

ATTACHMENT 3 TO DRAFT FINANCIAL STATEMENTS 2019/20 REPORT – ORDINARY MEETING 22 OCTOBER 2020

Attachment 3 – Draft Annual Financial Statements 2019/20

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 2019/20 and the consolidated financial position of Council as at 30 June 2020. 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: D/1686

22 October 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
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 2020 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 2020 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

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	53.7	50.7	5.9
Grants and contributions revenue	36.7	46.6	21.2
Materials and contracts	30.4	27.1	12.2

Depreciation and amortisation	22.4	18.9	18.5
Operating result from continuing operations	25.3	42.3	40.2
Net operating result before capital grants and contributions	(0.7)	3.4	120.6

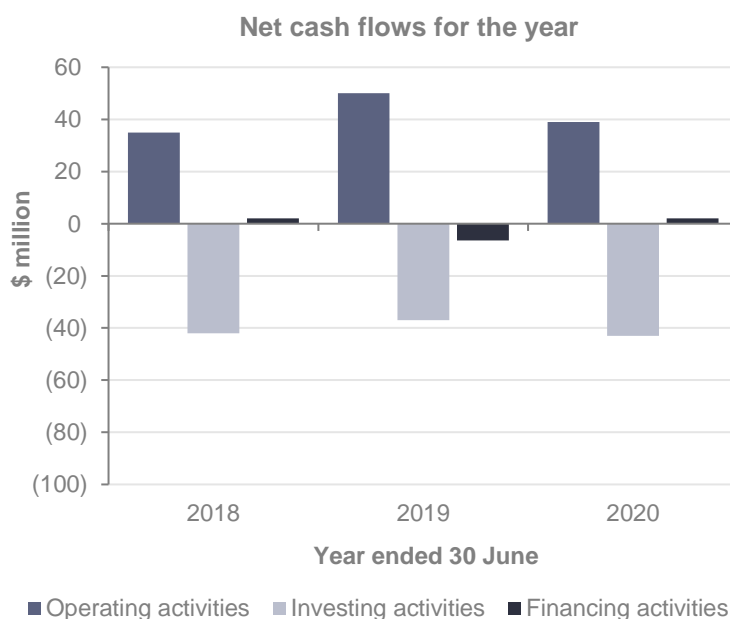
* The 2019 comparatives have been restated to correct prior period errors and as a result of the application of a new Accounting Standard. Note 16 of the financial statements provides details of prior period errors and application of the new Accounting Standard.

The Council's operating result from continuing operations (\$25.3 million including depreciation and amortisation expense of \$22.4 million) was \$17.0 million lower than the 2018–19 result. The decrease is largely attributable to the following:

- Rates and annual charges revenue (\$53.7 million) increased by \$3.0m (5.9 per cent) in 2019–20. Council had an approved Special Rate Variation which resulted in an increase in general rates revenue of 5.9 per cent in 2019–20
- Grants and contributions revenue (\$36.7 million) decreased by \$9.9m (21.2 per cent) in 2019–20 mainly due to:
 - \$4.9 million decrease in capital grants. 2018–19 included additional funding for the construction of Ballina Indoor Sports Centre and Ballina Byron Gateway Airport upgrade.
 - \$4.2 million decrease in cash developer contributions and \$1.9 million decrease in non-cash contributions.
 - \$1.4 million increase operating grants for bushfire resilience and recovery
- Materials and contracts expense (\$30.4 million) increased by \$3.3 million (12.2 per cent).
- Depreciation and amortisation expense (\$22.4 million) increased by \$3.5 million (18.5%) as a result of comprehensive revaluation adjustments made in and 2019–20.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by \$10.7 million. This is largely due to decreased grants and contributions received and an increase in materials and contract payments (as outlined above).
- Net cash used in investing activities increased by \$6.5 million. The majority of the increase relates to additional purchases of investment securities (\$3.9 million) and increased capital expenditure (\$3.2 million).
- Net cash provided by financing activities increased by \$8.4 million. Borrowings of \$9.0 million were drawn in 2019–20 for various capital projects.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	53.5	51.4	• Externally restricted cash and investments has increased by \$2.1 million. Developer contributions (\$31.3 million) increased by \$1.4 million.
Internal restrictions	32.6	32.8	
Unrestricted	7.4	5.4	• The level of internally restricted cash and investments has remained stable. • Unrestricted balances increased by \$2.0 million and provide liquidity for day-to-day operations.
Cash and investments	93.5	89.6	

PERFORMANCE

Performance measures

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

Operating performance ratio

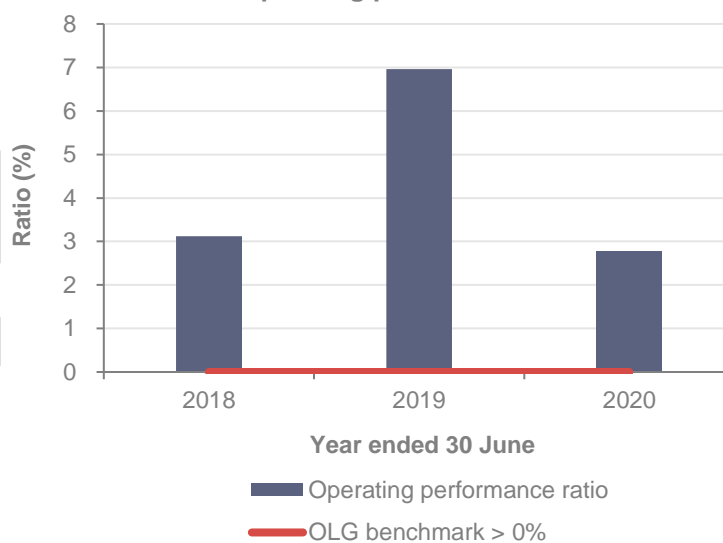
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

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

A deterioration in Councils 2019–20 operating result (before all capital items) led to a reduced operating performance ratio.

The 2019 ratio was restated to correct a prior period error.

Operating performance ratio



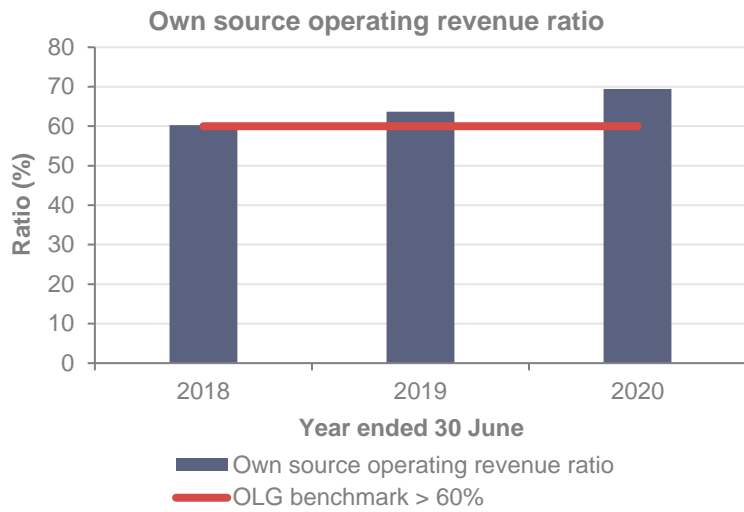
Own source operating revenue ratio

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

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

The ratio was negatively impacted in 2017–18 and 2018–19 due to higher levels of capital grants and contributions.

The 2019 ratio was restated to correct a prior period error.



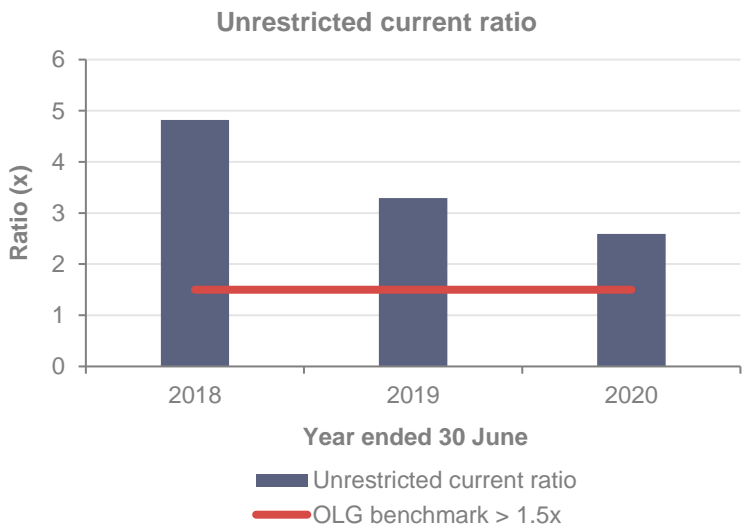
Unrestricted current ratio

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

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

Council's current liabilities (less specific purpose liabilities) has increased by \$3.2 million, resulting in a decrease in the ratio at 30 June 2020.

Wastewater funds' unrestricted current ratio' at 30 June 2020 is 1.45x.



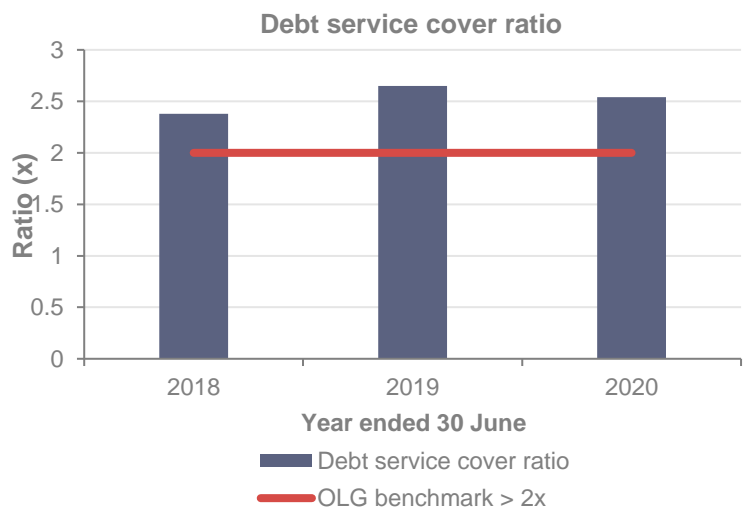
Debt service cover ratio

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

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

Debt service levels have remained consistent with previous years.

The 2019 ratio was restated to correct a prior period error.

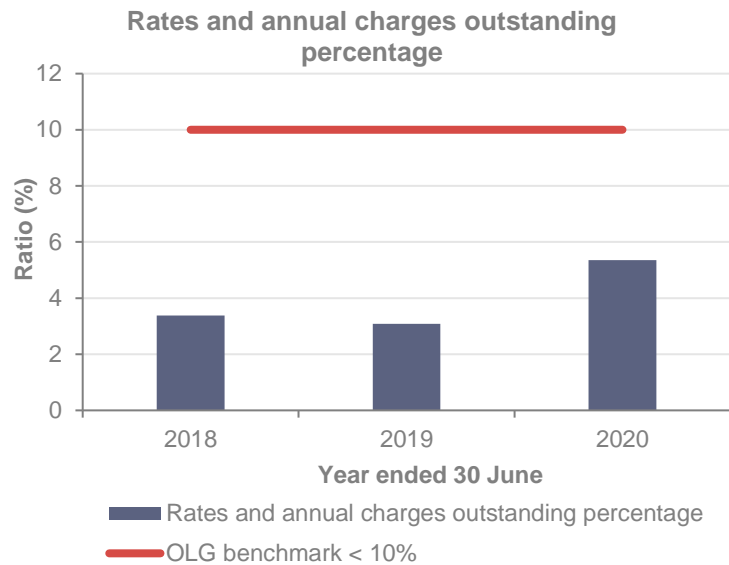


Rates and annual charges outstanding per centage

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

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

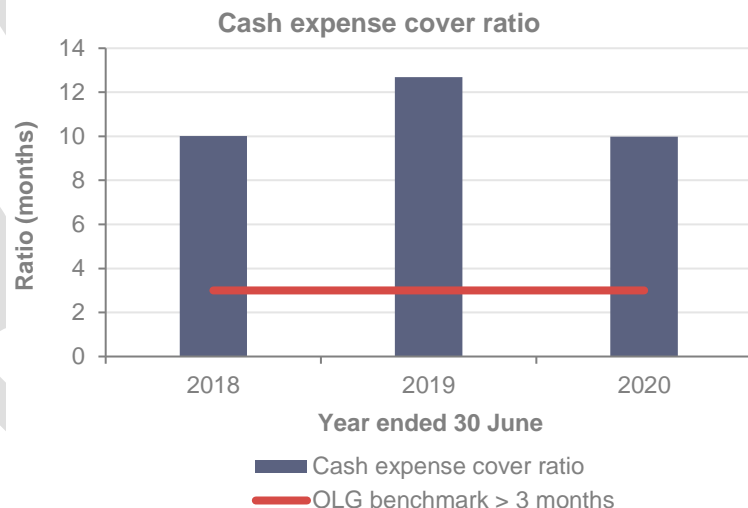
The ratio increased during 2019–20 as a result of COVID-19 and Council's support package measures implemented in response to the pandemic. Council's formal debt recovery activities ceased from 1 April 2020.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2019–20 year was \$17.9 million (2018–19 - \$18.2 million). In 2019–20 major renewal projects included the Skennars Head Sport Fields expansion and the Lennox Head Cultural Centre refurbishment.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$1.0 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$3.3 million and lease liabilities of \$3.3 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

Prior period errors

Council revalued its transport infrastructure and conducted detailed reviews of capital work-in-progress and land registers in 2019–20. In completing these processes, it was identified that:

- certain assets had previously not been recorded, or were recorded incorrectly
- disposals of replaced road assets had not always been recorded.

Council's disclosure of the impact of correcting these prior period errors is disclosed in Note 16(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.

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

cc: Paul Hickey, General Manager
John Rutledge, Chair of the 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 2020

*The Ballina Shire is safe, with a connected community, a
healthy environment and a thriving economy.*



General Purpose Financial Statements

for the year ended 30 June 2020

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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 2020

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 22 October 2020.

David Wright
Mayor
22 October 2020

Sharon Cadwallader
Deputy Mayor
22 October 2020

Paul Hickey
General Manager
22 October 2020

Linda Coulter
Responsible Accounting Officer
22 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019 ^{1,2}
Income from continuing operations				
52,644	Rates and annual charges	3a	53,720	50,714
24,715	User charges and fees	3b	23,035	24,254
3,531	Other revenues	3c	3,681	4,820
8,519	Grants and contributions provided for operating purposes	3d,3e	10,717	7,744
20,456	Grants and contributions provided for capital purposes	3d,3e	26,000	38,896
1,992	Interest and investment income	4	1,849	2,564
–	Fair value increment on investment properties	11	550	680
–	Rental income	13e	1,720	–
–	Net share of interests in joint ventures and associates using the equity method	18	57	–
111,857	Total income from continuing operations		121,329	129,672
Expenses from continuing operations				
24,252	Employee benefits and on-costs	5a	26,674	25,033
4,791	Borrowing costs	5b	4,671	4,905
33,040	Materials and contracts	5c	30,405	27,054
20,131	Depreciation and amortisation	5d	22,426	18,924
6,843	Other expenses	5e	7,338	7,461
–	Net losses from the disposal of assets	6	4,511	3,956
–	Net share of interests in joint ventures and associates using the equity method	18	–	5
89,057	Total expenses from continuing operations		96,025	87,338
22,800	Operating result from continuing operations		25,304	42,334
22,800	Net operating result for the year		25,304	42,334
22,800	Net operating result attributable to council		25,304	42,334
2,344	Net operating result for the year before grants and contributions provided for capital purposes		(696)	3,438

(1) The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

(2) See Note 16 (b) for details regarding the restatement as a result of Prior Period Errors

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019 ^{1,2}
Net operating result for the year (as per Income Statement)		25,304	42,334
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	6,425	26,100
Total items which will not be reclassified subsequently to the operating result		6,425	26,100
Total other comprehensive income for the year		6,425	26,100
Total comprehensive income for the year		31,729	68,434
Total comprehensive income attributable to Council		31,729	68,434

(1) The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

(2) See Note 16 (b) for details regarding the restatement as a result of Prior Period Errors

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019 ^{1, 2}	Restated 1 July 2018 ²
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	10,034	12,246	5,625
Investments	7(b)	66,638	56,508	62,507
Receivables	8	7,576	10,786	9,219
Inventories	9a	820	2,411	1,472
Contract assets	12a	1,192	–	–
Other	9b	574	391	343
Total current assets		86,834	82,342	79,166
Non-current assets				
Investments	7(b)	16,900	20,907	12,664
Receivables	8	290	205	237
Inventories	9a	6,222	2,623	2,535
Infrastructure, property, plant and equipment	10	1,304,241	1,274,550	1,221,551
Investment property	11	23,255	22,705	22,025
Right of use assets	13a	3,089	–	–
Investments accounted for using the equity method	18	1,211	1,154	1,159
Total non-current assets		1,355,208	1,322,144	1,260,171
Total assets		1,442,042	1,404,486	1,339,337
LIABILITIES				
Current liabilities				
Payables	14	11,418	9,941	7,063
Income received in advance	14	1,238	1,364	1,184
Contract liabilities	12b	501	–	–
Lease liabilities	13b	464	–	–
Borrowings	14	5,930	6,636	6,624
Provisions	15	8,468	8,489	7,972
Total current liabilities		28,019	26,430	22,843
Non-current liabilities				
Lease liabilities	13b	2,664	–	–
Borrowings	14	73,542	70,418	76,870
Provisions	15	3,580	4,113	4,533
Total non-current liabilities		79,786	74,531	81,403
Total liabilities		107,805	100,961	104,246
Net assets		1,334,237	1,303,525	1,235,091
EQUITY				
Accumulated surplus	16	784,925	760,638	718,304
Revaluation reserves	16	549,312	542,887	516,787
Council equity interest		1,334,237	1,303,525	1,235,091
Total equity		1,334,237	1,303,525	1,235,091

(1) The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

(2) See Note 16 (b) for details regarding the restatement as a result of Prior Period Errors

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 2020

\$ '000	Notes	as at 30/06/20 ¹			as at 30/06/19 ^{1,2}		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		765,417	541,618	1,307,035	719,876	515,518	1,235,394
Correction of prior period errors	16b	(4,779)	1,269	(3,510)	(1,572)	1,269	(303)
Changes due to AASB 1058 and AASB 15 adoption	16	(989)	–	(989)	–	–	–
Changes due to AASB 16 adoption	16	(28)	–	(28)	–	–	–
Restated opening balance		759,621	542,887	1,302,508	718,304	516,787	1,235,091
Net operating result for the year		25,304	–	25,304	45,541	–	45,541
Correction of prior period errors	16b	–	–	–	(3,207)	–	(3,207)
Restated net operating result for the period		25,304	–	25,304	42,334	–	42,334
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	6,425	6,425	–	26,100	26,100
Other comprehensive income		–	6,425	6,425	–	26,100	26,100
Total comprehensive income		25,304	6,425	31,729	42,334	26,100	68,434
Equity – balance at end of the reporting period		784,925	549,312	1,334,237	760,638	542,887	1,303,525

(1) The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

(2) See Note 16 (b) for details regarding the restatement as a result of Prior Period Errors

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
52,644	Rates and annual charges		52,363	50,711
24,715	User charges and fees		24,164	25,416
3,531	Investment and interest revenue received		2,236	2,545
28,974	Grants and contributions		23,497	29,561
–	Bonds, deposits and retention amounts received		1,385	700
3,531	Other		12,138	9,099
Payments:				
(24,252)	Employee benefits and on-costs		(26,420)	(24,510)
(33,040)	Materials and contracts		(34,252)	(24,871)
(4,791)	Borrowing costs		(5,106)	(4,964)
(6,843)	Other		(10,710)	(13,669)
<u>44,469</u>	Net cash provided (or used in) operating activities	17b	<u>39,295</u>	<u>50,018</u>
Cash flows from investing activities				
Receipts:				
2,605	Sale of real estate assets		2,849	–
–	Sale of infrastructure, property, plant and equipment		708	641
–	Deferred debtors receipts		17	23
Payments:				
(1,352)	Purchase of investment securities		(6,123)	(2,244)
(55,536)	Purchase of investment property		–	–
–	Purchase of infrastructure, property, plant and equipment		(37,306)	(34,136)
–	Purchase of real estate assets		(3,613)	(1,241)
<u>(54,283)</u>	Net cash provided (or used in) investing activities		<u>(43,468)</u>	<u>(36,957)</u>
Cash flows from financing activities				
Receipts:				
16,602	Proceeds from borrowings and advances		9,000	–
Payments:				
(6,788)	Repayment of borrowings and advances		(6,582)	(6,440)
–	Lease liabilities (principal repayments)		(457)	–
<u>9,814</u>	Net cash flow provided (used in) financing activities		<u>1,961</u>	<u>(6,440)</u>
<u>–</u>	Net increase/(decrease) in cash and cash equivalents		<u>(2,212)</u>	<u>6,621</u>
12,246	Plus: cash and cash equivalents – beginning of year	17a	12,246	5,625
<u>12,246</u>	Cash and cash equivalents – end of the year	17a	<u>10,034</u>	<u>12,246</u>
83,538	plus: Investments on hand – end of year	7(b)	83,538	77,415
<u>95,784</u>	Total cash, cash equivalents and investments		<u>93,572</u>	<u>89,661</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These general purpose financial statements were authorised for issue by Ballina Shire Council on 22 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Ballina Shire Council is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

(a) 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.

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.

Volunteer services

Council operate a range of volunteering programs whereby volunteers provide services to perform activities including bush generation, weed control and plantings as part of Landcare and Coastcare groups; and the provision of information to visitors at both the visitor services desk at the Ballina Byron Gateway Airport and also from the Visitor Information Centre.

Under AASB 1058, Council is required to recognise the volunteer services at fair value when the following criteria are met:

- Volunteer services can be reliably measured;
- The services would be purchased if they were not donated; and
- The value would be material.

Council has assessed the volunteer services for materiality and in relation to Council's overall operations, the volunteer services are not material. Further, there is limitations on the ability for Council to reliably measure the services and not all volunteer services would be purchased if they were not donated.

(b) 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) estimated asset remediation provisions – refer Note 15,
- (iv) employee benefit provisions – refer Note 15.

COVID-19 impact

A significant event of the 2019-20 financial year that affected Council's operations, as reflected in the financial statements has been the novel coronavirus (COVID-19) pandemic.

On 25 March 2020, Council's Executive formed a Business Continuity Team Committee to coordinate Council's response to the pandemic enabling Council's services to continue where possible and ensuring additional support for businesses and residents was available. The Committee oversaw the implementation of measures to address public health order requirements, including the progressive closure of Council's major community facilities including Council's swimming pools, the art gallery, library and the Ballina Indoor Sports Centre.

The aviation industry was severely disrupted with some airlines finding it difficult to continue to operate and requiring government support. Flights and passengers transiting through Council's Ballina Byron Gateway Airport declined at an exponential rate from mid-March 2020. Interstate flights then ceased resulting in the shutdown of all commercial business activities such as hire car operations. Whilst flight routes have been progressively reestablished, the number of services offered by airlines has not yet returned to pre-COVID-19 levels.

A large proportion of Council's indoor based staff were required to work from home for a period of approximately 8-10 weeks and other work health and safety procedures were introduced to ensure social distancing and the general wellbeing of staff, contractors and other stakeholders.

Council adopted a Financial Support Package on 26 March 2020 which included a range of initiatives to support residents and businesses including a 0.0% interest rate on overdue rates and water accounts from 1 April 2020 to 30 June 2021. The Financial Support Package included rent concessions for Council's commercial property and airport tenants, and other measures, such as the waiver of ferry fees, health inspection fees and market fees. Discounted annual licences were provided to the local Surf Schools and full refunds for bookings made in advance at the Flat Rock Tent Pack and art gallery were processed.

The Financial Support Package was estimated to provide \$800,000 in financial relief across the range of rental, fees and charges revenues. This included an estimated \$60,000 in interest income foregone over the 15 month period to 30 June 2021 (\$10,000 for 2019/20 and \$50,000 for 2020/21). Whilst the value of the concessions was significant, Council managed the cash flow shortfall by taking pre-emptive action to preserve and create additional liquidity.

Impact of COVID-19 on Rates and annual charges receivables

The provision of the COVID-19 financial support measures for ratepayers, however, including the nil interest rate and suspended formal debt recovery activities, has resulted in a higher than normal level of outstanding collections of rates and annual charge payments for the financial year. This is evident in the increased Rates and Annual Charges Receivables, as presented in Note 8.

Impact of COVID-19 on Investment properties

Council's Investment Properties were revalued as at 30 June 2020, however, COVID-19 did not have any material impacts on the valuations; however, the valuation reports were provided on the basis of material valuation uncertainty. This is further explained in Note 26.

Going concern

Council has considered its updated Delivery Program and Operational Plan 2020 – 2024 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty.

Despite the impact of COVID-19 on the 2019/20 financial year, the continuation of some of the financial support concessions into the 2020/21 financial year, and the uncertain time required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements, Council has sufficient resources and are

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

expected to be able to continue managing any possible future funding requirements for the foreseeable future. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

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.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period. Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(a). Council functions/activities – financial information ¹

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		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Corporate and Community Division	44,236	49,021	16,548	14,655	27,688	34,366	8,522	12,650	162,232	172,109
Civil Services Division	36,732	37,885	40,298	36,095	(3,566)	1,790	2,123	1,623	915,460	878,544
Planning and Environmental Health Division	3,852	3,608	9,539	8,625	(5,687)	(5,017)	320	68	2,772	(881)
Water Operations	14,006	14,692	11,856	11,026	2,150	3,666	–	2	110,247	106,905
Wastewater Operations	22,503	24,466	17,784	16,937	4,719	7,529	–	–	251,331	247,809
Total functions and activities	121,329	129,672	96,025	87,338	25,304	42,334	10,965	14,343	1,442,042	1,404,486

(1) See Note 16 (b) for details regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

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

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 along with specialised procurement and contract management staff, including the Council store.

Community Facilities

This program includes revenues and expenses for the operation of the Kentwell Centre, Lennox Head Cultural Centre, Alstonville Cultural 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 War Memorial Pool and the Alstonville Aquatic Centre.

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 corporate communications function which includes statutory management reporting and customer service.

Financial Services

This program outlines the financial services such as creditors, debtors, purchasing and rates.

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.

People and Culture

Costs associated with the human resource management function, payroll.

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.

Risk Management

Provision for insurance premiums for items such as public liability and professional indemnity.

Civil Services Division covers the following programs:

Asset Management

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

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Transport for NSW

All revenues and expenses related to works funded through the Transport for NSW for roads controlled by Transport for NSW.

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 Services

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	18,764	17,406
Farmland	1058 (1)	1,655	1,569
Business	1058 (1)	4,435	4,243
Less: pensioner rebates (mandatory)	1058 (1)	(637)	(632)
Rates levied to ratepayers		24,217	22,586
Pensioner rate subsidies received	1058 (1)	350	348
Total ordinary rates		24,567	22,934
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	6,768	6,465
Stormwater management services	1058 (1)	390	384
Water supply services	1058 (1)	4,100	3,910
Wastewater services	1058 (1)	17,699	16,855
Waste management services (non-domestic)	1058 (1)	569	540
Less: pensioner rebates (mandatory)	1058 (1)	(831)	(831)
Annual charges levied		28,695	27,323
Pensioner subsidies received:			
– Water	1058 (1)	161	159
– Sewerage	1058 (1)	160	159
– Domestic waste management	1058 (1)	137	139
Total annual charges		29,153	27,780
TOTAL RATES AND ANNUAL CHARGES		53,720	50,714

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	7,918	7,902
Wastewater services	15 (2)	1,377	1,475
Waste management services (non-domestic)	15 (2)	1,630	1,129
Total specific user charges		10,925	10,506
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	2,494	2,348
Private works – section 67	15 (2)	37	67
Total fees and charges – statutory/regulatory		2,531	2,415
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	5,611	6,727
Cemeteries	15 (1)	379	394
Swimming centres	15 (1)	990	1,094
Waste disposal tipping fees	15 (1)	1,622	1,059
Ferry tolls	15 (1)	445	553
Plant hire	15 (1)	410	317
Other	15 (1)	122	1,189
Total fees and charges – other		9,579	11,333
TOTAL USER CHARGES AND FEES		23,035	24,254

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as the tent park, indoor sport and leisure centre, swimming pools and other community facilities, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as for fixed-term swimming pool passes, the fee revenue is recognised on a straight-line basis over the expected term of the pass.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property (2019 only)		–	1,872
Rental income – other council properties	15 (2)	1,311	1,469
Fines – parking	1058 (1)	214	227
Fines – other	1058 (1)	101	113
Legal fees recovery – rates and charges (extra charges)	15 (1)	112	37
Commissions and agency fees	15 (1)	31	35
Insurance claims recoveries		441	123
Recycling income (non-domestic)	15 (1)	312	159
Miscellaneous sales	1058 (1)	185	51
Reassessment of provision for remediation		610	484
Other	15 (1)	364	250
<u>TOTAL OTHER REVENUE</u>		<u>3,681</u>	<u>4,820</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy

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 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019 ¹
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	2,281	2,255	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,418	2,339	–	–
Total general purpose		4,699	4,594	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	29	74	–	–
Library	1058 (1)	166	108	–	–
LIRS subsidy	1058 (1)	123	200	–	–
NSW Rural Fire Services	1058 (1)	113	113	–	–
Street lighting	1058 (1)	98	98	–	–
Art Gallery	1058 (1)	31	22	–	121
Natural disaster funding	1058 (2)	77	185	–	–
Airport	1058 (2)	–	–	742	3,232
Lennox Cultural Centre Enhancement Project	1058 (2)	–	–	1,314	700
Stronger Country - Skennars Head	1058 (2)	–	–	663	327
Stronger Country - Ballina Indoor Sports Centre		–	–	–	3,500
Wollongbar sportsfields		–	–	–	132
Coastal paths and walks	1058 (2)	–	–	1,143	253
Noise attenuation Quays Reserve		–	–	–	50
Ballina Surf Club		–	–	–	115
Pop Denison Master Plan		–	–	–	83
Bushfire resilience and recovery	1058 (1)	1,325	–	–	–
Waterways	1058 (2)	320	–	–	–
Other	1058 (2)	106	219	16	217
Total specific purpose		2,388	1,019	3,878	8,730
Total grants		7,087	5,613	3,878	8,730
Grant revenue is attributable to:					
– Commonwealth funding		5,924	4,594	599	–
– State funding		1,163	1,019	3,278	8,668
– Other funding		–	–	1	62
		7,087	5,613	3,878	8,730

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019 ¹
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	4,644	7,657
S 64 – water supply contributions		1058 (1)	–	–	763	1,151
S 64 – sewerage service contributions		1058 (1)	–	–	1,694	2,449
Total developer contributions – cash			–	–	7,101	11,257
Total developer contributions	26		–	–	7,101	11,257
Other contributions:						
Cash contributions						
Transport for NSW contributions (regional roads, block grant)		1058 (1)	1,267	1,000	–	671
Wastewater (excl. section 64 contributions)			–	–	–	25
Employment and training studies		1058 (1)	359	295	–	–
Management plans and studies		1058 (1)	102	85	–	–
Roadworks		1058 (1)	1,301	198	615	1,508
Contaminated Lands Officer		1058 (1)	140	140	–	–
Richmond River Governance		1058 (1)	19	91	–	–
Killen Falls Toilets			–	–	–	65
Private dust sealing contributions			–	–	–	136
Ballina Indoor Sports Centre		1058 (2)	–	–	4	140
Bushland restoration services		1058 (1)	165	–	–	–
Other		1058 (1)	277	322	–	35
Total other contributions – cash			3,630	2,131	619	2,580
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	7,468	16,209
Dedications - non-current assets		1058 (1)	–	–	6,934	–
Other			–	–	–	120
Total other contributions – non-cash			–	–	14,402	16,329
Total other contributions			3,630	2,131	15,021	18,909
Total contributions			3,630	2,131	22,122	30,166
TOTAL GRANTS AND CONTRIBUTIONS			10,717	7,744	26,000	38,896

(1) See Note 16 b) for details regarding the restatement as a result of Prior Period Errors

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:**15 (1)** indicates income recognised under AASB 15 “at a point in time”,**15 (2)** indicates income recognised under AASB 15 “over time”,**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while**1058 (2)** indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include the provision of research, bush regeneration activities and art gallery cultural events, such as short courses and workshops. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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

Grant income

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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.

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	1,654	569
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,427
Add: operating grants received for the provision of goods and services in a future period	2,189	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(342)
Less: operating grants received in a previous reporting period now spent and recognised as income	(1,339)	–
Unexpended and held as externally restricted assets (operating grants)	2,504	1,654
Contributions		
Unexpended at the close of the previous reporting period	29,997	23,668
Add: contributions received for the provision of goods and services in the future	7,035	12,731
Less: contributions recognised in a previous reporting period now spent	(5,681)	(6,402)
Unexpended and held as externally restricted assets (contributions)	31,351	29,997

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	44	48
– Cash and investments	1,805	2,516
Total Interest and investment income	1,849	2,564
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	44	48
General Council cash and investments	1,805	2,516
Total interest and investment revenue	1,849	2,564

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 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	22,152	20,093
Employee leave entitlements (ELE)	4,218	4,208
Superannuation – defined contribution plans	2,155	1,937
Superannuation – defined benefit plans	466	533
Workers' compensation insurance	489	426
Fringe benefit tax (FBT)	13	17
Payroll tax	291	320
Training costs (other than salaries and wages)	143	130
Other	77	68
Total employee costs	30,004	27,732
Less: capitalised costs	(3,330)	(2,699)
TOTAL EMPLOYEE COSTS EXPENSED	26,674	25,033
Number of 'full-time equivalent' employees (FTE) at year end	331	319

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 to Note 20 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	121	–
Interest on loans	4,411	4,635
Total interest bearing liability costs	4,532	4,635
Total interest bearing liability costs expensed	4,532	4,635
(ii) Other borrowing costs		
Unwinding of present value discounts and premiums	139	270
Total other borrowing costs	139	270
TOTAL BORROWING COSTS EXPENSED	4,671	4,905

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 as incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	28,675	25,638
Contractor and consultancy costs	185	233
Auditors' remuneration	169	148
Legal expenses:		
– Legal expenses: planning and development	983	466
– Legal expenses: other	224	118
Expenses from leases of low value assets	119	–
Expenses from short-term leases	50	–
Operating leases expense:		
– Operating lease rentals: minimum lease payments (2019 only)	–	451
Total materials and contracts	<u>30,405</u>	<u>27,054</u>
TOTAL MATERIALS AND CONTRACTS	<u>30,405</u>	<u>27,054</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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.

Auditors' remuneration

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

(i) Audit services: NSW Auditor-General

Audit and review of financial statements	101	75
Total fees paid or payable to the Auditor-General	<u>101</u>	<u>75</u>

(ii) Other non-assurance services: Other firms

Internal audit services	68	73
Total fees paid or payable for non-assurance services	<u>68</u>	<u>73</u>

Total Auditors' remuneration	<u>169</u>	<u>148</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,722	1,701
Office equipment		23	27
Furniture and fittings		5	5
Land improvements (depreciable)		95	95
Infrastructure:	10		
– Buildings		2,592	2,612
– Other structures		1,525	503
– Roads		7,959	6,177
– Bridges		680	618
– Footpaths		489	444
– Stormwater drainage		1,429	1,627
– Water supply network		1,487	1,399
– Sewerage network		3,700	3,494
– Bulk earthworks		151	138
Reinstatement, rehabilitation and restoration assets:			
Future reinstatement costs – tips	15,10	19	19
Future reinstatement costs – quarries	15,10	54	65
Right of use assets	13	496	–
Total gross depreciation and amortisation costs		22,426	18,924
Total depreciation and amortisation costs		22,426	18,924
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		22,426	18,924

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**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 10 for IPPE assets and Note 13 for right of use assets.

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	138	157
Bad and doubtful debts	208	11
Bank charges	135	127
Contributions/levies to other levels of government		
– Department of planning levy	164	123
– Emergency services levy (includes FRNSW, SES, and RFS levies)	68	58
– Waste levy	(9)	95
– Other contributions/levies	217	209
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	203	198
Councillors' expenses (incl. mayor) – other (excluding fees above)	35	47
Donations, contributions and assistance to other organisations	1,859	2,314
Electricity and heating	1,915	1,696
Insurance	1,389	1,282
Street lighting	502	687
Subscriptions and publications	82	76
Telephone and communications	301	228
Other	87	110
Total other expenses	7,338	7,461
<u>TOTAL OTHER EXPENSES</u>	<u>7,338</u>	<u>7,461</u>

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 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019 ¹
Property (excl. investment property)			
Proceeds from disposal – property		220	346
Less: carrying amount of property assets sold/written off		(2,640)	(271)
Net gain/(loss) on disposal		(2,420)	75
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		488	295
Less: carrying amount of plant and equipment assets sold/written off		(147)	(84)
Net gain/(loss) on disposal		341	211
Infrastructure			
	10		
Less: carrying amount of infrastructure assets sold/written off		(3,912)	(4,242)
Net gain/(loss) on disposal		(3,912)	(4,242)
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		2,849	–
Less: carrying amount of real estate assets sold/written off		(1,369)	–
Net gain/(loss) on disposal		1,480	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(4,511)	(3,956)

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.

(1) See Note 16 (b) for details regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	10,034	3,246
Cash-equivalent assets		
– Short-term deposits	–	9,000
Total cash and cash equivalents	<u>10,034</u>	<u>12,246</u>

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 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at amortised cost'	66,638	16,900	56,508	20,907
Total Investments	<u>66,638</u>	<u>16,900</u>	<u>56,508</u>	<u>20,907</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>76,672</u>	<u>16,900</u>	<u>68,754</u>	<u>20,907</u>
Financial assets at amortised cost				
Long term deposits	59,500	–	53,500	13,000
NCD's, FRN's (with maturities > 3 months)	7,138	16,900	3,008	7,907
Total	<u>66,638</u>	<u>16,900</u>	<u>56,508</u>	<u>20,907</u>

Financial assets

All recognised financial assets are measured in their entirety at amortised cost.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	76,672	16,900	68,754	20,907
attributable to:				
External restrictions	36,627	16,900	30,514	20,907
Internal restrictions	32,643	–	32,794	–
Unrestricted	7,402	–	5,446	–
	76,672	16,900	68,754	20,907

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Deposits and retentions	4,219	2,834
Water and wastewater ELE's	916	868
External restrictions – included in liabilities	5,135	3,702

External restrictions – other

Developer contributions – general	12,584	12,575
Developer contributions – water fund	10,116	10,182
Developer contributions – wastewater fund	8,651	7,240
RMS contributions	77	77
Specific purpose unexpended grants (recognised as revenue) – general fund	2,504	1,654
Water supplies	10,164	10,479
Wastewater services	3,061	2,261
Domestic waste management	1,235	3,251
External restrictions – other	48,392	47,719
Total external restrictions	53,527	51,421

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020	2019
Internal restrictions		
Airport	2,337	424
Bypass maintenance funding	4,053	3,632
Carry over works	4,062	2,579
Cemeteries	238	338
Community facilities (other)	674	767
Employees leave entitlement	2,994	3,133
Financial assistance grant in advance	2,418	2,339
Landfill and resource management	926	792
Management plans and studies	1,769	1,102
Plant and vehicle replacement	552	1,302
Property reserves	3,996	5,268
Quarries	871	857
Rental properties refurbishment	679	787
Road works	3,251	4,008
Other	2,728	3,234
Skennars Head Sports Fields	592	1,746
Strategic studies	503	486
Total internal restrictions	<u>32,643</u>	<u>32,794</u>
TOTAL RESTRICTIONS	<u>86,170</u>	<u>84,215</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	2,740	134	1,456	61
Interest and extra charges	68	29	70	30
User charges and fees	2,596	127	2,725	114
Private works	18	–	21	–
Accrued revenues				
– Interest on investments	330	–	714	–
Airport charges	570	–	923	–
Amounts due from other councils	5	–	48	–
Deferred debtors	1	–	18	–
Government grants and subsidies	582	–	3,378	–
Net GST receivable	565	–	721	–
Waste centre fees	70	–	36	–
Other debtors	290	–	727	–
Total	7,835	290	10,837	205
Less: provision for impairment				
User charges and fees	(259)	–	(51)	–
Total provision for impairment – receivables	(259)	–	(51)	–
TOTAL NET RECEIVABLES	7,576	290	10,786	205
Externally restricted receivables				
Water supply				
– Other	2,538	57	2,262	94
Sewerage services				
– Other	1,536	81	1,270	76
Domestic waste management	297	15	164	6
Stormwater management	17	–	9	–
Total external restrictions	4,388	153	3,705	176
Unrestricted receivables	3,188	137	7,081	29
TOTAL NET RECEIVABLES	7,576	290	10,786	205

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	51	53
+ new provisions recognised during the year	219	10
– amounts already provided for and written off this year	–	(12)
– amounts provided for but recovered during the year	(11)	–
Balance at the end of the year	259	51

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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

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

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, 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.

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

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.

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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	171	6,222	1,713	2,623
Stores and materials	631	–	677	–
Trading stock	18	–	21	–
Total inventories at cost	820	6,222	2,411	2,623
<u>TOTAL INVENTORIES</u>	<u>820</u>	<u>6,222</u>	<u>2,411</u>	<u>2,623</u>

(b) Other assets

Prepayments	574	–	391	–
<u>TOTAL OTHER ASSETS</u>	<u>574</u>	<u>–</u>	<u>391</u>	<u>–</u>

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Prepayments	72	–	170	–
Total water	72	–	170	–
Total externally restricted assets	72	–	170	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,322	6,222	2,632	2,623
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,394</u>	<u>6,222</u>	<u>2,802</u>	<u>2,623</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Industrial/commercial		171	5,432	1,713	1,982
Residential		–	790	–	641
Total real estate for resale		171	6,222	1,713	2,623
(Valued at the lower of cost and net realisable value)					
Represented by:					
Development costs		171	6,222	1,713	2,623
Total costs		171	6,222	1,713	2,623
Total real estate for resale		171	6,222	1,713	2,623
Movements:					
Real estate assets at beginning of the year		1,713	2,623	762	2,535
– Purchases and other costs		18	3,595	951	290
– WDV of sales (expense)	6	(1,369)	–	–	–
– Transfer between current/non-current		(191)	191	–	–
– Correction (transfer to WIP)		–	(187)	–	(202)
Total real estate for resale		171	6,222	1,713	2,623

Accounting policy for inventories and other assets

Stores and materials

Stores and materials 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 the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale/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 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19 ¹			Asset movements during the reporting period								as at 30/06/20		
	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 9)	Revaluation movement to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	42,198	–	42,198	14,212	17,440	–	–	(26,459)	(14)	187	(1,491)	46,073	–	46,073
Plant and equipment	22,908	(14,985)	7,923	63	5,311	(147)	(1,722)	379	–	–	–	26,770	(14,963)	11,807
Office equipment	1,519	(1,451)	68	–	–	–	(23)	–	–	–	–	1,451	(1,406)	45
Furniture and fittings	423	(404)	19	–	–	–	(5)	–	–	–	–	423	(409)	14
Land:														
– Operational land	66,385	–	66,385	–	400	(242)	–	480	–	–	(108)	66,915	–	66,915
– Community land	49,078	–	49,078	–	–	–	–	–	–	–	34	49,112	–	49,112
– Crown land	33,592	–	33,592	–	–	–	–	–	–	–	(3,161)	30,431	–	30,431
– Land under roads (post 30/6/08)	2,003	–	2,003	–	62	–	–	13	–	–	–	2,078	–	2,078
Land improvements – non-depreciable	14,554	–	14,554	–	45	–	–	481	–	–	–	15,080	–	15,080
Land improvements – depreciable	7,602	(3,725)	3,877	–	–	–	(95)	–	–	–	–	7,603	(3,821)	3,782
Infrastructure:														
– Buildings	149,772	(49,828)	99,944	678	1,927	(2,391)	(2,592)	13,932	–	–	–	164,029	(52,531)	111,498
– Other structures	44,598	(10,871)	33,727	–	25	(7)	(1,525)	427	–	–	–	45,046	(12,399)	32,647
– Roads	449,282	(107,045)	342,237	1,060	3,430	(1,885)	(7,959)	6,988	123	–	5,688	469,877	(120,195)	349,682
– Bridges	51,035	(19,320)	31,715	–	–	–	(680)	–	237	–	5,041	53,983	(17,670)	36,313
– Footpaths	37,471	(8,970)	28,501	761	882	(132)	(489)	434	(639)	–	2,846	37,420	(5,256)	32,164
– Bulk earthworks	140,123	(666)	139,457	608	464	(1,083)	(151)	716	515	–	10,833	152,052	(693)	151,359
– Stormwater drainage	134,788	(49,134)	85,654	–	2,257	–	(1,429)	928	(237)	–	(15,986)	111,596	(40,409)	71,187
– Water supply network	119,558	(44,072)	75,486	–	394	–	(1,487)	177	–	–	700	121,261	(45,991)	75,270
– Sewerage network	293,118	(75,261)	217,857	527	1,177	(812)	(3,700)	1,504	–	–	2,029	298,152	(79,570)	218,582
Restatement, rehabilitation and restoration assets (refer Note 15):														
– Tip assets	1,737	(1,605)	132	–	–	–	(19)	–	–	–	–	1,737	(1,624)	113
– Quarry assets	1,050	(907)	143	–	–	–	(54)	–	–	–	–	1,050	(961)	89
Total Infrastructure, property, plant and equipment	1,662,794	(388,244)	1,274,550	17,909	33,814	(6,699)	(21,930)	–	(15)	187	6,425	1,702,139	(397,898)	1,304,241

(1) See Note 16 (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 2020

Note 10. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18 ¹			Asset movements during the reporting period								as at 30/06/19		
	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 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	46,654	–	46,654	14,011	14,457	–	–	(32,049)	(919)	–	44	42,198	–	42,198
Plant and equipment	22,213	(14,269)	7,944	4	1,607	(84)	(1,701)	153	–	–	–	22,908	(14,985)	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	47,013	–	47,013	–	35	–	–	–	2,754	202	16,381	66,385	–	66,385
– Community land	55,342	–	55,342	–	323	(250)	–	–	(2,754)	–	(3,583)	49,078	–	49,078
– Crown land	57,150	–	57,150	–	–	–	–	–	–	–	(23,558)	33,592	–	33,592
– 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	149,772	(49,828)	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	444,959	(104,929)	340,030	2,794	4,937	(3,119)	(6,177)	3,779	(6)	–	–	449,282	(107,045)	342,237
– Bridges	51,035	(18,702)	32,333	–	–	–	(618)	–	–	–	–	51,035	(19,320)	31,715
– Footpaths	35,562	(8,340)	27,222	98	1,051	(31)	(444)	604	–	–	–	37,471	(8,970)	28,501
– Bulk earthworks (non-depreciable)	138,503	(528)	137,975	107	965	(83)	(138)	631	–	–	–	140,123	(666)	139,457
– Stormwater drainage	130,144	(47,476)	82,668	94	3,873	–	(1,627)	646	–	–	–	134,788	(49,134)	85,654
– 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	293,118	(75,261)	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	1,609,750	(388,199)	1,221,551	18,211	32,926	(4,597)	(18,924)	–	(919)	202	26,100	1,662,794	(388,244)	1,274,550

(1) See Note 16 (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 2020

Note 10. 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 the 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	17 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	50 to 100		
Kerb, gutter and footpaths	60 to 90		

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 2020

Note 10. 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.

Where the Crown reserves are under a lease arrangement, they are accounted for under AASB 16 Leases (refer to Note 13).

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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	23,255	22,705
Total owned investment property	23,255	22,705
Reconciliation – owned investment property		
Reconciliation of annual movement:		
Opening balance	22,705	22,025
– Net gain/(loss) from fair value adjustments	550	680
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	23,255	22,705

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 a separate line item.

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 2020

Note 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	1,192	–
Total Contract assets	1,192	–

Impairment

An annual assessment occurs for impairment losses on contract assets arising from Council's contracts with customers.

\$ '000	2020 Current	2020 Non-current
Total unrestricted assets	1,192	–
Total contract assets	1,192	–
(b) Contract liabilities		
Grants and contributions received in advance:		
Unexpended capital grants (to construct Council controlled assets)	501	–
Total grants received in advance	501	–
Total contract liabilities	501	–

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Council as a lessee

Extension options

Council may negotiate the inclusion of options in the leases to provide flexibility and certainty to Council operations and reduce costs of change, including moving premises. The extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses whether it is reasonably certain that the extension options will be exercised.

As at 30 June 2020, Council assessed that the exercise of any options is reasonably certain. Therefore there are no potential future lease payments not included in the lease liabilities as at 30 June 2020.

Council has leases over a range of assets including plant and equipment, vehicles, Crown and operational land. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Plant and equipment

Council leases vehicles and equipment with lease terms varying from 3 to 6 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Leases for office and IT equipment are generally for low value assets, except for significant items such as servers and multi-functional devices. The leases are for between 2 and 5 years with no renewal option. The payments are predominantly fixed, however some of the leases include variable payments based on usage.

Land

Land - Operational

Council has a long term lease to a coastal car park and adjoining land area. The lease is 99 years and does not have a renewal option.

The lease payments are fixed and the lease contains an annual pricing mechanism determined by the movement in the Consumer Price Index between rent review dates.

Land - Crown

On community land where Council is not the appointed Crown land manager, Council leases the land from the Department of Planning, Industry and Environment in their role in managing the Crown estate. Council uses this land for the provision of providing community facilities including the art gallery and the local surf lifesaving club.

The lease terms are between 10 and 20 years with no option periods. The lease payments are fixed and the leases contain annual pricing mechanisms determined by the movement in the Consumer Price Index between rent review dates.

\$ '000	Plant and equipment	Land Operational	Land Crown	Total
Opening balance at 30 June 2019	–	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	1,149	1,215	981	3,345
Additions to right-of-use assets	234	–	–	234
Adjustments to right-of-use assets due to re-measurement of lease liability	(3)	–	8	5
Depreciation charge	(402)	(13)	(81)	(496)
Impairment of right-of-use assets	–	–	–	–
Balance at 30 June 2020	979	1,202	908	3,089

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	464	2,664
<u>TOTAL LEASE LIABILITIES</u>	<u>464</u>	<u>2,664</u>

(i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	561	1,201	4,263	6,025	3,128
\$ '000					2020

(c) Income Statement

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

Interest on lease liabilities	121
Depreciation of right of use assets	496
Expenses relating to short-term leases	50
Expenses relating to low-value leases	119
	<u>786</u>

(d) Statement of Cash Flows

Total cash outflow for leases	739
	<u>739</u>

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of land and building leases with lease payments that are significantly below market terms and conditions principally to enable Council to fulfil its objectives. These sites are used for various purposes including the local surf lifesaving clubs.

The leases are generally long term spanning up to 20 years. They require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide and these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to commercial and retail tenants. These leases have been classified as operating leases for financial reporting purposes and the assets are included as Investment Properties (refer note 11) in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	1,720
Total income relating to operating leases	1,720

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	122
Direct operating expenses that did not generate rental income	286
Total expenses relating to operating leases	408
(iv) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	1,559
1–2 years	1,041
2–3 years	612
3–4 years	282
4–5 years	97
> 5 years	–
Total undiscounted contractual lease income receivable	3,591

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services	6,085	–	6,347	–
Accrued expenses:				
– Borrowings	288	–	244	–
– Salaries and wages	826	–	516	–
Security bonds, deposits and retentions	4,219	–	2,834	–
Total payables	11,418	–	9,941	–
Prepaid rates				
Payments received in advance	1,238	–	1,364	–
Total income received in advance	1,238	–	1,364	–
Borrowings				
Loans – secured ¹	5,930	73,542	6,636	70,418
Total borrowings	5,930	73,542	6,636	70,418
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,586</u>	<u>73,542</u>	<u>17,941</u>	<u>70,418</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 21.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	42	–	24	–
Sewer	2,886	46,836	3,676	49,483
Payables and borrowings relating to externally restricted assets	2,928	46,836	3,700	49,483
Total payables and borrowings relating to restricted assets	2,928	46,836	3,700	49,483
Total payables and borrowings relating to unrestricted assets	15,658	26,706	14,241	20,935
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,586</u>	<u>73,542</u>	<u>17,941</u>	<u>70,418</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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(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	1,405	1,815
Total payables and borrowings	1,405	1,815

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes			as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	77,054	(6,582)	9,000	–	–	79,472
Lease liabilities	–	(457)	234	3,345	6	3,128
TOTAL	77,054	(7,039)	9,234	3,345	6	82,600

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	83,494	(6,440)	–	–	–	77,054
TOTAL	83,494	(6,440)	–	–	–	77,054

\$ '000	2020	2019
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Loan Facilities	79,472	77,054
Credit cards/purchase cards	750	750
Total financing arrangements	80,222	77,804

Drawn facilities as at balance date:

– Loan Facilities	79,472	77,054
– Credit cards/purchase cards	144	140
Total drawn financing arrangements	79,616	77,194

Undrawn facilities as at balance date:

– Credit cards/purchase cards	606	610
Total undrawn financing arrangements	606	610

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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.

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 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,792	–	2,556	–
Sick leave	1,688	–	1,990	–
Long service leave	3,988	397	3,943	361
Sub-total – aggregate employee benefits	8,468	397	8,489	361
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,183	–	3,752
Sub-total – asset remediation/restoration	–	3,183	–	3,752
<u>TOTAL PROVISIONS</u>	<u>8,468</u>	<u>3,580</u>	<u>8,489</u>	<u>4,113</u>

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	216	10	207	9
Sewer	661	29	627	25
Domestic waste management	189	10	157	6
Provisions relating to externally restricted assets	1,066	49	991	40
Total provisions relating to restricted assets	1,066	49	991	40
Total provisions relating to unrestricted assets	7,402	3,531	7,498	4,073
<u>TOTAL PROVISIONS</u>	<u>8,468</u>	<u>3,580</u>	<u>8,489</u>	<u>4,113</u>

\$ '000	2020	2019
---------	------	------

(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	5,061	5,345
	<u>5,061</u>	<u>5,345</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(c) Description of and movements in non-employee benefit provisions

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	3,752	3,752
Changes to provision:		
– Revised life	(118)	(118)
– Revised discount rate	(492)	(492)
Unwinding of discount	41	41
Total other provisions at end of year	3,183	3,183
2019		
At beginning of year	4,150	4,150
– Revised costs	(370)	(370)
– Revised life	10	10
– Revised discount rate	(124)	(124)
Unwinding of discount	86	86
Total other provisions at end of year	3,752	3,752

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 2020

Note 15. 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 2020

Note 16. 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 errors

As a result of the revaluation of Roads Infrastructure in 2019/20 and detailed reviews of capital work in progress and land registers, the following prior period errors have been identified:

Summary of prior year items impacting on IPPE	\$'000
Operational land (1)	500
Capital work in progress (2)	(430)
Roads (3)	(2,750)
Footpaths (4)	1,277
Stormwater drainage (5)	1,100
Total for correction of prior period errors at 1 July 2018	(303)
Capital work in progress (2)	(247)
Roads (3)	(2,960)
Total for correction of prior period errors at 30 June 2019	(3,510)
Summary of prior year items impacting on Accumulated Surplus	\$'000
Incorrect disposal and capitalisation of land and buildings through revaluation (1)	(769)
Contributions revenue recognised in error for non-dedicated assets (2)	(430)
Failure to record disposed road assets (3)	(2,750)
New found footpath assets as a result of errors in capitalisation files (4)	1,277
New found stormwater assets incorrectly treated as interallotment (5)	1,100
Total for correction of prior year errors at 1 July 2018	(1,572)
Contributions revenue recognised in error for non-dedicated assets (2)	(247)
Failure to record disposed road assets (3)	(2,960)
Total for correction of prior year errors at 30 June 2019	(4,779)
Summary of prior year items impacting on Revaluation Reserve	
Incorrect disposal and capitalisation of land and buildings through revaluation (1)	1,269
Total for correction of prior year errors at 1 July 2018	1,269
Total for correction of prior year errors at 30 June 2019	1,269

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

1. Misstatements in Operational land and Buildings

During the 2019/20 process of reconciling Council's land and fixed asset registers, land acquired by Council during a 2013/14 financial year property exchange transaction was found to have not been recognised. Further, Council has then incorrectly revalued the buildings acquired and derecognised the land sold in the exchange transaction during the 2018/19 revaluation.

Council considers this to be a material error and has restated each of the affected financial statement line items as at 1 July 2018, as follows:

Operational land	\$500,000	Increase
Accumulated Surplus	\$769,000	Decrease
Revaluation reserve	\$1,269,000	Increase

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**2. Council funded infrastructure assets incorrectly recognised as funded by non-cash developer contributions**

In reviewing capital expenditure 'work-in-progress' (WIP) during 2019/20, Council identified costs remaining in WIP for infrastructure assets capitalised in 2017/18 and 2018/19. Council had incorrectly recognised non-cash contributions as the funding source for these assets, however, the WIP costs represented Council's contribution to the infrastructure assets.

Council considers this to be a material error and has corrected the 2017/18 and 2018/19 affected financial statement line items, as follows:

As at 1 July 2018:

Infrastructure, property, plant and equipment	\$429,969	Decrease
Accumulated Surplus	\$429,969	Decrease

As at 30 June 2019:

Infrastructure, property, plant and equipment	\$247,096	Decrease
Grants and contributions provided for capital purposes/Accumulated Surplus	\$247,096	Decrease

3. Disposals of replaced road assets not always recorded

During the revaluation of Road pavement assets in 2019/20, the asset register was found to still include wearing course and pavement assets that had been previously replaced. It was identified that Council has been capitalising new wearing course and pavement assets, but has not always been recording disposals of the existing assets. The large majority of the errors occurred in the 2017/18 and 2018/19 years.

Council considers this to be a material error, however, it is impracticable to determine the period specific impacts or cumulative impact of the error.

For assets that should have been disposed of prior to 1 July 2018, the error has been corrected by taking the adjustment through to Accumulated Surplus as at 1 July 2018. The impact on each line item at 1 July 2018 due to this error is shown below:

As at 1 July 2018:

Roads	\$2,750,199	Decrease
Accumulated Surplus	\$2,750,199	Decrease

For assets that should have been disposed of from 1 July 2018 to 30 June 2019, the error has been corrected to Accumulated Surplus as at 30 June 2019. The impact on each line item at 30 June 2019 due to this error is shown in the table below.

As at 30 June 2019:

Roads	\$2,959,806	Decrease
Net losses from the disposal of assets/Accumulated Surplus	\$2,959,806	Decrease

4. Footpath assets not previously recorded

During the 2019/20 revaluation of Footpath assets, Council identified footpath assets without values due to the omission of quantity data in the asset register. The missing attributes of the assets was determined through the revaluation to enable the assets to be correctly brought to account.

Council considers the error to be material, however, it is impracticable to determine the period specific impacts or cumulative impact of the error. Accordingly, the error has been corrected by taking the adjustment through to Accumulated Surplus as at 1 July 2018, as follows.

Footpaths	\$1,277,000	Increase
Accumulated Surplus	\$1,277,000	Increase

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**5. Council owned and controlled stormwater drainage assets incorrectly recorded as non-Inter Allotment Drainage assets**

During the 2019/20 revaluation of Stormwater drainage assets, Council identified Inter Allotment Drainage assets had been incorrectly classified and were actually Council owned assets.

Council considers the error to be material, however, it is impracticable to determine the period specific impacts or cumulative impact of the error. Accordingly, the error has been corrected by taking the adjustment through to Accumulated Surplus as at 1 July 2018, as follows:

Stormwater Drainage	\$1,100,000	Increase
Accumulated Surplus	\$1,100,000	Increase

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	1,221,854	(303)	1,221,551
Total assets	1,339,640	(303)	1,339,337
Total liabilities	104,246	–	104,246
Accumulated Surplus	719,876	(1,572)	718,304
Revaluation reserves	515,518	1,269	516,787
Total equity	1,235,394	(303)	1,235,091

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	1,278,060	(3,510)	1,274,550
Total assets	1,407,996	(3,510)	1,404,486
Total liabilities	100,961	–	100,961
Accumulated Surplus	765,417	(4,779)	760,638
Revaluation reserves	541,618	1,269	542,887
Total equity	1,307,035	(3,510)	1,303,525

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Grants and contributions provided for capital purposes	39,143	(247)	38,896
Total income from continuing operations	129,919	(247)	129,672
Net losses from the disposal of assets	996	2,960	3,956
Total expenses from continuing operations	84,378	2,960	87,338
Net operating result for the year	45,541	(3,207)	42,334

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year	45,541	(3,207)	42,334
Total comprehensive income for the year	71,641	(3,207)	68,434

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modifications were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Prepaid rates**

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058. These amendments include:

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	989
Total Contract liabilities	989

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Receivables	7,576	1,192	–	8,768	(i)
Contract assets	1,192	(1,192)	–	–	(i)
Total current assets	86,834	–	–	86,834	
Current liabilities					
Contract liabilities	501	–	(501)	–	(ii)
Total current liabilities	28,019	–	(501)	27,518	
Net assets	1,334,237	–	501	1,334,738	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Equity					
Accumulated surplus	784,925	–	501	785,426	(ii)
Council equity interest	1,334,237	–	501	1,334,738	
Total equity	1,334,237	–	501	1,334,738	

(i) Transfer of the contract asset to receivables, which arises under AASB 1058 for grant funds receivable to construct a recognisable non-financial asset to be controlled by Council. The grant funds are received after Council has spent funds.

(ii) Elimination of contract liability which arises under AASB 1058 for grant funds received to construct a recognisable non-financial asset to be controlled by Council which have been received prior to the benefits of the asset being received by Council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Grants and contributions provided for capital purposes	26,000	–	501	26,501	(ii)
Total Income from continuing operations	121,329	–	501	121,830	
Total Operating result from continuing operations	25,304	–	501	25,805	
Net operating result for the year	25,304	–	501	25,805	
Total comprehensive income	31,729	–	501	32,230	

(ii) Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under new standards.

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019 ¹	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	1,404,486	–	1,404,486
Contract liabilities	–	989	989
Total liabilities	100,961	989	101,950
Accumulated surplus	760,638	(989)	759,649
Total equity	1,303,525	(989)	1,302,536

(1) See Note 16 (b) regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$3,345,000 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.36%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	6,218

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	3,780
Less:	
Short-term leases included in commitments note	(217)
Leases for low-value assets included in commitments note	(218)
Lease liabilities recognised at 1 July 2019	3,345

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019 ¹	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Right-of-use assets	–	3,345	3,345
Total assets	1,407,996	3,345	1,411,341
Payables – accrued interest on leases (30/6/2019)	–	28	28
Leases	–	3,345	3,345
Total liabilities	100,961	3,373	104,334
Accumulated surplus	765,417	(28)	765,389
Total equity	1,307,035	(28)	1,307,007

(1) See Note 16 (b) regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	10,034	12,246
Balance as per the Statement of Cash Flows		10,034	12,246
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		25,304	45,541
Adjust for non-cash items:			
Depreciation and amortisation		22,426	18,924
Net losses/(gains) on disposal of assets		4,511	996
Non-cash capital grants and contributions		(14,402)	(16,329)
Adoption of AASB 15/1058		(989)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(550)	(680)
Unwinding of discount rates on reinstatement provisions		(451)	(38)
Share of net (profits)/losses of associates/joint ventures using the equity method		(57)	5
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,900	(1,556)
Increase/(decrease) in provision for impairment of receivables		208	(2)
Decrease/(increase) in inventories		49	12
Decrease/(increase) in other current assets		(183)	(48)
Decrease/(increase) in contract assets		(1,192)	–
Increase/(decrease) in payables		(290)	2,171
Increase/(decrease) in accrued interest payable		44	(21)
Increase/(decrease) in other accrued expenses payable		310	28
Increase/(decrease) in other liabilities		1,259	880
Increase/(decrease) in contract liabilities		501	–
Increase/(decrease) in provision for employee benefits		15	495
Increase/(decrease) in other provisions		(118)	(360)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		39,295	50,018
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		7,468	16,329
Other dedications		6,934	–
Total non-cash investing and financing activities		14,402	16,329

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Associates	57	(5)	1,211	1,154
Total	57	(5)	1,211	1,154

(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	2020	2019
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,211	1,154
Aggregate amounts of Council's share of individually immaterial associates:		
Profit/(loss) from continuing operations	57	(5)
Total comprehensive income – individually immaterial associates	57	(5)

(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	2020	2020
		Net profit	Net assets
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles. Joint Venture	16	20

Reasons for non-recognition

Councils share of NEWLOG net assets is 13.32%, Council considers this immaterial to the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
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	1,326	3,620
Infrastructure	2,305	5,661
Inventory		
Real estate for resale	238	3,399
Total commitments	3,869	12,680
These expenditures are payable as follows:		
Within the next year	3,869	12,680
Total payable	3,869	12,680

Details of capital commitments

Capital expenditure commitments relate to the Coastal Path, Alstonville Aquatic Centre and other projects.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$419,727.96. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA on 31 December 2018 and covers the period ended 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$411,522.32.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$252,200 as at 30 June 2020.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

(iv) 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.

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.

LEGAL MATTERS

(i) Planners North v Ballina Shire Council

As at 30 June 2020, Council had a possible inflow of economic benefits in relation to a Supreme Court's cost determination assessment arising from a favourable Land and Environment Court decision. The cost determination was issued to Council on 5 August 2020 and Council was awarded costs totaling \$493,816.99.

(ii) Ballina Wastewater Treatment Plant

During the 2012/13 year, Council became aware of a defect in the Ballina Wastewater Treatment Plant membrane and asserted the contractor had not reached completion of the contract due to the defect. In the 2016/17 financial year, the contractor commenced legal proceedings against Council claiming they had completed the contract and were not responsible for the defect. The preparation of an Expert Determination commenced.

As at 30 June 2020, Council's legal costs in association with this matter reached \$568,600. In the year ended 30 June 2020, the Expert Determination on the matter was decided substantially in favour of Council. In the 2020/21 financial year, Council expects to commence rectifying the default and the contractor and Council will enter into mediation. If mediation is unsuccessful, legal proceedings will commence in the Supreme Court.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,034	12,246	10,034	12,246
Receivables	7,866	10,991	7,866	10,991
Investments				
– 'Financial assets at amortised cost'	83,538	77,415	83,538	77,415
Total financial assets	101,438	100,652	101,438	100,652
Financial liabilities				
Payables	11,418	9,941	11,418	9,941
Loans/advances	79,472	77,054	107,812	104,683
Lease liabilities	3,128	–	3,128	–
Total financial liabilities	94,018	86,995	122,358	114,624

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 it's 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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

- **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
2020				
Possible impact of a 1% movement in interest rates	916	916	(916)	(916)
2019				
Possible impact of a 1% movement in interest rates	852	852	(852)	(852)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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
2020						
Gross carrying amount	2,928	2,669	–	–	–	5,597
2019						
Gross carrying amount	2,825	1,631	–	–	–	4,456

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 2020 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
2020						
Gross carrying amount	4,424	529	16	85	197	5,251
Expected loss rate (%)	0.00%	1.00%	1.00%	2.00%	2.00%	0.21%
ECL provision	–	5	–	2	4	11
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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

Payment terms can (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 cash flows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	4,219	7,199	–	–	11,418	11,418
Loans and advances	5.72%	–	10,234	36,727	68,226	115,187	79,472
Total financial liabilities		4,219	17,433	36,727	68,226	126,605	90,890
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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 2019/20 was adopted by the Council on 27 June 2019 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	2020 Budget	2020 Actual	2020 ----- Variance -----		
REVENUES					
Rates and annual charges	52,644	53,720	1,076	2%	F
User charges and fees	24,715	23,035	(1,680)	(7)%	U
Other revenues	3,531	3,681	150	4%	F
Actual revenue includes a reassessment of the provision for remediation and also insurance claims recoveries. These amounts are not budgeted for.					
Operating grants and contributions	8,519	10,717	2,198	26%	F
Operating grants are variable year on year and are often confirmed during the financial year after budget adoption. The 2019/20 actual operating grants includes unbudgeted Bushfire Resilience & Recovery grants totalling \$1,325k.					
Capital grants and contributions	20,456	26,000	5,544	27%	F
Capital grants and contributions are also variable year on year. Council received approximately \$900k of cash developer contributions during the year over and above what was forecast. The remaining movement is substantially due to the timing of capital projects completion and receipt of funding.					
Interest and investment revenue	1,992	1,849	(143)	(7)%	U
Fair value increment on investment property	–	550	550	∞	F
Rental income	–	1,720	1,720	∞	F
EXPENSES					
Employee benefits and on-costs	24,252	26,674	(2,422)	(10)%	U
There was an increased use of labour hire during the year for delivery program requirements and delivery of large infrastructure projects.					
Borrowing costs	4,791	4,671	120	3%	F
Materials and contracts	33,040	30,405	2,635	8%	F
Depreciation and amortisation	20,131	22,426	(2,295)	(11)%	U
A revaluation of roads and other transport assets was undertaken as at 1 July 2019. The resulting increase in the net fair value of these assets together with the roads additions in 2018/19 resulted in a significant increase in the depreciation charge for the financial year.					
Other expenses	6,843	7,338	(495)	(7)%	U
Net losses from disposal of assets	–	4,511	(4,511)	∞	U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----
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In 2019/20, a large portion of the loss on disposal from assets related to the airport terminal expansion project.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	44,469	39,295	(5,174)	(12)%	U
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The unfavourable variance against budget is primarily due to larger than expected Other payments including for insurances, telephone and electricity charges; in addition to lower than budgeted revenue from interest, and grants and contributions.

Cash flows from investing activities	(54,283)	(43,468)	10,815	(20)%	F
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In addition to the budgeted purchases of investment property not occurring in 2019/20, the favourable variance against budget for cash flows from investing activities has arisen due to Council not budgeting for key investing activity cash flows, including cash flows used to purchase infrastructure, property, plant and equipment.

Cash flows from financing activities	9,814	1,961	(7,853)	(80)%	U
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In alignment with the budgeted purchase of investment property which did not occur in 2019/20, Council had expected to receive \$16.6 million in proceeds from borrowings and advances; whereas Council's new loans provided cash inflows of \$9.0 million. An unfavourable variance has resulted.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. 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

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

2020	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					
Land and buildings		–	23,255	–	23,255
Total investment property		–	23,255	–	23,255
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	11,807	11,807
Office equipment		–	–	45	45
Furniture and fittings		–	–	14	14
Operational land ¹		–	66,915	–	66,915
Community land		–	–	49,112	49,112
Crown land		–	–	30,431	30,431
Land under roads		–	–	2,078	2,078
Land improvements – non-depreciable		–	–	15,080	15,080
Land Improvements – depreciable		–	–	3,782	3,782
Buildings – non-specialised		–	9,129	–	9,129
Buildings – specialised		–	–	102,369	102,369
Other structures		–	–	32,647	32,647
Roads ¹		–	–	349,682	349,682
Bridges		–	–	36,313	36,313
Footpaths ¹		–	–	32,164	32,164
Bulk earthworks		–	–	151,359	151,359
Stormwater drainage ¹		–	–	71,187	71,187
Water supply network		–	–	75,270	75,270
Wastewater network		–	–	218,582	218,582
Tip remediation		–	–	113	113
Quarries remediation		–	–	89	89
Total infrastructure, property, plant and equipment		–	76,044	1,182,124	1,258,168

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	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	
Investment property					
Land and buildings		–	22,705	–	22,705
Total investment property		–	22,705	–	22,705
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	7,923	7,923
Office equipment		–	–	68	68
Furniture and fittings		–	–	19	19
Operational land ¹		–	66,385	–	66,385
Community land		–	–	82,670	82,670
Crown land		–	–	–	–
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 ¹		–	–	342,237	342,237
Bridges		–	–	31,715	31,715
Footpaths ¹		–	–	28,501	28,501
Bulk earthworks		–	–	139,457	139,457
Stormwater drainage ¹		–	–	85,654	85,654
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		–	75,709	1,156,643	1,232,352

(1) See Note 16 (b) for details regarding restatement due to 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 assesses the carrying amount of its investment properties on an annual basis. Where there is an indication that a property's carrying amount may differ materially from fair value at the reporting date and at least bi-annually, the fair values are based on assessments determined by an independent and professionally qualified property valuer.

The fair value of each investment property as at 30 June 2020 are estimates based on valuations performed by certifying valuer, Richard Green, AAPI (Acumentis Valuers & Property Consultants) between 17 and 22 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Each valuation adopts the direct comparison and capitalised income approach whereby sales of properties with similar characteristics were used to establish a value per square metre to apply to the total site area. A yield is then applied to the property's income return to assess its value and ensure it is aligned with market expectations. The key unobservable input to the valuations is the price per square metre and expected rates of return determined by the market.

Due to the novel coronavirus pandemic (COVID-19), each investment property was valued on the basis of material valuation uncertainty. The valuer has stated that consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuations need to be kept under frequent review to ensure the inputs and assumptions are still appropriate.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Council's "Community" land (Council-owned) and "Crown" land (Crown land that is controlled 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 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 Roads

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.

Land Improvements- Depreciable and Non-Depreciable

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

These assets are valued in-house (last valuation 2019) 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 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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.

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 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 2020

Note 23. 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 and Crown land	Operational land *
2019					
Opening balance	7,944	95	24	112,492	47,013
Transfers from/(to) another asset class	–	–	–	(2,754)	2,956
Purchases (GBV)	1,764	–	–	323	35
Disposals (WDV)	(84)	–	–	(250)	–
Depreciation and impairment	(1,701)	(27)	(5)	–	–
Revaluation increments/(decrements)	–	–	–	(27,141)	16,381
Closing balance	7,923	68	19	82,670	66,385
2020					
Opening balance	7,923	68	19	82,670	66,385
Transfers from/(to) another asset class	–	–	–	–	480
Purchases (GBV)	5,753	–	–	–	400
Disposals (WDV)	(147)	–	–	–	(242)
Depreciation and impairment	(1,722)	(23)	(5)	–	–
Revaluation increments/(decrements)	–	–	–	(3,127)	(108)
Closing balance	11,807	45	14	79,543	66,915

\$ '000	Land under roads	Land improvements	Buildings – specialised	Other structures	Roads *
2019					
Opening balance	1,646	16,474	70,284	12,223	340,030
Transfers from/(to) another asset class	–	11	(11)	191	(6)
Purchases (GBV)	139	1,432	4,587	12,125	11,510
Disposals (WDV)	–	(21)	(216)	(98)	(3,119)
Depreciation and impairment	–	(95)	(2,343)	(503)	(6,177)
Revaluation increments/(decrements)	218	630	18,319	9,789	–
Closing balance	2,003	18,431	90,620	33,727	342,238
2020					
Opening balance	2,003	18,431	90,620	33,727	342,238
Transfers from/(to) another asset class	–	–	–	–	123
Purchases (GBV)	75	526	16,461	452	11,478
Disposals (WDV)	–	–	(2,391)	(7)	(1,885)
Depreciation and impairment	–	(95)	(2,321)	(1,525)	(7,959)
Revaluation increments/(decrements)	–	–	–	–	5,688
Closing balance	2,078	18,862	102,369	32,647	349,683

(*) See Note 16 (b) for details regarding restatement of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths *	Bulk earthworks	Stormwater drainage *	Water supply network
2019					
Opening balance	32,333	27,223	137,975	82,668	73,277
Purchases (GBV)	–	1,753	1,703	4,613	2,458
Disposals (WDV)	–	(31)	(83)	–	–
Depreciation and impairment	(618)	(444)	(138)	(1,627)	(1,399)
Revaluation increments/ (decrements)	–	–	–	–	1,150
Closing balance	31,715	28,501	139,457	85,654	75,486
2020					
Opening balance	31,715	28,501	139,457	85,654	75,486
Transfers from/(to) another asset class	237	(639)	515	(237)	–
Purchases (GBV)	–	2,077	1,788	3,185	571
Disposals (WDV)	–	(132)	(1,083)	–	–
Depreciation and impairment	(680)	(489)	(151)	(1,429)	(1,487)
Revaluation increments/ (decrements)	5,041	2,846	10,833	(15,986)	700
Closing balance	36,313	32,164	151,359	71,187	75,270

\$ '000	Wastewater network	Tip and quarry remediation	Total
2019			
Opening balance	206,757	359	1,121,804
Transfers from/(to) another asset class	(185)	–	(2,754)
Purchases (GBV)	12,045	–	54,452
Disposals (WDV)	(527)	–	(4,429)
Depreciation and impairment	(3,494)	(84)	(18,655)
Revaluation increments/ (decrements)	3,261	–	6,226
Closing balance	217,857	275	1,156,644
2020			
Opening balance	217,857	275	1,156,644
Transfers from/(to) another asset class	–	–	(1)
Purchases (GBV)	3,208	–	45,574
Disposals (WDV)	(812)	–	(6,457)
Depreciation and impairment	(3,700)	(73)	(21,659)
Revaluation increments/ (decrements)	2,029	–	8,024
Closing balance	218,582	202	1,182,125

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. 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.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & equipment, office equipment and furniture & fittings	Cost used to approximate fair value	Gross replacement cost, useful lives and residual value
Community land	Land values obtained from the NSW Valuer- General	Land value, land area
Land under roads	Unimproved capital value provided by NSW Valuer-General	Land value, land area
Land improvements	Cost used to approximate fair value	Asset condition and remaining useful lives
Buildings	Cost used to approximate fair value	Asset condition and remaining useful lives
Other structures	Cost used to approximate fair value	Asset condition and remaining useful lives
Roads	Unit rates per m2 or length	Asset condition and remaining useful lives
Bridges	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Footpaths	Unit rates per m2	Asset condition and remaining useful lives
Bulk earthworks	Unit rates per m3	Asset condition and remaining useful lives
Stormwater drainage	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Water supply network	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Wastewater network	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Tip and quarry remediation	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 2020

Note 24. Related party disclosures

(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	2020	2019
Compensation:		
Short-term benefits	1,156	1,061
Post-employment benefits	94	98
Other long-term benefits	41	26
Total	1,291	1,185

(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
2020						
Associate - Richmond Tweed Regional Library	1	1,421	–	Contributions based on deed	–	–
2019						
Associate - Richmond Tweed Regional Library	1	1,387	–	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 2020

Note 25. Events occurring after the reporting date

Council has disclosed the impact that COVID-19 has had on operations, and financial reporting for the year ended 30 June 2020 at Note 1. COVID-19 is ongoing, however, it is not practical to estimate the potential impact, positive or negative, after 30 June 2020.

There are no other known events occurring after the reporting date that would have a significant effect on the financial report.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. 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 30/06/19			as at 30/06/20				
	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	9,190	2,184	–	66	(3,184)	–	8,256	–
Car parking	791	–	–	5	–	–	796	–
Open space and community facilities	1,511	2,023	–	17	(24)	(1,519)	2,008	2,126
Heavy haulage	735	363	–	5	(192)	(130)	781	–
Wollongbar Urban Expansion Area	62	85	–	1	(55)	63	156	1,950
Cumalumb Urban Release Area Precinct A	286	11	–	1	–	289	587	–
S7.11 contributions – under a plan	12,575	4,666	–	95	(3,455)	(1,297)	12,584	4,076
Total S7.11 and S7.12 revenue under plans	12,575	4,666	–	95	(3,455)	(1,297)	12,584	4,076
S64 contributions	17,422	2,457	–	355	(1,467)	–	18,767	–
Total contributions	29,997	7,123	–	450	(4,922)	(1,297)	31,351	4,076

S7.11 Contributions – under a plan

CONTRIBUTIONS PLAN – ROADS

Road plan (current plan)	1,612	79	–	11	(22)	–	1,680	–
Roads (old plan)	7,578	2,105	–	55	(3,162)	–	6,576	–
Total	9,190	2,184	–	66	(3,184)	–	8,256	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	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						
CONTRIBUTIONS PLAN – CAR PARKING									
Ballina	767	–	–	5	–	–	772	–	
Lennox Head	11	–	–	–	–	–	11	–	
Alstonville Village Centre	13	–	–	–	–	–	13	–	
Total	791	–	–	5	–	–	796	–	
CONTRIBUTIONS PLAN – OPEN SPACE AND COMMUNITY FACILITIES									
Local parks	110	13	–	3	–	–	126	–	
District parks	273	279	–	1	–	(95)	458	–	
Playing fields	303	336	–	3	–	(394)	248	–	
Regional level recreation facilities	115	343	–	1	(24)	(221)	214	–	
Multi-purpose community centres and meeting halls	497	414	–	7	–	(352)	566	845	
Regional level community facilities	102	638	–	2	–	(457)	285	1,281	
Open Space (old plan)	111	–	–	–	–	–	111	–	
Total	1,511	2,023	–	17	(24)	(1,519)	2,008	2,126	
CONTRIBUTIONS PLAN – HEAVY HAULAGE									
Shire Wide	735	363	–	5	(192)	(130)	781	–	
Total	735	363	–	5	(192)	(130)	781	–	

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	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						
CONTRIBUTIONS PLAN – WOLLONGBAR URBAN EXPANSION AREA									
Link Road	17	79	–	–	(55)	(41)	–	1,950	
Transportation works	45	6	–	1	–	104	156	–	
Total	62	85	–	1	(55)	63	156	1,950	
CONTRIBUTIONS PLAN - CUMBALUM URBAN RELEASE AREA PRECINCT A (CURA A)									
CURA A	286	11	–	1	–	289	587	–	
Total	286	11	–	1	–	289	587	–	
S64 contributions									
Section 64 – Water									
Shire Wide	10,182	763	–	199	(1,028)	–	10,116	–	
Total	10,182	763	–	199	(1,028)	–	10,116	–	
Section 64 – Wastewater									
Shire Wide	7,240	1,694	–	156	(439)	–	8,651	–	
Total	7,240	1,694	–	156	(439)	–	8,651	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	General ¹ 2020	Water 2020	Wastewater 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	32,110	3,809	17,801
User charges and fees	12,803	8,843	1,389
Interest and investment revenue	1,227	421	201
Other revenues	2,821	–	860
Grants and contributions provided for operating purposes	10,246	311	160
Grants and contributions provided for capital purposes	21,742	1,363	2,895
Fair value increment on investment property	550	–	–
Rental income	1,720	–	–
Share of interests in joint ventures and associates using the equity method	57	–	–
Total income from continuing operations	83,276	14,747	23,306
Expenses from continuing operations			
Employee benefits and on-costs	19,939	2,367	4,368
Borrowing costs	1,242	–	3,429
Materials and contracts	17,316	8,270	4,819
Depreciation and amortisation	16,909	1,607	3,910
Other expenses	5,965	87	1,286
Net losses from the disposal of assets	3,699	–	812
Total expenses from continuing operations	65,070	12,331	18,624
Operating result from continuing operations	18,206	2,416	4,682
Net operating result for the year	18,206	2,416	4,682
Net operating result attributable to each council fund	18,206	2,416	4,682
Net operating result for the year before grants and contributions provided for capital purposes	(3,536)	1,053	1,787

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 2020

Note 27. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Wastewater 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	10,034	–	–
Investments	39,687	16,794	10,157
Receivables	3,502	2,538	1,536
Inventories	820	–	–
Contract assets	1,192	–	–
Other	502	72	–
Total current assets	55,737	19,404	11,693
Non-current assets			
Investments	10,943	3,712	2,245
Receivables	(479)	688	81
Inventories	6,222	–	–
Infrastructure, property, plant and equipment	980,572	86,483	237,186
Investments accounted for using the equity method	1,211	–	–
Investment property	23,255	–	–
Right of use assets	3,089	–	–
Other	(5)	5	–
Total non-current assets	1,024,808	90,888	239,512
TOTAL ASSETS	1,080,545	110,292	251,205
LIABILITIES			
Current liabilities			
Payables	11,206	42	170
Income received in advance	1,238	–	–
Contract liabilities	501	–	–
Lease liabilities	464	–	–
Borrowings	3,214	–	2,716
Provisions	7,591	216	661
Total current liabilities	24,214	258	3,547
Non-current liabilities			
Lease liabilities	2,664	–	–
Borrowings	26,706	–	46,836
Provisions	3,541	10	29
Total non-current liabilities	32,911	10	46,865
TOTAL LIABILITIES	57,125	268	50,412
Net assets	1,023,420	110,024	200,793
EQUITY			
Accumulated surplus	611,721	53,085	120,119
Revaluation reserves	411,699	56,939	80,674
Council equity interest	1,023,420	110,024	200,793
Total equity	1,023,420	110,024	200,793

NB. Assets and liabilities in the water and sewer columns are shown on a gross basis and 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 2020

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019 ¹	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,598	2.76%	6.96%	3.12%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	94,112				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	83,395	69.43%	63.71%	60.26%	>60.00%
Total continuing operating revenue ¹	120,112				
3. Unrestricted current ratio					
Current assets less all external restrictions	45,747	2.59x	3.29x	4.82x	>1.50x
Current liabilities less specific purpose liabilities	17,692				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	29,695	2.54x	2.65x	2.38x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,710				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,971	5.35%	3.08%	3.38%	<10.00%
Rates, annual and extra charges collectible	55,493				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	69,534	9.99	12.69	10.01	>3.00
Monthly payments from cash flow of operating and financing activities	6,961	mths	mths	mths	mths

(1) The 2019 ratios have been restated as a result of prior period errors. Refer note 16 (b) for details.

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Wastewater Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1.88)%	3.11%	8.14%	15.47%	12.95%	12.18%	>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	61.02%	56.28%	88.65%	83.48%	86.89%	77.33%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.51x	3.18x	81.76x	94.28x	1.45x	0.89x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.13x	4.03x	∞	∞	2.74x	1.30x	>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	4.57%	2.75%	15.46%	8.71%	4.47%	2.41%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.04	12.16	23.06	25.37	8.19	6.97	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(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 2020

Note 29. Council information and contact details

Principal place of business:

40 Cherry Street
Ballina NSW 2478

Contact details

Mailing Address:

PO Box 450
Ballina NSW 2478

Telephone: 1300 864 444 or 02 6686 1257

Internet: www.ballina.nsw.gov.au

Email: council@ballina.nsw.gov.au

General Purpose Financial Statements
for the year ended 30 June 2020

General Purpose Financial Statements
for the year ended 30 June 2020

PART C

Special Purpose Financial Statements

Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*The Ballina Shire is safe, with a connected community, a
healthy environment and a thriving economy.*



Special Purpose Financial Statements

for the year ended 30 June 2020

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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 2020

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 22 October 2020.

David Wright
Mayor
22 October 2020

Sharon Cadwallader
Deputy Mayor
22 October 2020

Paul Hickey
General Manager
22 October 2020

Linda Coulter
Responsible Accounting Officer
22 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,809	3,622
User charges	7,932	7,952
Fees	911	866
Interest	421	564
Grants and contributions provided for non-capital purposes	311	459
Total income from continuing operations	13,384	13,463
Expenses from continuing operations		
Employee benefits and on-costs	2,367	2,218
Materials and contracts	1,803	1,408
Depreciation, amortisation and impairment	1,607	1,501
Water purchase charges	6,109	5,943
Calculated taxation equivalents	37	30
Other expenses	408	310
Total expenses from continuing operations	12,331	11,410
Surplus (deficit) from continuing operations before capital amounts	1,053	2,053
Grants and contributions provided for capital purposes	1,363	2,114
Surplus (deficit) from continuing operations after capital amounts	2,416	4,167
Surplus (deficit) from all operations before tax	2,416	4,167
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(290)	(565)
SURPLUS (DEFICIT) AFTER TAX	2,126	3,602
Plus accumulated surplus	50,669	46,502
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	37	30
– Corporate taxation equivalent	290	565
Less:		
– Tax equivalent dividend paid	(37)	(30)
Closing accumulated surplus	53,085	50,669
Return on capital %	1.2%	2.5%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	2,126	3,602
Less: capital grants and contributions (excluding developer contributions)	(1,363)	(302)
Surplus for dividend calculation purposes	763	3,300
Potential dividend calculated from surplus	382	1,650

Income Statement – Wastewater Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	17,801	17,159
User charges	1,227	1,260
Liquid trade waste charges	162	174
Interest	201	279
Grants and contributions provided for non-capital purposes	160	159
Other income	860	604
Total income from continuing operations	20,411	19,635
Expenses from continuing operations		
Employee benefits and on-costs	4,368	4,192
Borrowing costs	3,429	3,643
Materials and contracts	4,036	3,913
Depreciation, amortisation and impairment	3,910	3,676
Loss on sale of assets	812	531
Calculated taxation equivalents	44	37
Debt guarantee fee (if applicable)	530	565
Other expenses	2,025	1,819
Total expenses from continuing operations	19,154	18,376
Surplus (deficit) from continuing operations before capital amounts	1,257	1,259
Grants and contributions provided for capital purposes	2,895	5,549
Surplus (deficit) from continuing operations after capital amounts	4,152	6,808
Surplus (deficit) from all operations before tax	4,152	6,808
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(346)	(346)
SURPLUS (DEFICIT) AFTER TAX	3,806	6,462
Plus accumulated surplus	115,437	108,064
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	44	37
– Debt guarantee fees	530	565
– Corporate taxation equivalent	346	346
Less:		
– Tax equivalent dividend paid	(44)	(37)
Closing accumulated surplus	120,119	115,437
Return on capital %	2.0%	2.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,806	6,462
Less: capital grants and contributions (excluding developer contributions)	(2,895)	(25)
Surplus for dividend calculation purposes	911	6,437
Potential dividend calculated from surplus	456	3,218

Income Statement – Airport

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	5,753	6,927
Total income from continuing operations	5,753	6,927
Expenses from continuing operations		
Employee benefits and on-costs	888	813
Borrowing costs	308	307
Materials and contracts	3,555	3,238
Depreciation, amortisation and impairment	786	782
Loss on disposal of assets	2,342	–
Calculated taxation equivalents	8	6
Debt guarantee fee (if applicable)	52	72
Total expenses from continuing operations	7,939	5,218
Surplus (deficit) from continuing operations before capital amounts	(2,186)	1,709
Grants and contributions provided for capital purposes	742	3,232
Surplus (deficit) from continuing operations after capital amounts	(1,444)	4,941
Surplus (deficit) from all operations before tax	(1,444)	4,941
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(470)
SURPLUS (DEFICIT) AFTER TAX	(1,444)	4,471
Plus accumulated surplus	22,224	17,305
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	8	6
– Debt guarantee fees	52	72
– Corporate taxation equivalent	–	470
Add:		
– Subsidy paid/contribution to operations	(30)	(100)
Closing accumulated surplus	20,810	22,224
Return on capital %	(5.2)%	4.4%
Subsidy from Council	2,196	–

Income Statement – Land development

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	3,670	681
Interest	7	43
Total income from continuing operations	<u>3,677</u>	<u>724</u>
Expenses from continuing operations		
Materials and contracts	2,127	551
Calculated taxation equivalents	148	136
Total expenses from continuing operations	<u>2,275</u>	<u>687</u>
Surplus (deficit) from continuing operations before capital amounts	<u>1,402</u>	<u>37</u>
Surplus (deficit) from continuing operations after capital amounts	1,402	37
Surplus (deficit) from all operations before tax	1,402	37
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(386)	(10)
SURPLUS (DEFICIT) AFTER TAX	<u>1,016</u>	<u>27</u>
Plus accumulated surplus	11,636	12,103
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	148	136
– Corporate taxation equivalent	386	10
Less:		
– Dividend paid	(3,547)	(640)
Closing accumulated surplus	<u>9,639</u>	<u>11,636</u>

Income Statement – Landfill and resource recovery

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	6,002	5,056
Interest	5	55
Grants and contributions provided for non-capital purposes	82	82
Other income	174	340
Total income from continuing operations	6,263	5,533
Expenses from continuing operations		
Employee benefits and on-costs	891	982
Materials and contracts	4,937	3,522
Depreciation, amortisation and impairment	283	120
Calculated taxation equivalents	12	16
Total expenses from continuing operations	6,123	4,640
Surplus (deficit) from continuing operations before capital amounts	140	893
Surplus (deficit) from continuing operations after capital amounts	140	893
Surplus (deficit) from all operations before tax	140	893
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(39)	(246)
SURPLUS (DEFICIT) AFTER TAX	101	647
Plus accumulated surplus	(687)	644
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	12	16
– Corporate taxation equivalent	39	246
Less:		
– Dividend paid	–	(2,240)
Closing accumulated surplus	(535)	(687)
Return on capital %	1.2%	7.4%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	16,794	15,866
Receivables	2,538	2,262
Other	72	170
Total current assets	19,404	18,298
Non-current assets		
Investments	3,712	5,011
Other	5	8
Receivables	688	94
Infrastructure, property, plant and equipment	86,483	83,674
Total non-current assets	90,888	88,787
TOTAL ASSETS	110,292	107,085
LIABILITIES		
Current liabilities		
Payables	42	24
Provisions	216	207
Total current liabilities	258	231
Non-current liabilities		
Provisions	10	9
Total non-current liabilities	10	9
TOTAL LIABILITIES	268	240
NET ASSETS	110,024	106,845
EQUITY		
Accumulated surplus	53,085	50,669
Revaluation reserves	56,939	56,176
TOTAL EQUITY	110,024	106,845

Statement of Financial Position – Wastewater Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	10,157	7,716
Receivables	1,536	1,270
Total current assets	11,693	8,986
Non-current assets		
Investments	2,245	2,437
Receivables	81	76
Infrastructure, property, plant and equipment	237,186	236,311
Total non-current assets	239,512	238,824
TOTAL ASSETS	251,205	247,810
LIABILITIES		
Current liabilities		
Payables	170	140
Borrowings	2,716	3,536
Provisions	661	627
Total current liabilities	3,547	4,303
Non-current liabilities		
Borrowings	46,836	49,483
Provisions	29	25
Total non-current liabilities	46,865	49,508
TOTAL LIABILITIES	50,412	53,811
NET ASSETS	200,793	193,999
EQUITY		
Accumulated surplus	120,119	115,437
Revaluation reserves	80,674	78,562
TOTAL EQUITY	200,793	193,999

Statement of Financial Position – Airport

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,337	424
Total current assets	<u>2,337</u>	<u>424</u>
Non-current assets		
Infrastructure, property, plant and equipment	36,192	46,250
Total non-current assets	<u>36,192</u>	<u>46,250</u>
TOTAL ASSETS	<u>38,529</u>	<u>46,674</u>
LIABILITIES		
Current liabilities		
Borrowings	561	1,251
Provisions	147	130
Total current liabilities	<u>708</u>	<u>1,381</u>
Non-current liabilities		
Borrowings	5,725	3,930
Total non-current liabilities	<u>5,725</u>	<u>3,930</u>
TOTAL LIABILITIES	<u>6,433</u>	<u>5,311</u>
NET ASSETS	<u>32,096</u>	<u>41,363</u>
EQUITY		
Accumulated surplus	20,810	22,224
Revaluation reserves	11,286	19,139
TOTAL EQUITY	<u>32,096</u>	<u>41,363</u>

Statement of Financial Position – Land development

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	(598)	(137)
Total current assets	(598)	(137)
Non-current assets		
Inventories	7,567	5,943
Other	6,270	5,830
Total non-current assets	13,837	11,773
TOTAL ASSETS	13,239	11,636
LIABILITIES		
Current liabilities		
Borrowings	138	–
Total current liabilities	138	–
Non-current liabilities		
Borrowings	3,462	–
Total non-current liabilities	3,462	–
TOTAL LIABILITIES	3,600	–
NET ASSETS	9,639	11,636
EQUITY		
Accumulated surplus	9,639	11,636
TOTAL EQUITY	9,639	11,636

Statement of Financial Position – Landfill and resource recovery

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	926	792
Other	113	132
Total current assets	<u>1,039</u>	<u>924</u>
Non-current assets		
Infrastructure, property, plant and equipment	11,682	11,993
Total non-current assets	<u>11,682</u>	<u>11,993</u>
TOTAL ASSETS	<u>12,721</u>	<u>12,917</u>
LIABILITIES		
Non-current liabilities		
Provisions	2,162	2,355
Total non-current liabilities	<u>2,162</u>	<u>2,355</u>
TOTAL LIABILITIES	<u>2,162</u>	<u>2,355</u>
NET ASSETS	<u>10,559</u>	<u>10,562</u>
EQUITY		
Accumulated surplus	(535)	(687)
Revaluation reserves	11,094	11,249
TOTAL EQUITY	<u>10,559</u>	<u>10,562</u>

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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 2093 (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 2020

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.

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 \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

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 Best Practice Management of Water Supply and Sewer 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%.

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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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 0.88% at 30/6/20.

(iv) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DoI-Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Special Purpose Financial Statements
for the year ended 30 June 2020

PART D

Special Schedules

Ballina Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*The Ballina Shire is safe, with a connected community, a
healthy environment and a thriving economy.*



Special Schedules
for the year ended 30 June 2020

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

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	24,469	22,868
Plus or minus adjustments ²	b	500	240
Notional general income	c = a + b	24,969	23,108
Permissible income calculation			
Special variation percentage ³	d	0.00%	5.90%
Rate peg percentage	e	2.60%	0.00%
Plus special variation amount	h = d x (c + g)	–	1,364
Or plus rate peg amount	i = e x (c + g)	649	–
Sub-total	k = (c + g + h + i + j)	25,618	24,472
Plus (or minus) last year's carry forward total	l	9	12
Less valuation objections claimed in the previous year	m	–	(6)
Sub-total	n = (l + m)	9	6
Total permissible income	o = k + n	25,627	24,478
Less notional general income yield	p	25,646	24,469
Catch-up or (excess) result	q = o – p	(19)	9
Income lost due to reduction in valuation claimed			
Plus income lost due to valuation objections claimed ⁴	r	21	–
Carry forward to next year ⁶	t = q + r + s	2	9

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 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices	90	30	85	80	10,788	16,507	31.0%	62.0%	6.0%	1.0%	0.0%
	Works Depot	156	100	101	95	13,423	18,306	53.0%	37.0%	8.0%	2.0%	0.0%
	Halls	312	100	50	60	2,446	5,580	4.0%	26.0%	60.0%	10.0%	0.0%
	Dwellings	274	75	–	–	828	2,508	0.0%	30.0%	32.0%	38.0%	0.0%
	Airport	30	30	145	136	9,236	10,568	64.0%	31.0%	5.0%	0.0%	0.0%
	Shops/Offices	242	150	60	57	4,749	9,476	8.0%	44.0%	47.0%	1.0%	0.0%
	Library	13	20	35	30	4,638	7,064	40.0%	56.0%	4.0%	0.0%	0.0%
	Community Centres	134	100	200	195	19,789	27,294	58.0%	32.0%	10.0%	0.0%	0.0%
	Childcare Centres	246	25	25	–	4,393	8,758	21.0%	23.0%	56.0%	0.0%	0.0%
	Waste Centre	72	25	100	103	3,528	5,645	29.0%	54.0%	15.0%	2.0%	0.0%
	Amenities/Toilets	556	200	265	256	37,680	52,323	51.0%	34.0%	14.0%	1.0%	0.0%
Sub-total		2,125	855	1,066	1,012	111,498	164,029	43.5%	37.9%	16.9%	1.7%	0.0%
Other structures	Other structures	–	–	75	50	9,303	9,593	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	508	350	410	400	23,344	35,452	21.0%	52.0%	14.0%	3.0%	10.0%
	Sub-total	508	350	485	450	32,647	45,045	37.8%	40.9%	11.0%	2.4%	7.9%
Roads	Sealed roads	590	666	800	804	272,024	359,527	23.0%	44.0%	27.0%	5.0%	1.0%
	Unsealed roads	77	106	500	492	18,584	22,253	87.0%	0.0%	0.0%	13.0%	0.0%
	Bridges	720	282	20	18	36,314	53,983	80.0%	18.0%	2.0%	0.0%	0.0%
	Footpaths/Cycleways	50	54	130	108	32,165	37,421	80.0%	18.0%	2.0%	0.0%	0.0%
	Kerb & Gutter	14	15	–	–	32,010	49,134	32.0%	48.0%	19.0%	1.0%	0.0%
	Bulk earthworks	–	–	–	–	151,361	152,052	100.0%	0.0%	0.0%	0.0%	0.0%
	Road Furniture	194	60	50	6	27,065	35,003	63.0%	26.0%	11.0%	0.0%	0.0%
	Sub-total	1,645	1,183	1,500	1,428	569,518	709,373	51.5%	29.2%	15.8%	3.0%	0.5%
Water supply network	Treatment Plants	163	250	40	15	2,619	5,668	3.0%	19.0%	75.0%	3.0%	0.0%
	Pump Stations	54	60	50	29	1,622	2,285	76.0%	2.0%	16.0%	6.0%	0.0%
	Reservoirs	1,804	1,750	80	75	13,169	19,082	10.0%	0.0%	79.0%	0.0%	11.0%
	Water Connections	236	215	400	401	1,705	3,564	24.0%	22.0%	39.0%	9.0%	6.0%
	Pipelines	4,788	4,000	850	876	56,154	90,662	13.0%	41.0%	36.0%	8.0%	2.0%
	Sub-total	7,045	6,275	1,420	1,396	75,270	121,261	13.6%	32.2%	44.3%	6.5%	3.4%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 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					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Sewerage network	Treatment	3,017	975	1,000	972	60,860	90,379	49.0%	2.0%	45.0%	3.0%	1.0%
	Pumping Stations	2,883	2,150	750	729	32,105	55,863	14.0%	8.0%	69.0%	4.0%	5.0%
	Mains	598	500	600	583	108,715	132,593	21.0%	72.0%	6.0%	0.0%	1.0%
	Recycled Water	–	–	200	150	16,902	19,317	80.0%	20.0%	0.0%	0.0%	0.0%
	Sub-total	6,498	3,625	2,550	2,434	218,582	298,152	32.0%	35.4%	29.2%	1.7%	1.7%
Stormwater drainage	Pollution Control	–	–	50	23	3,866	4,280	95.0%	5.0%	0.0%	0.0%	0.0%
	Outfall Structures	2	15	15	–	132	273	2.0%	47.0%	45.0%	6.0%	0.0%
	Reticulation – Pipe	137	250	350	341	44,117	69,331	25.0%	56.0%	19.0%	0.0%	0.0%
	Reticulation – Pit	47	30	20	–	17,599	26,822	29.0%	54.0%	17.0%	0.0%	0.0%
	Culverts	82	100	25	–	5,475	10,890	18.0%	22.0%	56.0%	4.0%	0.0%
	Sub-total	268	395	460	364	71,187	111,596	27.9%	50.2%	21.5%	0.4%	0.0%
TOTAL - ALL ASSETS		18,089	12,683	7,481	7,084	1,078,702	1,449,456	41.1%	33.7%	21.4%	2.7%	1.1%

(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 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019 ¹	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio					
Asset renewals ²	17,909	89.49%	107.02%	142.58%	>=100.00%
Depreciation, amortisation and impairment	20,012				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	18,089	1.68%	1.68%	1.90%	<2.00%
Net carrying amount of infrastructure assets	1,078,702				
Asset maintenance ratio					
Actual asset maintenance	7,084	94.69%	104.06%	96.90%	>100.00%
Required asset maintenance	7,481				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	12,683	0.88%	0.82%	0.86%	
Gross replacement cost	1,449,456				

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

(1) The 2019 ratios have been restated as a result of prior period errors. Refer note 16 (b) for details.

(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 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio							
Asset renewals ²							
Depreciation, amortisation and impairment	92.42%	136.13%	164.95%	26.83%	44.71%	42.18%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.55%	0.53%	9.26%	9.16%	2.94%	2.94%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	92.68%	103.01%	98.31%	107.19%	95.45%	104.08%	>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	0.27%	0.21%	5.09%	4.90%	1.16%	1.17%	

(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.