such as spectator mounds, mulched areas, streetscaping and landscaping.

These assets were valued in-house using the cost approach by experienced Council staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors including but not limited to construction rates and industry construction cost benchmarks such as Rawlinson's Australian Construction handbook.

The unobservable Level 3 inputs used include gross replacement cost, asset condition, residual value and remaining useful life.

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

Buildings - Specialised and Other Structures

Specialised buildings and other structures were valued by Scott Fullerton Valuations Pty Ltd in 2019 using the "Cost approach" utilising Level 3 inputs.

The approach estimated the replacement cost of each building/other structure and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence, other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

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

Roads (including Bridges, Footpaths, Bulk Earthworks) and Stormwater Drainage

Roads are valued in-house by suitably qualified engineers and requires extensive professional judgement. All roads and stormwater assets are valued using Level 3 valuation inputs using the "Cost approach". Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in 2015.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence such as recently completed road constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, we have adopted a policy that all road and stormwater assets are deemed be valued at Level 3.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

Water Supply Network and Wastewater Network

Water and wastewater infrastructure assets were valued by APV Valuers & Asset Management in 2017 using the "Cost approach" utilising Level 2 and 3 inputs. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence such as recently completed constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, we have adopted a policy that all water and wastewater infrastructure assets are deemed to be valued at Level 3.

Tip and Quarries Remediation Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of tip and quarries sites.

Evaluation of costs for tips and quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

| \$ '000 | Plant and equipment [*] | Office equipment | Furniture and fittings | Community land [*] | Land under roads [*] |
|---|----------------------------------|------------------|------------------------|-----------------------------|-------------------------------|
| 2018 | | | | | |
| Opening balance | 8,437 | 231 | 29 | 112,492 | 1,507 |
| Purchases (GBV) | 1,220 | – | – | – | 139 |
| Disposals (WDV) | (39) | – | – | – | – |
| Depreciation and impairment | (1,674) | (136) | (5) | – | – |
| Closing balance | 7,944 | 95 | 24 | 112,492 | 1,646 |
| 2019 | | | | | |
| Opening balance | 7,944 | 95 | 24 | 112,492 | 1,646 |
| Transfers from/(to) another asset class | – | – | – | (2,754) | – |
| Purchases (GBV) | 1,764 | – | – | 323 | 139 |
| Disposals (WDV) | (84) | – | – | (250) | – |
| Depreciation and impairment | (1,701) | (27) | (5) | – | – |
| Revaluation increments/(decrements) | – | – | – | (27,141) | 218 |
| Closing balance | 7,923 | 68 | 19 | 82,670 | 2,003 |

(*) See Note 13 (b) for details regarding restatement of prior period errors

| \$ '000 | Land improvements [*] | Buildings – specialised [*] | Other structures | Roads | Bridges |
|---|--------------------------------|--------------------------------------|------------------|----------------|---------------|
| 2018 | | | | | |
| Opening balance | 13,813 | 68,204 | 11,636 | 451,559 | 31,892 |
| Transfers from/(to) another asset class | – | – | 609 | (127,817) | (40) |
| Purchases (GBV) | 3,018 | 3,305 | 230 | 14,552 | 25 |
| Disposals (WDV) | – | (140) | – | (466) | – |
| Depreciation and impairment | (357) | (2,591) | (624) | (5,933) | (613) |
| Revaluation increments/(decrements) | – | 1,506 | 372 | 10,885 | 1,069 |
| Closing balance | 16,474 | 70,284 | 12,223 | 342,780 | 32,333 |
| 2019 | | | | | |
| Opening balance | 16,474 | 70,284 | 12,223 | 342,780 | 32,333 |
| Transfers from/(to) another asset class | 11 | (11) | 191 | (6) | – |
| Purchases (GBV) | 1,432 | 4,587 | 12,125 | 11,510 | – |
| Disposals (WDV) | (21) | (216) | (98) | (159) | – |
| Depreciation and impairment | (95) | (2,343) | (503) | (6,177) | (618) |
| Revaluation increments/(decrements) | 630 | 18,319 | 9,789 | – | – |
| Closing balance | 18,431 | 90,620 | 33,727 | 347,948 | 31,715 |

(*) See Note 13 (b) for details regarding restatement of prior period errors

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

| \$ '000 | Footpaths | Bulk earthworks | Stormwater drainage | Water supply network | Wastewater network | |
|---|---------------|-----------------|---------------------|----------------------|--------------------|------------------|
| 2018 | | | | | | |
| Opening balance | 23,264 | 4,113 | 73,296 | 71,650 | 199,938 | |
| Transfers from/(to) another asset class | 9 | 127,848 | – | – | – | |
| Purchases (GBV) | 2,298 | 1,800 | 7,349 | 1,577 | 6,187 | |
| Disposals (WDV) | – | (158) | – | (12) | – | |
| Depreciation and impairment | (413) | (132) | (1,532) | (1,413) | (3,495) | |
| Revaluation increments/ (decrements) | 787 | 4,504 | 2,455 | 1,475 | 4,127 | |
| Closing balance | 25,945 | 137,975 | 81,568 | 73,277 | 206,757 | |
| 2019 | | | | | | |
| Opening balance | 25,945 | 137,975 | 81,568 | 73,277 | 206,757 | |
| Transfers from/(to) another asset class | – | – | – | – | (185) | |
| Purchases (GBV) | 1,753 | 1,703 | 4,613 | 2,458 | 12,045 | |
| Disposals (WDV) | (31) | (83) | – | – | (527) | |
| Depreciation and impairment | (444) | (138) | (1,627) | (1,399) | (3,494) | |
| Revaluation increments/ (decrements) | – | – | – | 1,150 | 3,261 | |
| Closing balance | 27,223 | 139,457 | 84,554 | 75,486 | 217,857 | |
| Tip and quarry remediation | | | | | | |
| \$ '000 | | | | | Total | |
| 2018 | | | | | | |
| Opening balance | | | | | 439 | 1,072,500 |
| Transfers from/(to) another asset class | | | | | – | 609 |
| Purchases (GBV) | | | | | 65 | 41,765 |
| Disposals (WDV) | | | | | – | (815) |
| Depreciation and impairment | | | | | (145) | (19,063) |
| Revaluation increments/ (decrements) | | | | | – | 27,180 |
| Closing balance | | | | | 359 | 1,122,176 |
| 2019 | | | | | | |
| Opening balance | | | | | 359 | 1,122,176 |
| Transfers from/(to) another asset class | | | | | – | (2,754) |
| Purchases (GBV) | | | | | – | 54,452 |
| Disposals (WDV) | | | | | – | (1,469) |
| Depreciation and impairment | | | | | (84) | (18,655) |
| Revaluation increments/ (decrements) | | | | | – | 6,226 |
| Closing balance | | | | | 275 | 1,159,976 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

| \$ '000 | Fair value (30/6/19) | Valuation technique/s | Unobservable inputs |
|--|-------------------------|---|---|
| Infrastructure, property, plant and equipment | | | |
| Plant & equipment, office equipment and furniture & fittings | 8,018 | Cost used to approximate fair value | Gross replacement cost, useful lives and residual value |
| Community land | 82,670 | Land values obtained from the NSW Valuer- General | Land value, land area |
| Land under roads | 2,003 | Unimproved capital value provided by NSW Valuer-General | Land value, land area |
| Land improvements | 18,430 | Cost used to approximate fair value | Asset condition and remaining useful lives |
| Buildings | 99,944 | Cost used to approximate fair value | Asset condition and remaining useful lives |
| Other structures | 33,727 | Cost used to approximate fair value | Asset condition and remaining useful lives |
| Roads | 347,948 | Unit rates per m2 or length | Asset condition and remaining useful lives |
| Bridges | 31,715 | Unit rates per item, m2 or length | Asset condition and remaining useful lives |
| Footpaths | 27,223 | Unit rates per m2 | Asset condition and remaining useful lives |
| Bulk earthworks | 139,457 | Unit rates per m3 | Asset condition and remaining useful lives |
| Stormwater drainage | 84,554 | Unit rates per item, m2 or length | Asset condition and remaining useful lives |
| Water supply network | 75,486 | Unit rates per item, m2 or length | Asset condition and remaining useful lives |
| Wastewater network | 217,857 | Unit rates per item, m2 or length | Asset condition and remaining useful lives |
| Tip and quarry remediation | 275 | Discounted remediation cost | Discount rate, cost escalation rate and timing of costs |

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

| \$ '000 | 2019 | 2018 |
|--------------------------|--------------|--------------|
| Compensation: | | |
| Short-term benefits | 1,061 | 1,197 |
| Post-employment benefits | 98 | 72 |
| Other long-term benefits | 26 | 100 |
| Total | 1,185 | 1,369 |

(b) Other transactions with KMP and their related parties

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

There have been no other material transactions between KMP and Council during the year.

(c) Other related party transactions

| \$ '000 | Ref | Value of transactions during year | Outstanding balance (incl. loans and commitments) | Terms and conditions | Provisions for impairment of receivables outstanding | Expense recognised for impairment of receivables |
|---|-----|-----------------------------------|---|-----------------------------|--|--|
| 2019 | | | | | | |
| Associate - Richmond Tweed Regional Library | 1 | 1,387 | – | Contributions based on deed | – | – |
| 2018 | | | | | | |
| Associate - Richmond Tweed Regional Library | 1 | 1,354 | – | Contributions based on deed | – | – |

1 Contributions to the Richmond Tweed Regional Library are based on formula parameters set in the Richmond Tweed Regional Library Deed of Agreement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

| \$ '000 | as at 30/6/2018 | | | | | | as at 30/6/2019 | |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | Opening Balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| | | Cash | Non-cash | | | | | |
| Roads | 5,529 | 5,310 | – | 159 | (1,808) | – | 9,190 | – |
| Parking | 769 | – | – | 22 | – | – | 791 | – |
| Open space | 1,081 | 2,056 | – | 58 | (117) | (1,778) | 1,300 | – |
| Community facilities | 849 | 560 | – | 30 | – | (1,021) | 418 | 2,558 |
| Community facilities (old) | 2 | – | – | – | – | (2) | – | – |
| Heavy vehicles | 676 | 352 | – | 22 | (185) | (130) | 735 | – |
| Wollongbar expansion | 153 | 14 | – | 5 | – | (110) | 62 | 2,005 |
| CURA | – | 79 | – | – | – | – | 79 | – |
| S7.11 contributions – under a plan | 9,059 | 8,371 | – | 296 | (2,110) | (3,041) | 12,575 | 4,563 |
| Total S7.11 and S7.12 revenue under plans | 9,059 | 8,371 | – | 296 | (2,110) | (3,041) | 12,575 | 4,563 |
| S64 contributions | 14,609 | 3,632 | – | 432 | (1,251) | – | 17,422 | – |
| Total contributions | 23,668 | 12,003 | – | 728 | (3,361) | (3,041) | 29,997 | 4,563 |

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – ROADS

| | | | | | | | | |
|--------------|--------------|--------------|----------|------------|----------------|----------|--------------|----------|
| Roads (2002) | 1,533 | 28 | – | 59 | (8) | – | 1,612 | – |
| Roads (2010) | 3,996 | 5,282 | – | 100 | (1,800) | – | 7,578 | – |
| Total | 5,529 | 5,310 | – | 159 | (1,808) | – | 9,190 | – |

Notes to the Financial Statements
for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

| \$ '000 | as at 30/6/2018 | | | | | | as at 30/6/2019 | |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | Opening Balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| | | Cash | Non-cash | | | | | |
| CONTRIBUTION PLAN – OPEN SPACE | | | | | | | | |
| Ballina District | 221 | 34 | – | 12 | (71) | (184) | 12 | – |
| Lennox District | 194 | 12 | – | 12 | – | – | 218 | – |
| Old Plan | 153 | – | – | 4 | (46) | – | 111 | – |
| OSR Other | 513 | 2,010 | – | 30 | – | (1,594) | 959 | – |
| Total | 1,081 | 2,056 | – | 58 | (117) | (1,778) | 1,300 | – |
| CONTRIBUTION PLAN – CAR PARKING | | | | | | | | |
| Ballina | 745 | – | – | 22 | – | – | 767 | – |
| Lennox Head | 11 | – | – | – | – | – | 11 | – |
| Alstonville Village Centre | 13 | – | – | – | – | – | 13 | – |
| Total | 769 | – | – | 22 | – | – | 791 | – |
| CONTRIBUTION PLAN – COMMUNITY FACILITIES (OLD) | | | | | | | | |
| Ballina | 2 | – | – | – | – | (2) | – | – |
| Total | 2 | – | – | – | – | (2) | – | – |
| CONTRIBUTION PLAN – COMMUNITY FACILITIES | | | | | | | | |
| Cumalum | – | 65 | – | – | – | – | 65 | – |
| Regional | – | 381 | – | – | – | (381) | – | 1,713 |
| Lennox district | – | 18 | – | – | – | – | 18 | 845 |
| Ballina district | 651 | 65 | – | 24 | – | (445) | 295 | – |
| Plateau district | 186 | 31 | – | 6 | – | (192) | 31 | – |
| Wardell district | 12 | – | – | – | – | (3) | 9 | – |
| Total | 849 | 560 | – | 30 | – | (1,021) | 418 | 2,558 |
| CONTRIBUTION PLAN – HEAVY VEHICLES | | | | | | | | |
| Shire Wide | 676 | 352 | – | 22 | (185) | (130) | 735 | – |
| Total | 676 | 352 | – | 22 | (185) | (130) | 735 | – |

Notes to the Financial Statements
for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

| \$ '000 | as at 30/6/2018 | | | | | | as at 30/6/2019 | |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | Opening Balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| | | Cash | Non-cash | | | | | |
| CONTRIBUTION PLAN – WOLLONGBAR URBAN EXPANSION AREA | | | | | | | | |
| Link road | 18 | 4 | – | 1 | – | (6) | 17 | 2,005 |
| Transport works | 135 | 10 | – | 4 | – | (104) | 45 | – |
| Total | 153 | 14 | – | 5 | – | (110) | 62 | 2,005 |
| CONTRIBUTION PLAN - CURA | | | | | | | | |
| CURA | – | 79 | – | – | – | – | 79 | – |
| Total | – | 79 | – | – | – | – | 79 | – |
| S64 contributions | | | | | | | | |
| Section 64 – Water | | | | | | | | |
| Shire Wide | 8,766 | 1,176 | – | 260 | (20) | – | 10,182 | – |
| Total | 8,766 | 1,176 | – | 260 | (20) | – | 10,182 | – |
| Section 64 – Wastewater | | | | | | | | |
| Shire Wide | 5,843 | 2,456 | – | 172 | (1,231) | – | 7,240 | – |
| Total | 5,843 | 2,456 | – | 172 | (1,231) | – | 7,240 | – |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

| \$ '000 | General ¹ 2019 | Water 2019 | Wastewater 2019 |
|--|------------------------------|---------------|--------------------|
| Income Statement by fund | | | |
| Income from continuing operations | | | |
| Rates and annual charges | 29,933 | 3,622 | 17,159 |
| User charges and fees | 14,002 | 8,818 | 1,434 |
| Interest and investment revenue | 1,721 | 564 | 279 |
| Other revenues | 4,216 | – | 604 |
| Grants and contributions provided for operating purposes | 7,126 | 459 | 159 |
| Grants and contributions provided for capital purposes | 31,480 | 2,114 | 5,549 |
| Other income | | | |
| Fair value increment on investment property | 680 | – | – |
| Total income from continuing operations | 89,158 | 15,577 | 25,184 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 18,623 | 2,218 | 4,192 |
| Borrowing costs | 1,262 | – | 3,643 |
| Materials and contracts | 15,728 | 7,027 | 4,299 |
| Depreciation and amortisation | 13,747 | 1,501 | 3,676 |
| Other expenses | 5,394 | 634 | 1,433 |
| Net losses from the disposal of assets | 465 | – | 531 |
| Share of interests in joint ventures and associates using the equity method | 5 | – | – |
| Total expenses from continuing operations | 55,224 | 11,380 | 17,774 |
| Operating result from continuing operations | 33,934 | 4,197 | 7,410 |
| Net operating result for the year | 33,934 | 4,197 | 7,410 |
| Net operating result attributable to each council fund | 33,934 | 4,197 | 7,410 |
| Net operating result for the year before grants and contributions provided for capital purposes | 2,454 | 2,083 | 1,861 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

| \$ '000 | General ¹ 2019 | Water 2019 | Wastewater 2019 |
|---|------------------------------|----------------|--------------------|
| Statement of Financial Position by fund | | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 12,246 | – | – |
| Investments | 32,926 | 15,866 | 7,716 |
| Receivables | 7,254 | 2,262 | 1,270 |
| Inventories | 2,411 | – | – |
| Other | 221 | 170 | – |
| Total current assets | 55,058 | 18,298 | 8,986 |
| Non-current assets | | | |
| Investments | 13,459 | 5,011 | 2,437 |
| Receivables | 35 | 94 | 76 |
| Inventories | 2,623 | – | – |
| Infrastructure, property, plant and equipment | 957,958 | 83,717 | 236,385 |
| Investments accounted for using the equity method | 1,154 | – | – |
| Investment property | 22,705 | – | – |
| Other | (8) | 8 | – |
| Total non-current assets | 997,926 | 88,830 | 238,898 |
| TOTAL ASSETS | 1,052,984 | 107,128 | 247,884 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 9,777 | 24 | 140 |
| Income received in advance | 1,364 | – | – |
| Borrowings | 3,100 | – | 3,536 |
| Provisions | 7,655 | 207 | 627 |
| Total current liabilities | 21,896 | 231 | 4,303 |
| Non-current liabilities | | | |
| Borrowings | 20,935 | – | 49,483 |
| Provisions | 4,079 | 9 | 25 |
| Total non-current liabilities | 25,014 | 9 | 49,508 |
| TOTAL LIABILITIES | 46,910 | 240 | 53,811 |
| Net assets | 1,006,074 | 106,888 | 194,073 |
| EQUITY | | | |
| Accumulated surplus | 599,194 | 50,712 | 115,511 |
| Revaluation reserves | 406,880 | 56,176 | 78,562 |
| Council equity interest | 1,006,074 | 106,888 | 194,073 |
| Total equity | 1,006,074 | 106,888 | 194,073 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

| \$ '000 | Amounts 2019 | Indicator 2019 | Prior periods | | Benchmark |
|--|-----------------|-------------------|-------------------|------------|------------|
| | | | 2018 ³ | 2017 | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 6,235 | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 89,612 | 6.96% | 3.12% | 8.88% | >0.00% |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 81,063 | | | | |
| Total continuing operating revenue ¹ | 128,755 | 62.96% | 60.26% | 64.59% | >60.00% |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 46,842 | | | | |
| Current liabilities less specific purpose liabilities | 14,579 | 3.21x | 4.82x | 4.88x | >1.50x |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 30,064 | | | | |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 11,345 | 2.65x | 2.38x | 2.73x | >2.00x |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 1,617 | | | | |
| Rates, annual and extra charges collectible | 51,651 | 3.13% | 3.38% | 3.56% | <10.00% |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 78,746 | | | | |
| Monthly payments from cash flow of operating and financing activities | 6,204 | 12.69 mths | 10.01 mths | 12.00 mths | >3.00 mths |

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

(3) The 2018 ratios have been restated as a result of prior period errors. Refer note 13 (b) for details.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). Statement of performance measures – by fund

| \$ '000 | General Indicators ³ | | Water Indicators | | Wastewater Indicators | | Benchmark |
|--|---------------------------------|------------|-------------------|------------|-----------------------|-----------|------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 3.11% | 0.41% | 15.47% | 10.71% | 12.18% | 5.89% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 55.57% | 54.14% | 82.46% | 78.90% | 76.70% | 68.38% | >60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 3.11x | 4.60x | 94.28x | 117.77x | 0.89x | 0.99x | >1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 4.03x | 3.86x | ∞ | ∞ | 1.30x | 1.14x | >2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | | | |
| Rates, annual and extra charges outstanding | 2.79% | 3.11% | 9.08% | 8.61% | 2.43% | 2.68% | <10.00% |
| Rates, annual and extra charges collectible | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 12.16 mths | 11.25 mths | 25.37 mths | 21.99 mths | 6.97 mths | 3.74 mths | >3.00 mths |
| Payments from cash flow of operating and financing activities | | | | | | | |

(1) - (2) Refer to Notes at Note 24a above.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Council information and contact details

Principal place of business:

40 Cherry St
Ballina NSW 2478

Contact details

Mailing Address:

PO Box 450
Ballina NSW 2478

Telephone: 02 6686 1257

Internet: www.ballina.nsw.gov.au

Email: council@ballina.nsw.gv.au

General Purpose Financial Statements

for the year ended 30 June 2019

Independent Auditor's Report

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

General Purpose Financial Statements

for the year ended 30 June 2019

Independent Auditor's Report

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

PART C

Special Purpose Financial Statements

Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*Serving the community of today while preparing for the
challenges of tomorrow.*



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2019.

David Wright
Mayor
24 October 2019

Eoin Johnston
Deputy Mayor
24 October 2019

Paul Hickey
General Manager
24 October 2019

Linda Coulter
Responsible Accounting Officer
24 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

| \$ '000 | 2019 | 2018 |
|--|---------------|---------------|
| Income from continuing operations | | |
| Access charges | 3,622 | 3,489 |
| User charges | 7,952 | 7,538 |
| Fees | 866 | 785 |
| Interest | 564 | 436 |
| Grants and contributions provided for non-capital purposes | 459 | 157 |
| Profit from the sale of assets | – | 6 |
| Total income from continuing operations | 13,463 | 12,411 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 2,218 | 2,051 |
| Materials and contracts | 1,084 | 837 |
| Depreciation, amortisation and impairment | 1,501 | 1,482 |
| Water purchase charges | 5,943 | 5,978 |
| Calculated taxation equivalents | 30 | 31 |
| Other expenses | 634 | 729 |
| Total expenses from continuing operations | 11,410 | 11,108 |
| Surplus (deficit) from continuing operations before capital amounts | 2,053 | 1,303 |
| Grants and contributions provided for capital purposes | 2,114 | 3,118 |
| Surplus (deficit) from continuing operations after capital amounts | 4,167 | 4,421 |
| Surplus (deficit) from all operations before tax | 4,167 | 4,421 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (565) | (358) |
| SURPLUS (DEFICIT) AFTER TAX | 3,602 | 4,063 |
| Plus accumulated surplus | 46,545 | 42,124 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 30 | 31 |
| – Corporate taxation equivalent | 565 | 358 |
| Less: | | |
| – Tax equivalent dividend paid | (30) | (31) |
| Closing accumulated surplus | 50,712 | 46,545 |
| Return on capital % | 2.5% | 1.6% |
| Subsidy from Council | – | – |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 3,602 | 4,063 |
| Less: capital grants and contributions (excluding developer contributions) | (302) | (176) |
| Surplus for dividend calculation purposes | 3,300 | 3,887 |
| Potential dividend calculated from surplus | 1,650 | 1,943 |

Income Statement – Wastewater Business Activity

for the year ended 30 June 2019

| \$ '000 | 2019 | 2018 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 17,159 | 16,175 |
| User charges | 1,260 | 1,167 |
| Liquid trade waste charges | 174 | 164 |
| Interest | 279 | 253 |
| Grants and contributions provided for non-capital purposes | 159 | 156 |
| Other income | 604 | 456 |
| Total income from continuing operations | 19,635 | 18,371 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 4,192 | 4,392 |
| Borrowing costs | 3,643 | 4,248 |
| Materials and contracts | 4,299 | 4,196 |
| Depreciation, amortisation and impairment | 3,676 | 3,674 |
| Loss on sale of assets | 531 | – |
| Calculated taxation equivalents | 37 | 38 |
| Debt guarantee fee (if applicable) | 565 | 596 |
| Other expenses | 1,433 | 779 |
| Total expenses from continuing operations | 18,376 | 17,923 |
| Surplus (deficit) from continuing operations before capital amounts | 1,259 | 448 |
| Grants and contributions provided for capital purposes | 5,549 | 8,265 |
| Surplus (deficit) from continuing operations after capital amounts | 6,808 | 8,713 |
| Surplus (deficit) from all operations before tax | 6,808 | 8,713 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (346) | (123) |
| SURPLUS (DEFICIT) AFTER TAX | 6,462 | 8,590 |
| Plus accumulated surplus | 108,138 | 98,829 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 37 | 38 |
| – Debt guarantee fees | 565 | 596 |
| – Corporate taxation equivalent | 346 | 123 |
| Less: | | |
| – Tax equivalent dividend paid | (37) | (38) |
| Closing accumulated surplus | 115,511 | 108,138 |
| Return on capital % | 2.1% | 2.1% |
| Subsidy from Council | – | – |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 6,462 | 8,590 |
| Less: capital grants and contributions (excluding developer contributions) | (25) | (40) |
| Surplus for dividend calculation purposes | 6,437 | 8,550 |
| Potential dividend calculated from surplus | 3,218 | 4,275 |

Income Statement – Quarry

for the year ended 30 June 2019

| \$ '000 | 2019 Category 2 | 2018 Category 2 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 65 | 64 |
| Interest | – | 25 |
| Other income | 70 | – |
| Total income from continuing operations | 135 | 89 |
| Expenses from continuing operations | | |
| Borrowing costs | 30 | 27 |
| Materials and contracts | 51 | 57 |
| Depreciation, amortisation and impairment | 67 | 17 |
| Calculated taxation equivalents | 22 | 23 |
| Total expenses from continuing operations | 170 | 124 |
| Surplus (deficit) from continuing operations before capital amounts | (35) | (35) |
| Surplus (deficit) from continuing operations after capital amounts | (35) | (35) |
| Surplus (deficit) from all operations before tax | (35) | (35) |
| SURPLUS (DEFICIT) AFTER TAX | (35) | (35) |
| Plus accumulated surplus | 366 | 616 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 22 | 23 |
| Less: | | |
| – Dividend paid | – | (238) |
| Closing accumulated surplus | 353 | 366 |
| Return on capital % | (0.3)% | (0.6)% |
| Subsidy from Council | 24 | 45 |

Income Statement – Airport

for the year ended 30 June 2019

| \$ '000 | 2019 Category 1 | 2018 Category 1 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 6,927 | 6,750 |
| Total income from continuing operations | 6,927 | 6,750 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 813 | 755 |
| Borrowing costs | 307 | 369 |
| Materials and contracts | 3,238 | 2,921 |
| Depreciation, amortisation and impairment | 782 | 864 |
| Calculated taxation equivalents | 6 | 6 |
| Debt guarantee fee (if applicable) | 72 | 75 |
| Total expenses from continuing operations | 5,218 | 4,990 |
| Surplus (deficit) from continuing operations before capital amounts | 1,709 | 1,760 |
| Grants and contributions provided for capital purposes | 3,232 | 449 |
| Surplus (deficit) from continuing operations after capital amounts | 4,941 | 2,209 |
| Surplus (deficit) from all operations before tax | 4,941 | 2,209 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (470) | (484) |
| SURPLUS (DEFICIT) AFTER TAX | 4,471 | 1,725 |
| Plus accumulated surplus | 17,305 | 14,991 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 6 | 6 |
| – Debt guarantee fees | 72 | 75 |
| – Corporate taxation equivalent | 470 | 484 |
| Add: | | |
| – Subsidy paid/contribution to operations | (100) | 24 |
| Closing accumulated surplus | 22,224 | 17,305 |
| Return on capital % | 4.4% | 5.2% |

Income Statement – Wigmore Arcade

for the year ended 30 June 2019

| \$ '000 | 2019 Category 2 | 2018 Category 2 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 635 | 608 |
| Total income from continuing operations | 635 | 608 |
| Expenses from continuing operations | | |
| Materials and contracts | 244 | 255 |
| Revaluation decrement on investment property | 240 | – |
| Calculated taxation equivalents | 102 | 109 |
| Total expenses from continuing operations | 586 | 364 |
| Surplus (deficit) from continuing operations before capital amounts | 49 | 244 |
| Surplus (deficit) from continuing operations after capital amounts | 49 | 244 |
| Surplus (deficit) from all operations before tax | 49 | 244 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (13) | (67) |
| SURPLUS (DEFICIT) AFTER TAX | 36 | 177 |
| Plus accumulated surplus | 6,966 | 6,916 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 102 | 109 |
| – Corporate taxation equivalent | 13 | 67 |
| Less: | | |
| – Dividend paid | (321) | (303) |
| Closing accumulated surplus | 6,796 | 6,966 |
| Return on capital % | 0.8% | 3.6% |
| Subsidy from Council | 37 | – |

Income Statement – Land development

for the year ended 30 June 2019

| \$ '000 | 2019 Category 1 | 2018 Category 1 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 681 | 5,349 |
| Interest | 43 | 66 |
| Total income from continuing operations | 724 | 5,415 |
| Expenses from continuing operations | | |
| Materials and contracts | 551 | 3,920 |
| Calculated taxation equivalents | 136 | 145 |
| Total expenses from continuing operations | 687 | 4,065 |
| Surplus (deficit) from continuing operations before capital amounts | 37 | 1,350 |
| Surplus (deficit) from continuing operations after capital amounts | 37 | 1,350 |
| Surplus (deficit) from all operations before tax | 37 | 1,350 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (10) | (371) |
| SURPLUS (DEFICIT) AFTER TAX | 27 | 979 |
| Plus accumulated surplus | 12,103 | 13,704 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 136 | 145 |
| – Corporate taxation equivalent | 10 | 371 |
| Less: | | |
| – Dividend paid | (640) | (3,096) |
| Closing accumulated surplus | 11,636 | 12,103 |

Income Statement – Private works

for the year ended 30 June 2019

| \$ '000 | 2019 Category 2 | 2018 Category 2 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 67 | 182 |
| Total income from continuing operations | <u>67</u> | <u>182</u> |
| Expenses from continuing operations | | |
| Materials and contracts | 70 | 162 |
| Total expenses from continuing operations | <u>70</u> | <u>162</u> |
| Surplus (deficit) from continuing operations before capital amounts | (3) | 20 |
| Surplus (deficit) from continuing operations after capital amounts | <u>(3)</u> | <u>20</u> |
| Surplus (deficit) from all operations before tax | (3) | 20 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | – | (6) |
| SURPLUS (DEFICIT) AFTER TAX | <u>(3)</u> | <u>14</u> |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | – | 6 |
| Add: | | |
| - Subsidy paid/contribution to operations | 3 | – |
| Less: | | |
| – Dividend paid | – | (20) |
| Closing accumulated surplus | <u>–</u> | <u>–</u> |
| Subsidy from Council | 3 | – |

Income Statement – Landfill and resource recovery

for the year ended 30 June 2019

| \$ '000 | 2019 Category 1 | 2018 Category 1 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 5,056 | 5,272 |
| Interest | 55 | 82 |
| Grants and contributions provided for non-capital purposes | 82 | 82 |
| Other income | 340 | – |
| Total income from continuing operations | 5,533 | 5,436 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 982 | 963 |
| Borrowing costs | – | 6 |
| Materials and contracts | 3,522 | 3,216 |
| Depreciation, amortisation and impairment | 120 | 420 |
| Calculated taxation equivalents | 16 | 25 |
| Debt guarantee fee (if applicable) | – | 2 |
| Other expenses | – | 186 |
| Total expenses from continuing operations | 4,640 | 4,818 |
| Surplus (deficit) from continuing operations before capital amounts | 893 | 618 |
| Surplus (deficit) from continuing operations after capital amounts | 893 | 618 |
| Surplus (deficit) from all operations before tax | 893 | 618 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (246) | (170) |
| SURPLUS (DEFICIT) AFTER TAX | 647 | 448 |
| Plus accumulated surplus | 644 | 2,081 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | 16 | 25 |
| – Debt guarantee fees | – | 2 |
| – Corporate taxation equivalent | 246 | 170 |
| Less: | | |
| – Dividend paid | (2,240) | (2,082) |
| Closing accumulated surplus | (687) | 644 |
| Return on capital % | 7.4% | 8.7% |

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

| \$ '000 | 2019 | 2018 |
|---|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Investments | 15,866 | 14,820 |
| Receivables | 2,262 | 2,170 |
| Other | 170 | 148 |
| Total current assets | 18,298 | 17,138 |
| Non-current assets | | |
| Investments | 5,011 | 2,823 |
| Receivables | 94 | 90 |
| Other | 8 | – |
| Infrastructure, property, plant and equipment | 83,717 | 80,935 |
| Total non-current assets | 88,830 | 83,848 |
| TOTAL ASSETS | 107,128 | 100,986 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 24 | 21 |
| Provisions | 207 | 143 |
| Total current liabilities | 231 | 164 |
| Non-current liabilities | | |
| Provisions | 9 | 6 |
| Total non-current liabilities | 9 | 6 |
| TOTAL LIABILITIES | 240 | 170 |
| NET ASSETS | 106,888 | 100,816 |
| EQUITY | | |
| Accumulated surplus | 50,712 | 46,545 |
| Revaluation reserves | 56,176 | 54,271 |
| TOTAL EQUITY | 106,888 | 100,816 |

Statement of Financial Position – Wastewater Business Activity

as at 30 June 2019

| \$ '000 | 2019 | 2018 |
|---|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Investments | 7,716 | 7,333 |
| Receivables | 1,270 | 1,286 |
| Total current assets | 8,986 | 8,619 |
| Non-current assets | | |
| Investments | 2,437 | 1,397 |
| Receivables | 76 | 79 |
| Infrastructure, property, plant and equipment | 236,385 | 222,700 |
| Total non-current assets | 238,898 | 224,176 |
| TOTAL ASSETS | 247,884 | 232,795 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 140 | 142 |
| Borrowings | 3,536 | 3,387 |
| Provisions | 627 | 591 |
| Total current liabilities | 4,303 | 4,120 |
| Non-current liabilities | | |
| Borrowings | 49,483 | 52,885 |
| Provisions | 25 | 26 |
| Total non-current liabilities | 49,508 | 52,911 |
| TOTAL LIABILITIES | 53,811 | 57,031 |
| NET ASSETS | 194,073 | 175,764 |
| EQUITY | | |
| Accumulated surplus | 115,511 | 108,138 |
| Revaluation reserves | 78,562 | 67,626 |
| TOTAL EQUITY | 194,073 | 175,764 |

Statement of Financial Position – Quarry

as at 30 June 2019

| \$ '000 | 2019 Category 2 | 2018 Category 2 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 824 | 810 |
| Other | 143 | 208 |
| Total current assets | <u>967</u> | <u>1,018</u> |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 1,456 | 1,421 |
| Total non-current assets | <u>1,456</u> | <u>1,421</u> |
| TOTAL ASSETS | <u>2,423</u> | <u>2,439</u> |
| LIABILITIES | | |
| Non-current liabilities | | |
| Provisions | 1,396 | 1,436 |
| Total non-current liabilities | <u>1,396</u> | <u>1,436</u> |
| TOTAL LIABILITIES | <u>1,396</u> | <u>1,436</u> |
| NET ASSETS | <u>1,027</u> | <u>1,003</u> |
| EQUITY | | |
| Accumulated surplus | 353 | 366 |
| Revaluation reserves | 674 | 637 |
| TOTAL EQUITY | <u>1,027</u> | <u>1,003</u> |

Statement of Financial Position – Airport

as at 30 June 2019

| \$ '000 | 2019 Category 1 | 2018 Category 1 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 424 | 1,150 |
| Total current assets | 424 | 1,150 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 46,250 | 40,707 |
| Total non-current assets | 46,250 | 40,707 |
| TOTAL ASSETS | 46,674 | 41,857 |
| LIABILITIES | | |
| Current liabilities | | |
| Borrowings | 1,251 | 1,189 |
| Provisions | 130 | 116 |
| Total current liabilities | 1,381 | 1,305 |
| Non-current liabilities | | |
| Borrowings | 3,930 | 5,181 |
| Total non-current liabilities | 3,930 | 5,181 |
| TOTAL LIABILITIES | 5,311 | 6,486 |
| NET ASSETS | 41,363 | 35,371 |
| EQUITY | | |
| Accumulated surplus | 22,224 | 17,305 |
| Revaluation reserves | 19,139 | 18,066 |
| TOTAL EQUITY | 41,363 | 35,371 |

Statement of Financial Position – Wigmore Arcade

as at 30 June 2019

| \$ '000 | 2019 Category 2 | 2018 Category 2 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 296 | 226 |
| Total current assets | <u>296</u> | <u>226</u> |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 6,500 | 6,740 |
| Total non-current assets | <u>6,500</u> | <u>6,740</u> |
| TOTAL ASSETS | <u>6,796</u> | <u>6,966</u> |
| NET ASSETS | <u>6,796</u> | <u>6,966</u> |
| EQUITY | | |
| Accumulated surplus | 6,796 | 6,966 |
| TOTAL EQUITY | <u>6,796</u> | <u>6,966</u> |

Statement of Financial Position – Land development

as at 30 June 2019

| \$ '000 | 2019 Category 1 | 2018 Category 1 |
|---------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | (137) | 1,911 |
| Total current assets | (137) | 1,911 |
| Non-current assets | | |
| Inventories | 5,943 | 4,112 |
| Other | 5,830 | 6,080 |
| Total non-current assets | 11,773 | 10,192 |
| TOTAL ASSETS | 11,636 | 12,103 |
| NET ASSETS | 11,636 | 12,103 |
| EQUITY | | |
| Accumulated surplus | 11,636 | 12,103 |
| <u>TOTAL EQUITY</u> | <u>11,636</u> | <u>12,103</u> |

Statement of Financial Position – Landfill and resource recovery

as at 30 June 2019

| \$ '000 | 2019 Category 1 | 2018 Category 1 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 792 | 2,444 |
| Other | 132 | 151 |
| Total current assets | <u>924</u> | <u>2,595</u> |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 11,993 | 7,148 |
| Total non-current assets | <u>11,993</u> | <u>7,148</u> |
| TOTAL ASSETS | <u>12,917</u> | <u>9,743</u> |
| LIABILITIES | | |
| Non-current liabilities | | |
| Provisions | 2,355 | 2,714 |
| Total non-current liabilities | <u>2,355</u> | <u>2,714</u> |
| TOTAL LIABILITIES | <u>2,355</u> | <u>2,714</u> |
| NET ASSETS | <u>10,562</u> | <u>7,029</u> |
| EQUITY | | |
| Accumulated surplus | (687) | 644 |
| Revaluation reserves | 11,249 | 6,385 |
| TOTAL EQUITY | <u>10,562</u> | <u>7,029</u> |

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

The supply of water to households and businesses in Ballina Shire.

b. Wastewater Service

The collection and treatment of sewerage from households and businesses in Ballina Shire.

c. Landfill & Resource Recovery

The Waste Management Centre is located at Southern Cross Drive Ballina. The Waste Management Centre receives, disposes and recycles waste that is brought to the centre from private and commercial sources. It also includes the collection of commercial waste in the Ballina Shire by Council but does not include the collection of domestic waste in Ballina Shire by Council.

d. Airport

The provision of aerodrome infrastructure and facilities for commercial and private air traffic. The airport is situated at Southern Cross Drive Ballina.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

e. Land Development

The construction of industrial and residential land estates. Council is progressively developing an industrial estate at Wollongbar and another in Ballina. Council also has residential land inventory at Wollongbar.

Category 2

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

f. Quarries

Extraction and sale of sand, gravel and shale from Tuckombil Quarry, 'Airport Sandpit' and 'Stokers Shale Quarry'.

g. Wigmore Arcade

The provision of attractive and competitive shopping centre in central Ballina.

h. Private Works

Various works conducted on private land.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars 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.

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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.

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.

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 1.32% at 30/6/19.

(iv) Dividends

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

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

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry -Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry - Water.

Special Purpose Financial Statements
for the year ended 30 June 2019

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

PART D

Special Schedules

Ballina Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*Serving the community of today while preparing for the
challenges of tomorrow.*



Special Schedules
for the year ended 30 June 2019

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| Special Schedules | |
| Permissible income for general rates | 3 |
| Report on Infrastructure Assets - Values | 4 |

Permissible income for general rates for the year ended 30 June 2019

| \$ '000 | | Calculation 2019/20 | Calculation 2018/19 |
|---|--------------------------------|------------------------|------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 22,868 | 21,510 |
| Plus or minus adjustments ² | b | 240 | 168 |
| Notional general income | c = a + b | 23,108 | 21,678 |
| Permissible income calculation | | | |
| Special variation percentage ³ | d | 5.90% | 9.10% |
| Less expiring special variation amount | g | – | (697) |
| Plus special variation amount | h = d x (c + g) | 1,363 | 1,909 |
| Sub-total | k = (c + g + h + i + j) | 24,471 | 22,890 |
| Plus (or minus) last year's carry forward total | l | 12 | (14) |
| Less valuation objections claimed in the previous year | m | (6) | (2) |
| Sub-total | n = (l + m) | 6 | (16) |
| Total permissible income | o = k + n | 24,477 | 22,874 |
| Less notional general income yield | p | 24,469 | 22,868 |
| Catch-up or (excess) result | q = o – p | 9 | 6 |
| Plus income lost due to valuation objections claimed ⁴ | r | – | 6 |
| Carry forward to next year ⁶ | t = q + r + s | 9 | 12 |

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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Report on Infrastructure Assets

as at 30 June 2019

| Asset Class | Asset Category | Estimated cost | | | 2018/19 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|---|---------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|--------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | 2018/19 Required maintenance ^a | | | | 1 | 2 | 3 | 4 | 5 |
| (a) Report on Infrastructure Assets - Values | | | | | | | | | | | | |
| Buildings | Council Offices | 90 | 21 | 75 | 77 | 11,127 | 16,468 | 31.0% | 63.0% | 6.0% | 0.0% | 0.0% |
| | Works Depot | 128 | 94 | 100 | 112 | 13,636 | 18,306 | 55.0% | 38.0% | 5.0% | 2.0% | 0.0% |
| | Halls | 314 | 63 | 20 | 14 | 2,579 | 5,789 | 5.0% | 41.0% | 41.0% | 13.0% | 0.0% |
| | Dwellings | 274 | 125 | – | – | 858 | 2,508 | 0.0% | 30.0% | 32.0% | 38.0% | 0.0% |
| | Airport | 30 | – | 50 | 55 | 5,323 | 8,058 | 36.0% | 57.0% | 7.0% | 0.0% | 0.0% |
| | Shops/Offices | 231 | 125 | 40 | 36 | 4,892 | 9,476 | 8.0% | 46.0% | 45.0% | 1.0% | 0.0% |
| | Library | 13 | 5 | 20 | 21 | 4,823 | 7,064 | 40.0% | 56.0% | 4.0% | 0.0% | 0.0% |
| | Community Centres | 103 | 21 | 200 | 165 | 20,368 | 27,265 | 63.0% | 30.0% | 7.0% | 0.0% | 0.0% |
| | Childcare Centres | 212 | 10 | 20 | – | 4,594 | 8,758 | 21.0% | 31.0% | 48.0% | 0.0% | 0.0% |
| | Waste Centre | 72 | 10 | 60 | 156 | 3,610 | 5,645 | 29.0% | 53.0% | 15.0% | 3.0% | 0.0% |
| | Amenities/Toilets | 530 | 156 | 275 | 284 | 28,134 | 40,437 | 47.0% | 34.0% | 17.0% | 2.0% | 0.0% |
| | Sub-total | 1,997 | 630 | 860 | 920 | 99,944 | 149,774 | 41.1% | 40.7% | 16.0% | 2.1% | 0.1% |
| Other structures | Other structures | – | – | 80 | 79 | 9,479 | 9,593 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Other | 513 | 321 | 400 | 406 | 24,248 | 35,005 | 36.0% | 47.0% | 15.0% | 2.0% | 0.0% |
| | | Sub-total | 513 | 321 | 480 | 485 | 33,727 | 44,598 | 49.8% | 36.9% | 11.8% | 1.6% |
| Roads | Sealed roads | 533 | 568 | 772 | 795 | 279,219 | 367,752 | 67.0% | 26.0% | 7.0% | 0.0% | 0.0% |
| | Unsealed roads | 218 | 103 | 475 | 474 | 20,816 | 24,107 | 2.0% | 2.0% | 1.0% | 95.0% | 0.0% |
| | Bridges | 653 | 257 | 16 | 15 | 31,715 | 51,035 | 63.0% | 14.0% | 22.0% | 1.0% | 0.0% |
| | Footpaths/Cycleways | 46 | 51 | 128 | 130 | 27,223 | 36,081 | 69.0% | 29.0% | 1.0% | 1.0% | 0.0% |
| | Kerb & Gutter | 16 | 10 | – | – | 29,716 | 42,867 | 69.0% | 30.0% | 1.0% | 0.0% | 0.0% |
| | Bulk earthworks | – | – | – | – | 139,457 | 140,123 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Road Furniture | 143 | 53 | 50 | 53 | 18,197 | 22,989 | 71.0% | 17.0% | 12.0% | 0.0% | 0.0% |
| | | Sub-total | 1,609 | 1,042 | 1,441 | 1,467 | 546,343 | 684,954 | 71.5% | 19.0% | 6.0% | 3.5% |
| Water supply network | Treatment Plants | 162 | 151 | 25 | 23 | 2,669 | 5,615 | 3.0% | 19.0% | 74.0% | 4.0% | 0.0% |
| | Pump Stations | 54 | 47 | 50 | 25 | 1,705 | 2,266 | 76.0% | 2.0% | 16.0% | 6.0% | 0.0% |
| | Reservoirs | 1,787 | 1,740 | 50 | 41 | 13,241 | 18,868 | 10.0% | 0.0% | 79.0% | 0.0% | 11.0% |
| | Water Connections | 234 | 207 | 300 | 380 | 1,851 | 3,530 | 24.0% | 22.0% | 39.0% | 9.0% | 6.0% |
| | Pipelines | 4,742 | 3,806 | 575 | 605 | 56,020 | 89,279 | 13.0% | 42.0% | 36.0% | 8.0% | 1.0% |
| | | Sub-total | 6,979 | 5,951 | 1,000 | 1,074 | 75,486 | 119,558 | 13.6% | 32.9% | 44.3% | 6.5% |

Report on Infrastructure Assets (continued)

as at 30 June 2019

| 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 | 2018/19 Required maintenance ^a | 2018/19 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|---------------------------|---------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|-------------|---------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Sewerage network | Treatment | 2,988 | 940 | 1,000 | 1,107 | 61,339 | 89,295 | 49.0% | 2.0% | 46.0% | 3.0% | 0.0% |
| | Pumping Stations | 2,856 | 2,095 | 900 | 819 | 32,943 | 55,337 | 14.0% | 8.0% | 70.0% | 4.0% | 4.0% |
| | Mains | 592 | 470 | 250 | 261 | 106,916 | 129,683 | 19.0% | 74.0% | 6.0% | 0.0% | 1.0% |
| | Recycled Water | – | – | 100 | 155 | 16,659 | 18,802 | 79.0% | 21.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 6,436 | 3,505 | 2,250 | 2,342 | 217,857 | 293,117 | 31.0% | 36.2% | 29.9% | 1.7% | 1.2% |
| Stormwater drainage | Pollution Control | – | – | 25 | 16 | 2,819 | 3,148 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Outfall Structures | 4 | 5 | 10 | – | 169 | 344 | 35.0% | 47.0% | 16.0% | 2.0% | 0.0% |
| | Reticulation – Pipe | 7 | – | 350 | 393 | 55,689 | 85,227 | 59.0% | 41.0% | 0.0% | 0.0% | 0.0% |
| | Reticulation – Pit | 8 | 10 | 10 | – | 18,837 | 30,854 | 53.0% | 47.0% | 0.0% | 0.0% | 0.0% |
| | Culverts | 173 | 180 | 10 | – | 7,040 | 14,084 | 28.0% | 48.0% | 24.0% | 0.0% | 0.0% |
| | Sub-total | 192 | 195 | 405 | 409 | 84,554 | 133,657 | 55.3% | 42.2% | 2.6% | 0.0% | (0.1%) |
| TOTAL - ALL ASSETS | | 17,726 | 11,644 | 6,436 | 6,697 | 1,057,911 | 1,425,658 | 52.9% | 28.7% | 15.0% | 2.8% | 0.6% |

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

| \$ '000 | Amounts 2019 | Indicator 2019 | Prior periods | | Benchmark |
|--|------------------|-------------------|---------------|--------|-----------|
| | | | 2018 | 2017 | |
| Infrastructure asset performance indicators (consolidated) * | | | | | |
| Buildings and infrastructure renewals ratio ¹ | | | | | |
| Asset renewals ² | 18,207 | 107.02% | 142.58% | 84.21% | >=100.00% |
| Depreciation, amortisation and impairment | 17,012 | | | | |
| Infrastructure backlog ratio ¹ | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 17,726 | 1.68% | 1.90% | 1.98% | <2.00% |
| Net carrying amount of infrastructure assets | 1,057,911 | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 6,697 | 104.06% | 96.90% | 82.91% | >100.00% |
| Required asset maintenance | 6,436 | | | | |
| Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 11,644 | 0.82% | 0.86% | 0.86% | |
| Gross replacement cost | 1,425,658 | | | | |

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

| \$ '000 | General fund | | Water fund | | Sewer fund | | Benchmark |
|--|----------------|---------|----------------|---------|----------------|---------|-----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Infrastructure asset performance indicators (by fund) | | | | | | | |
| Buildings and infrastructure renewals ratio ¹ | | | | | | | |
| Asset renewals ² | | | | | | | |
| Depreciation, amortisation and impairment | 136.13% | 161.25% | 26.83% | 14.72% | 42.18% | 135.28% | >=100.00% |
| Infrastructure backlog ratio ¹ | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | | | | | | | |
| Net carrying amount of infrastructure assets | 0.53% | 0.63% | 9.16% | 9.21% | 2.94% | 3.55% | <2.00% |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | | | | | | | |
| Required asset maintenance | 103.01% | 97.14% | 107.19% | 101.70% | 104.08% | 94.82% | >100.00% |
| Cost to bring assets to agreed service level | | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | | | | | | | |
| Gross replacement cost | 0.21% | 0.23% | 4.90% | 5.00% | 1.17% | 1.22% | |

(1) Excludes Work In Progress (WIP)

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