

# Richmond Valley Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

10 Graham Place  
Casino NSW 2470

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.richmondvalley.nsw.gov.au](http://www.richmondvalley.nsw.gov.au).

# General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

### Who uses the Financial Statements?

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

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

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

## Richmond Valley Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 October 2019.



Robert Mustow  
Mayor  
22 October 2019



Steve Morrissey  
Councillor  
22 October 2019



Vaughan Macdonald  
General Manager  
22 October 2019



Ryan Gaiter  
Responsible Accounting Officer  
22 October 2019

# Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
24,955	Rates and annual charges	3a	24,942	23,276
14,420	User charges and fees	3b	15,919	14,488
1,037	Interest and investment revenue	3c	1,732	1,060
151	Other revenues	3d	166	166
8,513	Grants and contributions provided for operating purposes	3e,3f	9,731	9,461
12,089	Grants and contributions provided for capital purposes	3e,3f	17,647	11,557
61,165	<b>Total income from continuing operations</b>		<b>70,137</b>	<b>60,008</b>
<b>Expenses from continuing operations</b>				
19,371	Employee benefits and on-costs	4a	20,661	19,017
1,338	Borrowing costs	4b	1,249	2,940
9,995	Materials and contracts	4c	10,741	9,963
14,185	Depreciation and amortisation	4d	15,939	14,698
5,868	Other expenses	4e	5,444	5,033
—	Net losses from the disposal of assets	5	5,791	2,677
50,757	<b>Total expenses from continuing operations</b>		<b>59,825</b>	<b>54,328</b>
10,408	<b>Operating result from continuing operations</b>		<b>10,312</b>	<b>5,680</b>
10,408	<b>Net operating result for the year</b>		<b>10,312</b>	<b>5,680</b>
10,408	Net operating result attributable to council		10,312	5,680
(1,681)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(7,335)</b>	<b>(5,877)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>10,312</b>	<b>5,680</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	32,026	67,960
Impairment (loss) reversal relating to IPP&E	9	90	2,859
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>32,116</b>	<b>70,819</b>
<b>Total other comprehensive income for the year</b>		<b>32,116</b>	<b>70,819</b>
<b>Total comprehensive income for the year</b>		<b>42,428</b>	<b>76,499</b>
Total comprehensive income attributable to Council		42,428	76,499

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

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

# Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	8,172	5,988
Investments	6(b)	37,528	35,028
Receivables	7	11,971	9,066
Inventories	8a	1,249	1,422
Other	8b	331	248
<b>Total current assets</b>		<b>59,251</b>	<b>51,752</b>
<b>Non-current assets</b>			
Investments	6(b)	1,000	4,000
Receivables	7	2,170	2,098
Inventories	8a	1,679	1,679
Infrastructure, property, plant and equipment	9	787,250	746,993
<b>Total non-current assets</b>		<b>792,099</b>	<b>754,770</b>
<b>TOTAL ASSETS</b>		<b>851,350</b>	<b>806,522</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	5,819	4,766
Income received in advance	10	30	31
Borrowings	10	2,486	2,289
Provisions	11	6,315	5,476
<b>Total current liabilities</b>		<b>14,650</b>	<b>12,562</b>
<b>Non-current liabilities</b>			
Payables	10	512	574
Borrowings	10	23,414	24,900
Provisions	11	3,754	2,043
<b>Total non-current liabilities</b>		<b>27,680</b>	<b>27,517</b>
<b>TOTAL LIABILITIES</b>		<b>42,330</b>	<b>40,079</b>
<b>Net assets</b>		<b>809,020</b>	<b>766,443</b>
<b>EQUITY</b>			
Accumulated surplus	12a	353,793	343,332
Revaluation reserves	12a	455,227	423,111
<b>Council equity interest</b>		<b>809,020</b>	<b>766,443</b>
<b>Total equity</b>		<b>809,020</b>	<b>766,443</b>

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

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

# Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		343,332	423,111	766,443	337,652	352,292	689,944
Adoption of new accounting standards – not retrospective	12b	149	–	149	–	–	–
<b>Restated opening balance</b>		<b>343,481</b>	<b>423,111</b>	<b>766,592</b>	<b>337,652</b>	<b>352,292</b>	<b>689,944</b>
<b>Net operating result for the year</b>		<b>10,312</b>	<b>–</b>	<b>10,312</b>	<b>5,680</b>	<b>–</b>	<b>5,680</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	32,026	32,026	–	67,960	67,960
– Impairment (loss) reversal relating to IPP&E	9	–	90	90	–	2,859	2,859
<b>Other comprehensive income</b>		<b>–</b>	<b>32,116</b>	<b>32,116</b>	<b>–</b>	<b>70,819</b>	<b>70,819</b>
<b>Total comprehensive income</b>		<b>10,312</b>	<b>32,116</b>	<b>42,428</b>	<b>5,680</b>	<b>70,819</b>	<b>76,499</b>
<b>Equity – balance at end of the reporting period</b>		<b>353,793</b>	<b>455,227</b>	<b>809,020</b>	<b>343,332</b>	<b>423,111</b>	<b>766,443</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
24,955	Rates and annual charges		25,193	23,130
14,420	User charges and fees		14,043	15,739
1,037	Investment and interest revenue received		767	665
20,602	Grants and contributions		24,170	19,560
–	Bonds, deposits and retention amounts received		251	115
151	Other		329	–
<u>Payments</u>				
(19,371)	Employee benefits and on-costs		(20,303)	(18,725)
(9,694)	Materials and contracts		(10,391)	(11,016)
(1,271)	Borrowing costs		(1,103)	(2,900)
(5,868)	Other		(3,147)	(4,239)
<b>24,961</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>29,809</b>	<b>22,329</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
–	Sale of investment securities		1,290	–
3,091	Sale of real estate assets		–	381
634	Sale of infrastructure, property, plant and equipment		1,456	4,792
1	Deferred debtors receipts		2	2
<u>Payments</u>				
–	Purchase of investment securities		–	(13,000)
(29,503)	Purchase of infrastructure, property, plant and equipment		(29,084)	(22,548)
–	Purchase of real estate assets		–	(519)
<b>(25,777)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(26,336)</b>	<b>(30,892)</b>
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
2,000	Proceeds from borrowings and advances		1,000	13,855
<u>Payments</u>				
(2,370)	Repayment of borrowings and advances		(2,289)	(12,238)
<b>(370)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,289)</b>	<b>1,617</b>
<b>(1,186)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,184</b>	<b>(6,946)</b>
5,988	Plus: Cash and cash equivalents – beginning of year	13a	5,988	12,934
<b>4,802</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>8,172</b>	<b>5,988</b>
Additional Information:				
38,528	plus: Investments on hand – end of year	6(b)	38,528	39,028
<b>43,330</b>	<b>Total cash, cash equivalents and investments</b>		<b>46,700</b>	<b>45,016</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 October 2019. Council has the power to amend and reissue these financial statements.

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

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

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Council is a not-for-profit entity.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

### (a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12(b).

### (b) Historical cost convention

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

### (c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

#### Significant judgements in applying the council's accounting policies

(iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

#### 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Water service
- Sewerage 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 property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

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

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and/or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

#### Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15 and AASB 1058 will replace AASB 1004 Contributions. These standards may affect the timing of the recognition of some grants and donations.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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Based on Council's analysis, the impact on Council's revenue, net operating result and financial position would be considered immaterial if Council was to adopt the new revenue standards for the year ended 30 June 2019.

Council is unable to reliably estimate the impact on the financial statements for the year ended 30 June 2020 as the main impact could be on the treatment of certain capital and operational grant revenues. Council is unsure what potential new grants impacted by the new standards it may obtain in the 2019/2020 financial year and also whether certain grants would remain materially incomplete as at 30 June 2020.

- AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

Based upon Council's investigation and analysis, Council identified leases which require adjustment to their current accounting treatment under AASB 16. Council does not consider the impact of adopting AASB 16 to be material on the financial statements for the 2019/2020 financial year due to the leases identified being immaterial or Council is able to apply the short-term and low-value asset exemptions.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Connecting People and Places	15,680	13,363	28,074	22,124	(12,394)	(8,761)	8,387	7,525	487,193	469,936
Growing our Economy	12,854	8,732	6,856	7,142	5,998	1,590	6,976	2,939	33,906	27,880
Looking after our Environment	22,519	20,641	21,643	22,587	876	(1,946)	134	110	272,567	251,183
Making Council Great	19,091	17,517	3,259	2,720	15,832	14,797	5,253	5,055	57,684	57,523
<b>Total functions and activities</b>	<b>70,144</b>	<b>60,253</b>	<b>59,832</b>	<b>54,573</b>	<b>10,312</b>	<b>5,680</b>	<b>20,750</b>	<b>15,629</b>	<b>851,350</b>	<b>806,522</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Connecting People and Places

Festivals and Events, Swimming Pools, Libraries, Emergency Management, Cemeteries, Sports Grounds, Parks and Facilities, Community Centres and Halls, Building and Maintaining Roads, Community Engagement, Consultation and Communication, Community Programs and Grants.

#### Growing our Economy

Economic Development, Tourism, Town Planning and Development Services, Quarries, Northern Rivers Livestock Exchange, Private Works, Real Estate Development.

#### Looking after our Environment

Waste Management, Stormwater Management, Water Supplies, Sewerage Services, Environmental Health, Environmental Management.

#### Making Council Great

Governance and Advocacy, Customer Service, Information Technology Services, Organisational Development, Work Health and Safety, Financial Services, Engineering Support and Asset Management, Fleet Management.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	8,054	7,554
Farmland	2,469	2,281
Business	1,664	1,522
Less: pensioner rebates (mandatory)	(394)	(380)
<b>Rates levied to ratepayers</b>	<b>11,793</b>	<b>10,977</b>
Pensioner rate subsidies received	217	209
<b>Total ordinary rates</b>	<b>12,010</b>	<b>11,186</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	3,746	3,397
Stormwater management services	201	200
Water supply services	1,367	1,292
Sewerage services	6,920	6,692
Waste management services (non-domestic)	903	703
Less: pensioner rebates (mandatory)	(457)	(431)
<b>Annual charges levied</b>	<b>12,680</b>	<b>11,853</b>
Pensioner subsidies received:		
– Water	81	76
– Sewerage	79	76
– Domestic waste management	92	85
<b>Total annual charges</b>	<b>12,932</b>	<b>12,090</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>24,942</b>	<b>23,276</b>

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.

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.

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 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	4,674	4,410
Sewerage services	1,016	999
Waste management services (non-domestic)	44	27
<b>Total specific user charges</b>	<b>5,734</b>	<b>5,436</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	477	454
Private works – section 67	661	929
Regulatory/ statutory fees	136	145
Registration fees	186	169
<b>Total fees and charges – statutory/regulatory</b>	<b>1,460</b>	<b>1,697</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	1	6
Cemeteries	258	308
Quarries	1,355	1,701
RMS (formerly RTA) charges (state roads not controlled by Council)	4,003	2,484
Northern Rivers Livestock Exchange	1,184	1,002
Waste disposal tipping fees	1,276	1,242
Casino showground	17	17
Rent / hire of council property	291	294
Richmond Upper Clarence Regional Library	13	13
Sports grounds	29	44
Other	298	244
<b>Total fees and charges – other</b>	<b>8,725</b>	<b>7,355</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>15,919</b>	<b>14,488</b>

**Accounting policy for user charges and fees**

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 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	158	191
– Cash and investments	784	552
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	790	317
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>1,732</u></b>	<b><u>1,060</u></b>

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

Overdue rates and annual charges (general fund)	78	102
General Council cash and investments	993	476

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	62	31
– Section 64	148	118
Water fund operations	161	119
Sewerage fund operations	290	214

<b>Total interest and investment revenue</b>	<b><u>1,732</u></b>	<b><u>1,060</u></b>
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**Accounting policy for interest and investment revenue**

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

**(d) Other revenues**

Fines	80	124
Insurance claims recoveries	85	27
Other	1	15
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>166</u></b>	<b><u>166</u></b>

**Accounting policy for other revenue**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,753	1,646	–	–
Financial assistance – local roads component	791	776	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	1,817	1,689	–	–
Financial assistance – local roads component	821	797	–	–
<b>Total general purpose</b>	<b>5,182</b>	<b>4,908</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Bushfire and emergency services	659	747	327	382
Economic development	–	5	–	–
LIRS subsidy	2	3	–	–
Street lighting	90	90	–	–
Transport (roads to recovery)	706	697	–	–
Transport (other roads and bridges funding)	–	–	1,484	1,367
Library – Richmond Upper Clarence Regional	116	141	45	–
Natural disaster funding	112	200	919	3,158
Northern Rivers Livestock Exchange	–	–	6,943	2,920
Public Halls	–	–	142	–
Sporting grounds	–	–	3,557	466
Strategic planning	13	11	–	–
Waste and sustainability	96	67	–	18
Other	190	238	167	211
<b>Total specific purpose</b>	<b>1,984</b>	<b>2,199</b>	<b>13,584</b>	<b>8,522</b>
<b>Total grants</b>	<b>7,166</b>	<b>7,107</b>	<b>13,584</b>	<b>8,522</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,888	5,742	2,148	3,121
– State funding	1,278	1,365	11,436	5,401
	<b>7,166</b>	<b>7,107</b>	<b>13,584</b>	<b>8,522</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	5	1,642	1,171
S 7.12 – fixed development consent levies		–	–	269	181
S 64 – water supply contributions		–	–	93	73
S 64 – sewerage service contributions		–	–	302	104
<b>Total developer contributions – cash</b>		<b>–</b>	<b>5</b>	<b>2,306</b>	<b>1,529</b>
<b>Total developer contributions</b>	21	<b>–</b>	<b>5</b>	<b>2,306</b>	<b>1,529</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire and emergency services		523	538	–	–
Roads and bridges		10	1	–	–
RMS contributions (regional roads, block grant)		903	885	–	–
Sewerage (excl. section 64 contributions)		1	–	–	–
Tourism		26	21	–	–
Water supplies (excl. section 64 contributions)		1	2	–	–
Other		714	536	65	20
Library – Richmond Upper Clarence Regional		313	294	–	–
Northern Rivers Livestock Exchange		–	–	186	157
Sports grounds		74	72	–	2
<b>Total other contributions – cash</b>		<b>2,565</b>	<b>2,349</b>	<b>251</b>	<b>179</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	1,506	1,278
Sports grounds		–	–	–	49
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>1,506</b>	<b>1,327</b>
<b>Total other contributions</b>		<b>2,565</b>	<b>2,349</b>	<b>1,757</b>	<b>1,506</b>
<b>Total contributions</b>		<b>2,565</b>	<b>2,354</b>	<b>4,063</b>	<b>3,035</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>9,731</b>	<b>9,461</b>	<b>17,647</b>	<b>11,557</b>

**Accounting policy for grants and contributions**

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

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

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

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.

\$ '000	2019	2018
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## (g) Unspent grants and contributions

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

**Operating grants**

Unexpended at the close of the previous reporting period	475	975
<b>Add:</b> operating grants recognised in the current period but not yet spent	327	127
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	5
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(349)	(632)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>453</b>	<b>475</b>

Unspent operating grants are largely comprised of (\$'000's):-

RFS Subsidy \$128  
EPA Better Waste & Recycling Grant \$142  
Elsa Dixon Aboriginal Employment Program \$59  
Crown Land Plan of Management Grant \$41

**Capital grants**

Unexpended at the close of the previous reporting period	834	567
<b>Add:</b> capital grants recognised in the current period but not yet spent	256	494
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(608)	(227)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>482</b>	<b>834</b>

Unspent capital grants are largely comprised of (\$'000's):-

EPA Waste Less Recycle More - Closure of Coraki Landfill and Establishment of the Transfer Station \$180  
Stronger Country Communities Fund (SCCF) - Evans Head Main Beach Access Enhancement \$61  
Stronger Country Communities Fund (SCCF) - Queen Elizabeth Park Sporting Complex Enhancement \$60

**Contributions**

Unexpended at the close of the previous reporting period	7,296	6,121
<b>Add:</b> contributions recognised in the current period but not yet spent	227	54
<b>Add:</b> contributions received for the provision of goods and services in a future period	2,516	1,685
<b>Less:</b> contributions recognised in a previous reporting period now spent	(1,339)	(564)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>8,700</b>	<b>7,296</b>

This balance is largely attributed to developer contributions (\$8.1m)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	16,004	14,972
Employee leave entitlements (ELE)	3,424	3,058
Superannuation	1,951	1,820
Workers' compensation insurance	691	503
Fringe benefit tax (FBT)	76	71
Payroll tax	119	134
Training costs (other than salaries and wages)	211	195
Other	186	180
<b>Total employee costs</b>	<b>22,662</b>	<b>20,933</b>
Less: capitalised costs	(2,001)	(1,916)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>20,661</b>	<b>19,017</b>

**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 16 for more information.

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,212	1,373
Loan refinancing costs		–	1,531
<b>Total interest bearing liability costs expensed</b>		<b>1,212</b>	<b>2,904</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	37	36
<b>Total other borrowing costs</b>		<b>37</b>	<b>36</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,249</b>	<b>2,940</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	10,124	9,203
Auditors remuneration <sup>2</sup>	75	73
<b>Legal expenses:</b>		
– Legal expenses: planning and development	7	8
– Legal expenses: other	200	240
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	335	439
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>10,741</b>	<b>9,963</b>

**Accounting policy for operating leases**

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

**1. Operating lease payments are attributable to:**

Computers	217	324
Motor vehicles	94	94
Other	24	21
	<b>335</b>	<b>439</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	75	71
<b>Remuneration for audit and other assurance services</b>	<b>75</b>	<b>71</b>
<b>Total Auditor-General remuneration</b>	<b>75</b>	<b>71</b>

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

Audit and review of financial statements	–	2
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>2</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>2</b>
<b>Total Auditor remuneration</b>	<b>75</b>	<b>73</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,630	1,543
Office equipment		76	78
Furniture and fittings		71	75
Land improvements (depreciable)		265	255
<b>Infrastructure:</b>			
– Buildings – specialised		1,107	1,070
– Other structures		273	178
– Roads		5,967	5,257
– Bridges		1,160	782
– Footpaths		229	289
– Stormwater drainage		575	564
– Water supply network		1,355	1,433
– Sewerage network		2,181	2,121
– Swimming pools		119	115
– Other open space/recreational assets		243	195
<b>Other assets:</b>			
– Library books		81	82
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9,11	577	631
– Quarry assets	9,11	30	30
<b>Total gross depreciation and amortisation costs</b>		<b>15,939</b>	<b>14,698</b>
<b>Total depreciation and amortisation costs</b>		<b>15,939</b>	<b>14,698</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Land improvements (depreciable)		–	98
<b>Infrastructure:</b>			
– Buildings – specialised		–	92
– Roads		(90)	(4,734)
– Bridges		–	650
– Swimming pools		–	1,035
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>(90)</b>	<b>(2,859)</b>
Amounts taken through revaluation reserve		90	2,859
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>15,939</b>	<b>14,698</b>

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

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

Depreciation is capitalised where in-house assets have contributed to new assets.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

**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.

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

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

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.

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	102	86
Bad and doubtful debts	56	176
Bank charges	64	20
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	31	38
– NSW fire brigade levy	100	105
– NSW rural fire service levy	799	823
– Waste levy	91	115
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	139	134
Councillors' expenses (incl. mayor) – other (excluding fees above)	14	21
Donations, contributions and assistance to other organisations (Section 356)	531	496
Electricity and heating	836	738
Insurance	591	548
IT expenses	623	546
Postage, printing & stationary	289	298
Street lighting	414	349
Subscriptions and publications	101	94
Telephone and communications	495	288
Valuation fees	78	79
Other	47	37
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>5,444</u></b>	<b><u>5,033</u></b>

**Accounting policy for other expenses**

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		1,025	4,498
Less: carrying amount of property assets sold/written off		(2,862)	(4,591)
<b>Net gain/(loss) on disposal</b>		<b>(1,837)</b>	<b>(93)</b>
<b>Plant and equipment</b>			
	9		
Proceeds from disposal – plant and equipment		431	294
Less: carrying amount of plant and equipment assets sold/written off		(570)	(416)
<b>Net gain/(loss) on disposal</b>		<b>(139)</b>	<b>(122)</b>
<b>Infrastructure</b>			
	9		
Less: carrying amount of infrastructure assets sold/written off		(3,815)	(2,708)
<b>Net gain/(loss) on disposal</b>		<b>(3,815)</b>	<b>(2,708)</b>
<b>Real estate assets held for sale</b>			
	8		
Proceeds from disposal – real estate assets		–	381
Less: carrying amount of real estate assets sold/written off		–	(135)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>246</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(5,791)</b>	<b>(2,677)</b>

### 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.

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	614	555
Cash-equivalent assets		
– Deposits at call	7,558	5,433
<b>Total cash and cash equivalents</b>	<b>8,172</b>	<b>5,988</b>

### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	18,528	–	35,028	4,000
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	19,000	1,000	–	–
<b>Total Investments</b>	<b>37,528</b>	<b>1,000</b>	<b>35,028</b>	<b>4,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>45,700</b>	<b>1,000</b>	<b>41,016</b>	<b>4,000</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	18,528	–	13,028	–
Long term deposits	–	–	22,000	4,000
<b>Financial assets at amortised cost/held to maturity (2018)</b>				
Long term deposits	19,000	1,000	–	–
<b>Total</b>	<b>37,528</b>	<b>1,000</b>	<b>35,028</b>	<b>4,000</b>

## Accounting policy for investments

## Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

## Financial assets

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

## Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

## Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

## Financial assets through profit or loss

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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

Council's financial assets measured at fair value through profit or loss comprise investments in managed funds in the Statement of Financial Position.

#### Accounting policy under AASB 139 – applicable for 2018 comparatives only

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

##### (a) Financial assets at fair value through profit or loss

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

##### (b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

##### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

##### (d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

##### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

##### Impairment of financial assets

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

##### Impairment of available for sale investments

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	45,700	1,000	41,016	4,000
<b>attributable to:</b>				
External restrictions	27,693	1,000	21,645	4,000
Internal restrictions	18,007	–	19,371	–
	45,700	1,000	41,016	4,000

\$ '000	2019	2018
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## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – general	–	338
Bonds and deposits	574	564
<b>External restrictions – included in liabilities</b>	<b>574</b>	<b>902</b>

## External restrictions – other

Developer contributions – general	2,568	1,894
Developer contributions – water fund	1,841	1,697
Developer contributions – sewer fund	3,606	3,207
Specific purpose unexpended grants	935	1,309
Water supplies	4,769	3,672
Sewerage services	7,799	7,412
Domestic waste management	5,152	4,397
Stormwater management	569	485
Other	880	670

## External restrictions – other

<b>External restrictions – other</b>	<b>28,119</b>	<b>24,743</b>
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## Total external restrictions

<b>Total external restrictions</b>	<b>28,693</b>	<b>25,645</b>
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## Internal restrictions

Plant and vehicle replacement	1,478	930
Real estate and infrastructure	2,855	4,831
Employees leave entitlement	1,158	1,125
Carry over works	243	360
Northern Rivers Livestock Exchange	61	555
Insurance	97	95
Other waste management	3,307	2,585
Petersons quarry	2,183	2,063
Public cemeteries perpetual maintenance	333	427
Quarry rehabilitation	166	152
Revolving energy and sustainability fund	8	8
Richmond Upper Clarence Regional Library	221	292
RMS state road maintenance contract	5	5
Road rehabilitation	897	458
Rural road safety program	114	112
Unexpended rates variations	705	1,633
Financial Assistance Grant Advance Payment	2,638	2,486
Woodview quarry	1,538	1,254

## Total internal restrictions

<b>Total internal restrictions</b>	<b>18,007</b>	<b>19,371</b>
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## TOTAL RESTRICTIONS

<b>TOTAL RESTRICTIONS</b>	<b>46,700</b>	<b>45,016</b>
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# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	2,599	596	2,807	669
Interest and extra charges	169	8	169	12
User charges and fees	5,897	958	4,416	638
Accrued revenues				
– Interest on investments	339	5	165	–
Bank guarantees	112	512	112	574
Deferred debtors	1	15	1	17
Government grants and subsidies	2,629	135	1,233	188
Net GST receivable	147	–	263	–
Other debtors	196	–	186	–
<b>Total</b>	<b>12,089</b>	<b>2,229</b>	<b>9,352</b>	<b>2,098</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(30)	(19)	(79)	–
User charges and fees	(78)	(39)	(191)	–
Other debtors	(10)	(1)	(16)	–
<b>Total provision for impairment – receivables</b>	<b>(118)</b>	<b>(59)</b>	<b>(286)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>11,971</b>	<b>2,170</b>	<b>9,066</b>	<b>2,098</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Specific purpose grants	80	–	76	–
– Rates and availability charges	325	96	319	105
– Other	1,236	355	1,262	430
<b>Sewerage services</b>				
– Specific purpose grants	79	–	76	–
– Rates and availability charges	1,596	468	1,622	505
– Other	382	95	384	104
<b>Domestic waste management</b>	<b>270</b>	<b>12</b>	<b>282</b>	<b>22</b>
<b>Total external restrictions</b>	<b>3,968</b>	<b>1,026</b>	<b>4,021</b>	<b>1,166</b>
<b>Unrestricted receivables</b>	<b>8,003</b>	<b>1,144</b>	<b>5,045</b>	<b>932</b>
<b>TOTAL NET RECEIVABLES</b>	<b>11,971</b>	<b>2,170</b>	<b>9,066</b>	<b>2,098</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	286	165
Amount restated through opening retained earnings on adoption of AASB 9	(149)	–
Impairment loss recognised	40	–
+ new provisions recognised during the year	–	176
– amounts already provided for and written off this year	–	(55)
<b>Balance at the end of the period</b>	<b>177</b>	<b>286</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### 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

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	215	1,679	215	1,679
Stores and materials	1,034	–	1,207	–
<b>Total inventories at cost</b>	<b>1,249</b>	<b>1,679</b>	<b>1,422</b>	<b>1,679</b>
<b>TOTAL INVENTORIES</b>	<b>1,249</b>	<b>1,679</b>	<b>1,422</b>	<b>1,679</b>

### (b) Other assets

Prepayments	248	–	203	–
Work in progress – real estate	83	–	45	–
<b>TOTAL OTHER ASSETS</b>	<b>331</b>	<b>–</b>	<b>248</b>	<b>–</b>

### Externally restricted assets

There are no restrictions applicable to the above assets.

### (i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		127	383	127	383
Industrial/commercial		88	1,296	88	1,296
<b>Total real estate for resale</b>		<b>215</b>	<b>1,679</b>	<b>215</b>	<b>1,679</b>

(Valued at the lower of cost and net realisable value)

### Represented by:

Acquisition costs	127	1,658	127	1,658
Development costs	88	21	88	21
<b>Total costs</b>	<b>215</b>	<b>1,679</b>	<b>215</b>	<b>1,679</b>
<b>Total real estate for resale</b>	<b>215</b>	<b>1,679</b>	<b>215</b>	<b>1,679</b>

### Movements:

Real estate assets at beginning of the year	215	1,679	213	1,297
– Purchases and other costs	–	–	137	382
– WDV of sales (expense)	–	–	(135)	–
<b>Total real estate for resale</b>	<b>215</b>	<b>1,679</b>	<b>215</b>	<b>1,679</b>

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets (continued)

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#### Accounting policy for inventories and other assets

##### Raw materials and stores, work in progress and finished goods

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

##### Inventory held for distribution

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

##### Land held for resale/capitalisation of borrowing costs

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>																
Capital work in progress	5,940	–	5,940	1,489	679	–	(59)	–	–	(5,395)	–	–	–	2,654	–	2,654
Plant and equipment	26,121	(12,996)	13,125	1,187	919	–	(548)	(1,630)	–	–	–	–	–	26,596	(13,543)	13,053
Office equipment	1,273	(971)	302	–	8	–	–	(76)	–	–	–	–	–	1,281	(1,047)	234
Furniture and fittings	1,263	(842)	421	–	45	–	–	(71)	–	–	–	–	–	1,307	(912)	395
<b>Land:</b>																
– Crown land	20,176	–	20,176	–	–	–	(892)	–	–	–	–	–	6	19,289	–	19,289
– Operational land	20,246	–	20,246	–	150	–	(869)	–	–	–	–	–	370	19,897	–	19,897
– Community land	8,743	–	8,743	–	–	–	–	–	–	–	–	(216)	–	8,527	–	8,527
– Land under roads (post 30/6/08)	277	–	277	–	27	–	–	–	–	–	–	–	–	304	–	304
Land improvements – non-depreciable	4,944	–	4,944	–	2	–	–	–	–	–	–	–	208	5,154	–	5,154
Land improvements – depreciable	14,375	(2,473)	11,902	1,025	1,575	–	(79)	(265)	–	403	(89)	–	489	17,807	(2,846)	14,961
<b>Infrastructure:</b>																
– Buildings – specialised	68,498	(15,919)	52,579	1,863	934	–	(929)	(1,107)	–	669	–	–	2,142	73,284	(17,133)	56,151
– Other structures	17,270	(1,625)	15,645	2,396	3,403	–	(547)	(273)	–	365	–	–	624	23,381	(1,768)	21,613
– Roads	304,245	(85,157)	219,088	5,466	595	376	(2,184)	(5,967)	90	1,883	–	–	5,370	314,852	(90,135)	224,717
– Bridges	96,383	(28,097)	68,286	400	–	557	(254)	(1,160)	–	29	–	–	1,686	99,374	(29,829)	69,545
– Footpaths	13,920	(2,200)	11,720	176	540	–	(93)	(229)	–	747	89	–	290	15,707	(2,467)	13,240
– Bulk earthworks (non-depreciable)	62,362	–	62,362	–	17	–	(16)	–	–	–	–	–	1,572	63,935	–	63,935
– Stormwater drainage	51,965	(17,081)	34,884	50	181	–	(52)	(575)	–	–	–	–	16,022	59,932	(9,422)	50,510
– Water supply network	89,657	(18,080)	71,577	949	349	–	(282)	(1,355)	–	88	–	–	1,121	91,922	(19,475)	72,447
– Sewerage network	139,886	(29,313)	110,573	837	821	–	(185)	(2,181)	–	615	–	–	1,748	143,330	(31,102)	112,228
– Swimming pools	8,016	(2,225)	5,791	23	–	–	(2)	(119)	–	–	–	–	282	8,368	(2,393)	5,975
– Other open space/recreational assets	9,975	(2,159)	7,816	1,142	792	–	(246)	(243)	–	596	–	–	312	12,493	(2,324)	10,169
<b>Other assets:</b>																
– Library books	1,168	(815)	353	–	94	–	(21)	(81)	–	–	–	–	–	1,146	(801)	345
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>																
– Tip assets	2,209	(2,117)	92	–	2,215	–	–	(577)	–	–	–	–	–	4,424	(2,694)	1,730
– Quarry assets	483	(332)	151	–	56	–	–	(30)	–	–	–	–	–	540	(363)	177
<b>Total Infrastructure, property, plant and equipment</b>	<b>969,395</b>	<b>(222,402)</b>	<b>746,993</b>	<b>17,003</b>	<b>13,402</b>	<b>933</b>	<b>(7,258)</b>	<b>(15,939)</b>	<b>90</b>	<b>–</b>	<b>–</b>	<b>(216)</b>	<b>32,242</b>	<b>1,015,504</b>	<b>(228,254)</b>	<b>787,250</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period											as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>																	
Capital work in progress	3,146	–	3,146	3,727	1,839	–	(66)	–	–	–	(2,707)	–	–	–	5,940	–	5,940
Plant and equipment	24,187	(12,255)	11,932	2,416	712	–	(392)	(1,543)	–	–	–	–	–	–	26,121	(12,996)	13,125
Office equipment	1,134	(893)	241	–	139	–	–	(78)	–	–	–	–	–	–	1,273	(971)	302
Furniture and fittings	1,226	(767)	459	–	36	–	–	(75)	–	–	–	–	–	–	1,263	(842)	421
<b>Land:</b>																	
– Operational land	27,038	–	27,038	–	–	–	(4,504)	–	–	–	–	–	–	795	20,246	–	20,246
– Community land	25,291	–	25,291	–	–	–	(25)	–	–	–	–	–	–	570	8,743	–	8,743
– Crown land	–	–	–	–	–	–	–	–	–	–	–	–	–	–	20,176	–	20,176
– Land under roads (post 30/6/08)	248	–	248	–	29	–	–	–	–	–	–	–	–	–	277	–	277
Land improvements – non-depreciable	4,373	–	4,373	440	–	–	–	–	–	–	–	–	–	131	4,944	–	4,944
Land improvements – depreciable	13,543	(2,059)	11,484	12	162	–	–	(255)	(98)	–	271	13	–	313	14,375	(2,473)	11,902
<b>Infrastructure:</b>																	
– Buildings – specialised	66,594	(14,578)	52,016	230	94	–	–	(1,070)	(92)	–	3	–	–	1,398	68,498	(15,919)	52,579
– Other structures	12,457	(2,353)	10,104	2,318	2,469	–	(1,116)	(178)	–	–	1,729	–	–	319	17,270	(1,625)	15,645
– Roads	219,107	(66,115)	152,992	3,011	839	2,936	(893)	(5,257)	–	4,734	628	–	–	60,098	304,245	(85,157)	219,088
– Bridges	75,457	(16,931)	58,526	409	–	134	(54)	(782)	(650)	–	26	–	–	10,677	96,383	(28,097)	68,286
– Footpaths	16,952	(4,997)	11,955	19	203	–	(204)	(289)	–	–	–	–	–	35	13,920	(2,200)	11,720
– Bulk earthworks (non-depreciable)	73,631	–	73,631	–	361	–	–	–	–	–	–	–	(11,630)	–	62,362	–	62,362
– Stormwater drainage	50,093	(15,951)	34,142	–	158	–	–	(564)	–	–	–	–	–	1,148	51,965	(17,081)	34,884
– Water supply network	87,605	(16,570)	71,035	560	210	–	(256)	(1,433)	–	–	5	–	–	1,456	89,657	(18,080)	71,577
– Sewerage network	136,601	(26,711)	109,890	311	360	–	(134)	(2,121)	–	–	1	–	–	2,266	139,886	(29,313)	110,573
– Swimming pools	7,803	(1,049)	6,754	14	–	–	(8)	(115)	(1,035)	–	–	–	–	181	8,016	(2,225)	5,791
– Other open space/recreational assets	9,580	(1,948)	7,632	99	82	–	(38)	(195)	–	–	44	(13)	–	203	9,975	(2,159)	7,816
<b>Other assets:</b>																	
– Library books	1,179	(807)	372	–	87	–	(24)	(82)	–	–	–	–	–	–	1,168	(815)	353
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>																	
– Tip assets	1,674	(1,486)	188	–	535	–	–	(631)	–	–	–	–	–	–	2,209	(2,117)	92
– Quarry assets	482	(302)	180	–	1	–	–	(30)	–	–	–	–	–	–	483	(332)	151
<b>Total Infrastructure, property, plant and equipment</b>	<b>859,401</b>	<b>(185,772)</b>	<b>673,629</b>	<b>13,566</b>	<b>8,316</b>	<b>3,070</b>	<b>(7,714)</b>	<b>(14,698)</b>	<b>(1,875)</b>	<b>4,734</b>	<b>–</b>	<b>–</b>	<b>(11,630)</b>	<b>79,590</b>	<b>969,395</b>	<b>(222,402)</b>	<b>746,993</b>

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

# Notes to the Financial Statements

for the year ended 30 June 2019

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

### 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 by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	3 to 10	Playground equipment	10 to 60
Office furniture	5 to 20	Benches, seats etc.	30 to 90
Computer equipment	3		
Vehicles	5 to 20	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 20	Buildings	10 to 200
Other plant and equipment	3 to 50		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	25 to 200	Drains	80
Treatment Plant structure	15 to 200	Culverts	80
Treatment Plant mech & elec	20 to 25		
Pump Station structure	15 to 200		
Pumps Station mech & elect	20 to 25		
Reticulation pipes: PVC	70 to 160	<b>Transportation Assets</b>	
Reticulation pipes: Other	70 to 160	Kerb & Gutter	85
		Footpaths	25 to 75
<b>Transportation assets</b>		Minor & Major Culverts	50 to 100
Sealed roads: surface	25 to 35		
Sealed roads: structure	60 to 110	<b>Other infrastructure assets</b>	
Unsealed roads	25 to 35	Bulk earthworks	Infinite
Bridge: concrete	105	Swimming pools	40 to 120
Bridge: timber	85	Other open space/recreational assets	10 to 200

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

### Land under roads

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Crown reserves**

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

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

**Rural Fire Service assets**

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

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

## Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,265	–	1,088	–
Goods and services – capital expenditure	2,270	–	1,892	–
Accrued expenses:				
– Salaries and wages	375	–	355	–
– Other expenditure accruals	1,004	–	777	–
Security bonds, deposits and retentions	793	–	542	–
Bank guarantees	112	512	112	574
<b>Total payables</b>	<b>5,819</b>	<b>512</b>	<b>4,766</b>	<b>574</b>
<b>Income received in advance</b>				
Payments received in advance	30	–	31	–
<b>Total income received in advance</b>	<b>30</b>	<b>–</b>	<b>31</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	2,486	23,414	2,289	24,900
<b>Total borrowings</b>	<b>2,486</b>	<b>23,414</b>	<b>2,289</b>	<b>24,900</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>8,335</u></b>	<b><u>23,926</u></b>	<b><u>7,086</u></b>	<b><u>25,474</u></b>

(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 20.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	9	–	9	–
Sewer	1,437	13,762	1,382	15,039
Other	814	–	564	–
Payables and borrowings relating to externally restricted assets	2,260	13,762	1,955	15,039
<b>Total payables and borrowings relating to restricted assets</b>	<b>2,260</b>	<b>13,762</b>	<b>1,955</b>	<b>15,039</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>6,075</b>	<b>10,164</b>	<b>5,131</b>	<b>10,435</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>8,335</u></b>	<b><u>23,926</u></b>	<b><u>7,086</u></b>	<b><u>25,474</u></b>

\$ '000	2019	2018
<b>(b) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
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	793	542
<b>Total payables and borrowings</b>	<b>793</b>	<b>542</b>

**(c) Changes in liabilities arising from financing activities**

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	27,189	(1,289)	–	–	–	25,900
<b>TOTAL</b>	<b>27,189</b>	<b>(1,289)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>25,900</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	25,572	1,617	–	–	–	27,189
<b>TOTAL</b>	<b>25,572</b>	<b>1,617</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>27,189</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
<b>(d) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	67	56
<b>Total financing arrangements</b>	<b>567</b>	<b>556</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	2	7
<b>Total drawn financing arrangements</b>	<b>2</b>	<b>7</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	65	49
<b>Total undrawn financing arrangements</b>	<b>565</b>	<b>549</b>

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,814	–	1,811	–
Long service leave	2,845	237	2,537	212
Other leave	13	–	11	–
<b>Sub-total – aggregate employee benefits</b>	<b>4,672</b>	<b>237</b>	<b>4,359</b>	<b>212</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	1,643	3,517	1,117	1,831
<b>Sub-total – asset remediation/restoration</b>	<b>1,643</b>	<b>3,517</b>	<b>1,117</b>	<b>1,831</b>
<b>TOTAL PROVISIONS</b>	<b>6,315</b>	<b>3,754</b>	<b>5,476</b>	<b>2,043</b>

#### (a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2019	2018
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#### (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	2,559	2,392
	<b>2,559</b>	<b>2,392</b>

#### (c) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	2,948	2,948
<b>Changes to provision:</b>		
– Revised costs	2,163	2,163
– Revised discount rate	109	109
Amounts used (payments)	(97)	(97)
Unwinding of discount	37	37
<b>Total other provisions at end of period</b>	<b>5,160</b>	<b>5,160</b>
<b>2018</b>		
At beginning of year	2,375	2,375
– Revised costs	533	533
– Revised discount rate	3	3
Unwinding of discount	37	37
<b>Total other provisions at end of period</b>	<b>2,948</b>	<b>2,948</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions (continued)

## Nature and purpose of non-employee benefit provisions

## Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the following tip and quarry assets:

Asset/Operation	Estimated year of restoration	NPV of Provisions	
		2019	2018
Landfills - Bora Ridge	2019	1,020	1,117
Landfills - Nammoona	2020	3,264	1,031
Quarries - Petersons	2025	486	444
Quarries - Woodview	2025	389	356
<b>Balance at end of reporting period</b>		<b>5,160</b>	<b>2,948</b>

## 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.

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

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#### 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.

### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

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

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 9 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

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

**Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

**Measurement of equity instruments**

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

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

**Impairment of financial assets**

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

**Adjustments to the current year figures for the year ended 30 June 2019****Statement of Financial Position**

<b>\$ '000</b>	<b>Original Balance 1 July, 2018</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2018</b>
Amounts restated through opening retained earnings on adoption of AASB 9	343,332	149	343,481
<b>Total equity</b>	<b>766,443</b>	<b>149</b>	<b>766,592</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Transition adjustments**

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

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Trade and other receivables	Loans and receivables	Amortised cost	11,164	—	149	11,313
Cash and cash equivalents	Loans and receivables	Amortised cost	5,988	—	—	5,988
Term deposits	FVTPL	Amortised cost	26,000	—	—	26,000
Managed Funds	FVTPL	FVTPL	13,028	—	—	13,028
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>56,180</b>	<b>—</b>	<b>149</b>	<b>56,329</b>
<b>Financial liabilities</b>						
Trade payables	Other financial liabilities	Other financial liabilities	5,340	—	—	5,340
Secured bank loans	Other financial liabilities	Amortised Cost	27,189	—	—	27,189
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>32,529</b>	<b>—</b>	<b>—</b>	<b>32,529</b>

**Notes to the table above****Reclassification from 'Loans and receivables' to 'amortised cost'**

Trade and other receivables and cash and cash equivalents were both reclassified from loans and receivables to amortised cost. The re-classification resulted in a restatement of \$149,000 through opening retained earnings on adoption of AASB 9.

**Reclassification from 'Fair Value through profit and loss' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

**Reclassification from 'Other financial liabilities' to 'amortised cost'**

Loans that would previously have been classified as 'other financial liabilities' are now classified at 'amortised cost'. There was no difference between the previous carrying amount and the revised carrying amount of these liabilities on adoption of AASB 9.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	8,172	5,988
<b>Balance as per the Statement of Cash Flows</b>		<b>8,172</b>	<b>5,988</b>

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

<b>Net operating result from Income Statement</b>	10,312	5,680
<b>Adjust for non-cash items:</b>		
Net losses/(gains) on disposal of assets	5,791	2,677
Depreciation and amortisation	15,939	14,698
Non-cash capital grants and contributions	(1,865)	(1,549)
Opening retained earnings adjustment on adoption of AASB 9	149	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(790)	(317)
Unwinding of discount rates on reinstatement provisions	146	40
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(2,870)	788
Increase/(decrease) in provision for impairment of receivables	(109)	121
Decrease/(increase) in inventories	173	(328)
Decrease/(increase) in other current assets	(83)	121
Increase/(decrease) in payables	177	119
Increase/(decrease) in other accrued expenses payable	247	(470)
Increase/(decrease) in other liabilities	188	(35)
Increase/(decrease) in provision for employee benefits	338	251
Increase/(decrease) in other provisions	2,066	533
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>29,809</b>	<b>22,329</b>

**(c) Non-cash investing and financing activities**

Bushfire grants	322	235
Other dedications	1,506	1,278
Estimated future reinstatement costs	37	36
<b>Total non-cash investing and financing activities</b>	<b>1,865</b>	<b>1,549</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities

## Joint arrangements

## (a) Summarised financial information for individually immaterial joint ventures

Council has excluded the following Joint Venture from its consolidated financial statements as it is immaterial to the overall Financial Statements.

\$ '000	2019	2018
North East Weight of Loads Group (Policing vehicle weight limits to reduce road damage)		
<b>Aggregate carrying amount of individually immaterial joint ventures</b>	33	34

## (b) Details

	Principal activity	Place of business
North East Weight of Loads Group	Policing vehicle weight limits to reduce road damage	Ballina

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
North East Weight of Loads Group	10.5%	10.0%	32.5%	27.0%	13.0%	13.0%

## (d) Summarised financial information for joint ventures

\$ '000	North East Weight of Loads Group	
	2019	2018
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	229	207
Other current assets	57	60
<b>Non-current assets</b>	67	89
<b>Current liabilities</b>		
Other current liabilities	246	228
<b>Net assets</b>	<b>107</b>	<b>128</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	128	150
Profit/(loss) for the period	(291)	(256)
Member contributions	270	234
<b>Closing net assets</b>	<b>107</b>	<b>128</b>
<b>Council's share of net assets (%)</b>	32.5%	26.8%
<b>Council's share of net assets (\$)</b>	33	34

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

\$ '000	North East Weight of Loads Group	
	2019	2018
<b>Statement of comprehensive income</b>		
Income	259	250
Interest income	5	5
Depreciation and amortisation	(23)	(23)
Other expenses	(531)	(488)
<b>Profit/(loss) from continuing operations</b>	<b>(290)</b>	<b>(256)</b>
<b>Profit/(loss) for the period</b>	<b>(290)</b>	<b>(256)</b>
<b>Total comprehensive income</b>	<b>(290)</b>	<b>(256)</b>
Share of income – Council (%)	10.5%	10.5%
Profit/(loss) – Council (\$)	(30)	(27)
Total comprehensive income – Council (\$)	(30)	(27)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments

\$ '000	2019	2018
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## (a) Capital commitments (exclusive of GST)

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

**Property, plant and equipment**

Infrastructure – other	878	6,943
Plant and equipment	276	–
<b>Total commitments</b>	<b>1,154</b>	<b>6,943</b>

**These expenditures are payable as follows:**

Within the next year	1,154	6,943
<b>Total payable</b>	<b>1,154</b>	<b>6,943</b>

**Details of capital commitments**

The capital commitments are comprised of (\$000's):-

- Truck mounted Street Sweeper \$276
- Evans Head STP Dewatering Equipment \$350
- Neileys Lagoon Road Bridge \$7
- Stan Payne Oval Roof \$179
- Shared pathway on Bruxner Highway and Summerland Way Casino \$342

## (b) Operating lease commitments (non-cancellable)

**As a lessee****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	339	427
Later than one year and not later than 5 years	519	482
<b>Total non-cancellable operating lease commitments</b>	<b>858</b>	<b>909</b>

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

Computer equipment

Heavy Plant - Komatsu graders

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

**As a lessor****a. Future minimum lease payments receivable under non-cancellable operating leases not recognised in the financial statements are receivable as follows:**

Within the next year	452	443
Later than one year and not later than 5 years	–	452
<b>Total non-cancellable operating lease commitments</b>	<b>452</b>	<b>895</b>

**b. Total Contingent rents recognised as income in the period**

Contingent Rents recognised as income in the period	903	874
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**c. Lessor's Leasing arrangements include the following:****Conditions relating to finance and operating leases:**

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) 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 standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard 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 employee 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 additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$323,477.13. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$210,000. Council's expected contribution to the plan for the next annual reporting period is \$356,996.96.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be 0.53% as at 30 June 2019.

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) Self-Insurance: NORPOOL

Council has previously entered into an agreement with a number of Local Government Authorities to jointly manage certain civil liabilities of these Councils which may arise as a result of the exercise of their powers, authorities, duties or functions.

The insurance pool known as NORPOOL was wound up during the 2005/2006 financial year with surplus funds distributed to former members. There are no outstanding claims associated with NORPOOL, however if future claims arise then these will be the responsibility of the Council to whom the claims relate.

#### (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 2019

### Note 16. Contingencies and other assets/liabilities not recognised (continued)

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#### **ASSETS NOT RECOGNISED**

##### **(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	8,172	5,988	8,172	5,968
Receivables	14,141	11,164	14,140	11,164
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	20,000	–	20,000	–
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	18,528	39,028	18,528	39,028
<b>Total financial assets</b>	<b>60,841</b>	<b>56,180</b>	<b>60,840</b>	<b>56,160</b>
<b>Financial liabilities</b>				
Payables	6,331	5,340	6,331	5,340
Loans/advances	25,900	27,189	26,972	27,014
<b>Total financial liabilities</b>	<b>32,231</b>	<b>32,529</b>	<b>33,303</b>	<b>32,354</b>

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

- **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.
- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

## (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
<b>2019</b>				
Possible impact of a 10% movement in market values	1,853	–	(1,853)	–
Possible impact of a 1% movement in interest rates	467	–	(467)	–
<b>2018</b>				
Possible impact of a 10% movement in market values	1,303	–	(1,303)	–
Possible impact of a 1% movement in interest rates	450	–	(450)	–

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

## (b) Credit risk

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

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

Council manages 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.

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.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on 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 and annual charges

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
<b>2019</b>						
Gross carrying amount	2,598	596	–	–	–	3,194
<b>2018</b>						
Gross carrying amount	2,782	694	–	–	–	3,476

## Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	9,491	–	–	–	1,632	11,123
Expected loss rate (%)	1.24%	0.00%	0.00%	0.00%	3.60%	1.59%
<b>ECL provision</b>	<b>118</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>59</b>	<b>177</b>
<b>2018</b>						
Gross carrying amount	6,707	1,267	–	–	–	7,974

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables	0.00%	793	5,538	–	–	6,331	6,331
Loans and advances	4.58%	–	3,631	14,526	13,751	31,908	25,900
<b>Total financial liabilities</b>		<b>793</b>	<b>9,169</b>	<b>14,526</b>	<b>13,751</b>	<b>38,239</b>	<b>32,231</b>
<b>2018</b>							
Trade/other payables	0.00%	542	4,798	–	–	5,340	5,340
Loans and advances	4.64%	–	3,515	14,061	16,686	34,262	27,189
<b>Total financial liabilities</b>		<b>542</b>	<b>8,313</b>	<b>14,061</b>	<b>16,686</b>	<b>39,602</b>	<b>32,529</b>

## Loan agreement breaches

No breaches to loan agreements have occurred during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 26/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----
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**REVENUES**

<b>User charges and fees</b>	<b>14,420</b>	<b>15,919</b>	<b>1,499</b>	<b>10%</b>	<b>F</b>
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User charges and fees were over budget by \$1,499,000 (10%). This is mainly due to additional quarry royalties than budgeted of \$741,000 as well as additional RMS income than budgeted from State Roads Maintenance contract works of \$641,000. These works are subject to variation each year depending on the actual quantity of ordered works from RMS.

<b>Interest and investment revenue</b>	<b>1,037</b>	<b>1,732</b>	<b>695</b>	<b>67%</b>	<b>F</b>
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Interest and investment revenue was over budget by \$695,000 (67%). During the year, Council received payments of \$194,000 in relation to former CDO investments (which were not anticipated or budgeted). In addition, Council reviewed its investment policy during the year. Council invested in TCorp's Medium Term Growth Fund which achieved higher yields than term deposits and other investments held by Council. Total fair value gains for the 2018/2019 were \$790,000.

<b>Other revenues</b>	<b>151</b>	<b>166</b>	<b>15</b>	<b>10%</b>	<b>F</b>
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Over revenues were over budget by \$15,000 (10%). This was mainly due to insurance claims of \$85,000 being received, which are unbudgeted, partially offset by fines being under budget by \$66,000.

<b>Operating grants and contributions</b>	<b>8,513</b>	<b>9,731</b>	<b>1,218</b>	<b>14%</b>	<b>F</b>
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Operating grants and contributions were over budget by \$1,218,000 (14%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted and on the outcomes of various grant applications submitted throughout the year. The main variances included the Financial Assistance Grant being \$323,000 higher than the original budget, bushfire and emergency services grants being \$154,000 over budget and operating natural disaster grants \$112,000.

<b>Capital grants and contributions</b>	<b>12,089</b>	<b>17,647</b>	<b>5,558</b>	<b>46%</b>	<b>F</b>
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Capital grants and contributions were over budget by \$5,558,000 (46%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted and on the outcomes of various grant applications submitted during the year. The main increases included grant funding towards the renewal of Council's sports grounds, parks and facilities being \$2,279,000 over budget, dedicated assets of \$1,506,000 (unbudgeted), natural disaster grants of \$919,000 and developer contributions being over budget by \$700,000.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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**EXPENSES**

<b>Depreciation and amortisation</b>	<b>14,185</b>	<b>15,939</b>	<b>(1,754)</b>	<b>(12)%</b>	<b>U</b>
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Depreciation and amortisation was over budget by \$1,754,000 (12%). This was mainly due to depreciation for Roads, Bridges and Footpaths being over budget by \$1,031,000. This was a result of the revaluation of this class of assets as at 30 June 2018. The changes were not able to be made prior to the adoption of the original budget but were updated in subsequent quarterly budget reviews. Useful lives were reassessed during the year and this resulted in a reduction to what was initially expected to be booked in depreciation of this asset class post the revaluation. Other increases included \$531,000 in asset reinstatement depreciation. This was due to a reassessment of the cost to rehabilitate Council's landfill at Nammonna.

<b>Net losses from disposal of assets</b>	<b>–</b>	<b>5,791</b>	<b>(5,791)</b>	<b>∞</b>	<b>U</b>
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The net profit or loss from the disposal of assets is unknown at the time of setting the original budget. As a result, asset purchases and sales are budgeted for on a gross basis only. The net loss from the disposal of assets is \$5,791,000, details of which are disclosed in Note 5 of the General Purpose Financial Statements.

**STATEMENT OF CASH FLOWS**

<b>Net cash provided from (used in) operating activities</b>	<b>24,961</b>	<b>29,809</b>	<b>4,848</b>	<b>19%</b>	<b>F</b>
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Net cash provided from operating activities was over budget by \$4,848,000 (19%). This was mainly attributable to grants and contributions being over budget by \$3,605,000, along with operating expenses being under budget by \$1,111,000.

<b>Net cash provided from (used in) financing activities</b>	<b>(370)</b>	<b>(1,289)</b>	<b>(919)</b>	<b>248%</b>	<b>U</b>
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Net cash used in financing activities was over budget by \$919,000 (248%). Council had budgeted \$2,000,000 in loan borrowings for 2018/2019, however only borrowed \$1,000,000. The undrawn loan was in relation to deferred rehabilitation works at the Nammoona Landfill.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/19	–	18,528	–	18,528
'Financial assets at amortised cost'/'held to maturity' (2018)		30/06/19	–	20,000	–	20,000
Total financial assets			–	38,528	–	38,528
Infrastructure, property, plant and equipment						
	9					
Plant & Equipment		30/06/19	–	–	13,053	13,053
Office Equipment		30/06/19	–	–	234	234
Furniture & Fittings		30/06/19	–	–	395	395
Land:						
– Operational Land		30/06/17	–	–	19,897	19,897
– Community Land		30/06/17	–	–	8,527	8,527
– Crown Land		30/06/17	–	–	19,289	19,289
– Land Under Roads (post 30/06/08)		30/06/17	–	–	304	304
Land Improvements – non depreciable		30/06/15	–	–	5,154	5,154
Land Improvements – depreciable		30/06/15	–	–	14,961	14,961
Buildings – Specialised		30/06/15	–	–	56,151	56,151
Other Structures		30/06/15	–	–	21,613	21,613
Infrastructure:						
– Roads		30/06/18	–	–	224,717	224,717
– Bridges		30/06/18	–	–	69,545	69,545
– Footpaths		30/06/18	–	–	13,240	13,240
– Bulk Earthworks (non depreciable)		30/06/18	–	–	63,935	63,935
– Stormwater Drainage		30/06/19	–	–	50,510	50,510
– Water Supply Network		30/06/17	–	–	72,447	72,447
– Sewerage Network		30/06/17	–	–	112,228	112,228
– Swimming Pools		30/06/15	–	–	5,975	5,975
– Other Open Space/Recreational Assets		30/06/15	–	–	10,169	10,169
– Library Books		30/06/19	–	–	345	345
Total infrastructure, property, plant and equipment			–	–	782,689	782,689

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2018		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	Notes					
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/18	–	39,028	–	39,028
'Financial assets at amortised cost'/'held to maturity' (2018)			–	–	–	–
Total financial assets			–	39,028	–	39,028
Infrastructure, property, plant and equipment						
	9					
Plant & Equipment		30/06/18	–	–	13,125	13,125
Office Equipment		30/06/18	–	–	302	302
Furniture & Fittings		30/06/18	–	–	421	421
Land:						
– Operational Land		30/06/17	–	–	20,246	20,246
– Community Land		30/06/17	–	–	8,743	8,743
– Crown Land		30/06/17	–	–	20,176	20,176
– Land Under Roads (post 30/06/08)		30/06/17	–	–	277	277
Land Improvements – non depreciable		30/06/15	–	–	4,944	4,944
Land Improvements – depreciable		30/06/15	–	–	11,902	11,902
Buildings – Specialised		30/06/15	–	–	52,579	52,579
Other Structures		30/06/15	–	–	15,645	15,645
Infrastructure:						
– Roads		30/06/18	–	–	219,088	219,088
– Bridges		30/06/18	–	–	68,286	68,286
– Footpaths		30/06/18	–	–	11,720	11,720
– Bulk Earthworks (non depreciable)		30/06/18	–	–	62,362	62,362
– Stormwater Drainage		30/06/14	–	–	34,884	34,884
– Water Supply Network		30/06/17	–	–	71,577	71,577
– Sewerage Network		30/06/17	–	–	110,573	110,573
– Swimming Pools		30/06/15	–	–	5,791	5,791
– Other Open Space/Recreational Assets		30/06/15	–	–	7,816	7,816
– Library Books		30/06/18	–	–	353	353
Total infrastructure, property, plant and equipment			–	–	740,810	740,810

Note that capital WIP is not included above since it is carried at cost.

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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

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

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

#### Financial assets

Investments at fair value through the profit and loss include the following:

Term Deposits (maturity > 3 months)	\$20,000,000
NSW Treasury Corporation - Cash Facility Trust	\$ 9,109,000
NSW Treasury Corporation - Medium Term Growth Fund	\$ 9,419,000

Term deposits are carried at face value and interest is received on maturity.

For the NSW Treasury Corporation investments, Council receives a monthly statement quoting the unit price of the investments and any movement in fair value is recorded in the profit and loss. Investments with NSW Treasury Corporation are not within an active market and are therefore classified as level 2 inputs. There has been no change to the valuation process during the reporting period.

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

##### Plant & Equipment, Office Equipment and Furniture & 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 amount of these assets (depreciated historical cost) is deemed to be fair value due to the nature of these items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers, cars and light commercial vehicles.
- Office Equipment - Computer equipment, photocopiers, projectors and other electronic office equipment.
- Furniture & Fittings - Chairs, desks, shelving, display systems.

The gross replacement cost of these assets are based on current market prices, which are based on observable inputs, however the pattern of consumption, remaining useful life and residual value is implicated by internal factors which are unobservable inputs placing these assets in level 3. There has been no change to the valuation process during the reporting period.

##### Land - Operational

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 years.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset and cash flows from the future use and disposal.

Council's Operational Land was revalued as at 30 June 2017. This asset class is categorised as level 3 due to a number of the above-mentioned inputs used in the valuation requiring significant professional judgement, which are therefore unobservable. There has been no change to the valuation process during the reporting period.

##### Land - Community

Council's Community Land is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community Land is valued using the 'Market Approach'.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Community Land was revalued as at 30 June 2017. There has been no change to the valuation process during the reporting period.

#### **Land - Crown**

Council's Crown Land (including land managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community Land is valued using the 'Market Approach'.

Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Crown Land was revalued as at 30 June 2017. There has been no change to the valuation process during the reporting period.

#### **Land Improvements (Non-Depreciable and Depreciable)**

Land improvement assets include all works carried out to the land to improve its utility, service potential or make it ready for an identified use. Assets include landscaping, land forming, earthworks not integral to other assets, external playing surfaces and facilities internal infrastructure.

Land Improvements are valued by an external valuer every 5 years using the cost approach and the last valuation was performed by an external valuer as at 30 June 2015 using the cost approach. Unobservable inputs include patterns of consumption, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

#### **Land Under Roads (post 30/06/08)**

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 acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant and Equipment and Council recognised this for the first time in the 2010/2011 financial year. Land Under Roads has been revalued as at 30 June 2017 and the valuation was based on the average unit value of all rateable land within Council's area of control using values provided by the Valuer General, discounted by 90% to reflect restrictions on use of land under roads in-line with the englobo method. This asset class is classified as level 3 as significant inputs used in the valuation methodology are unobservable. There were no changes to the valuation process during the reporting period.

#### **Buildings (Specialised)**

Specialised buildings are valued using the cost approach and are valued by an external valuer every 5 years and the last valuation was performed by an external valuer as at 30 June 2015.

Unobservable inputs include patterns of consumption, asset conditions and remaining useful lives.

These factors require extensive professional judgement, resulting in this asset class being classified as level 3.

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

#### **Other Structures**

These assets include all other structures not included in the category of Buildings. Examples include statues, fences, monuments and clocktowers. Other structures are valued using the cost approach and are valued by an external valuer every 5 years and the last valuation was performed by an external valuer as at 30 June 2015.

Unobservable inputs include patterns of consumption, asset conditions and remaining useful lives.

These factors require extensive professional judgement, resulting in this asset class being classified as level 3.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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#### **Roads, Bridges & Footpaths (including Bulk Earthworks)**

This asset class includes the road formation (bulk earthworks), road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. A full revaluation of road assets is undertaken every 5 years. A revaluation was performed as at 30 June 2018.

Whilst units rates, based on square metres or similar capacity, can be supported by market evidence (level 2), other inputs (such as estimates of useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. Useful lives have been reviewed and updated during the reporting period. This has had the effect of reducing Council's depreciation expense by approximately \$1.7 million.

#### **Stormwater Drainage**

Drainage refers to the system for the collection, storage and removal of stormwater developed and maintained by Council. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater Drainage assets is undertaken every 5 years. A revaluation was performed as at 30 June 2019.

Whilst units rates, based on square metres or similar capacity, can be supported by market evidence (level 2), other inputs (such as estimates of useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

#### **Water Supply Network**

Water Supply Network assets include water pipelines, treatment plants, reservoirs, pump stations, water meters and connections etc. Water Supply Network assets are valued by an external valuer every 5 years using the cost approach. In between full revaluations, these assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Office of Water. Water Supply Network Assets were revalued as at 30 June 2017.

Whilst the units rates based on linear metres of certain diameter pipes and prices per unit per pit or similar capacity can be supported by market evidence (level 2), other inputs (such as estimates of useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

#### **Sewerage Network**

Sewerage Network assets include sewerage pipelines, treatment works, pump stations, manholes and sewerage connections. Sewerage Network assets are valued by an external valuer every 5 years using the cost approach. In between full revaluations, these assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Office of Water. Sewerage Network Assets were revalued as at 30 June 2017.

Whilst the units rates based on linear metres of certain diameter pipes and prices per unit per pit or similar capacity can be supported by market evidence (level 2), other inputs (such as estimates of useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

#### **Swimming Pools**

These assets include all structures located within the facility. These assets are valued by an external valuer every 5 years using the cost approach and the last valuation was performed by an external valuer as at 30 June 2015.

Unobservable inputs include patterns of consumption, asset conditions and remaining useful lives.

These factors require extensive professional judgement, resulting in this asset class being classified as level 3.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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#### **Other Open Space/Recreational Assets**

These assets include all structures within Council's sports grounds, parks and reserves. This asset class is valued by an external valuer every 5 years using the cost approach and the last valuation was performed by an external valuer as at 30 June 2015. Unobservable inputs include patterns of consumption, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

#### **Other Assets (Library Books)**

These assets include library books, journals, magazines, CD's, DVD's etc. Library books are valued at cost but are disclosed at fair value in the notes due to the nature of these items.

The gross replacement cost of these assets are based on current market prices, which are based on observable inputs, however the pattern of consumption and remaining useful life are implicated by internal factors which are unobservable inputs placing these assets in level 3. There has been no change to the valuation process during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. 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	Operational Land	Community Land
<b>2018</b>					
<b>Opening balance</b>	11,932	241	459	23,955	8,710
Purchases (GBV)	3,128	139	37	–	–
Disposals (WDV)	(392)	–	–	(4,504)	–
Depreciation and impairment	(1,543)	(78)	(75)	–	–
Revaluation increments to equity (ARR)	–	–	–	795	33
<b>Closing balance</b>	<b>13,125</b>	<b>302</b>	<b>421</b>	<b>20,246</b>	<b>8,743</b>
<b>2019</b>					
<b>Opening balance</b>	13,125	302	421	20,246	8,743
Purchases (GBV)	2,106	8	45	150	–
Disposals (WDV)	(548)	–	–	(869)	–
Depreciation and impairment	(1,630)	(76)	(71)	–	–
Revaluation increments to equity (ARR)	–	–	–	370	(216)
<b>Closing balance</b>	<b>13,053</b>	<b>234</b>	<b>395</b>	<b>19,897</b>	<b>8,527</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Land under Roads post 30/6/08	Land improv- ements non- depreciable	Land improv- ements depreciable	Buildings specialised	Other structures
<b>2018</b>					
<b>Opening balance</b>	248	4,373	11,484	52,016	10,104
Transfers from/(to) another asset class	—	—	13	—	—
Purchases (GBV)	29	440	174	324	4,787
Disposals (WDV)	—	—	—	—	(1,116)
Depreciation and impairment	—	—	(255)	(1,070)	(178)
Revaluation increments to equity (ARR)	—	131	313	1,398	319
Transfers from/(to) Capital Work in Progress	—	—	271	3	1,729
Impairment loss recognised in equity	—	—	(98)	(92)	—
<b>Closing balance</b>	<b>277</b>	<b>4,944</b>	<b>11,902</b>	<b>52,579</b>	<b>15,645</b>
<b>2019</b>					
<b>Opening balance</b>	277	4,944	11,902	52,579	15,645
Transfers from/(to) another asset class	—	—	(89)	—	—
Purchases (GBV)	27	2	2,600	2,797	5,799
Disposals (WDV)	—	—	(79)	(929)	(547)
Depreciation and impairment	—	—	(265)	(1,107)	(273)
Revaluation increments to equity (ARR)	—	208	489	2,142	624
Transfers from/(to) Capital Work in Progress	—	—	403	669	365
<b>Closing balance</b>	<b>304</b>	<b>5,154</b>	<b>14,961</b>	<b>56,151</b>	<b>21,613</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Roads	Bridges	Footpaths	Bulk earthworks (non-depreciable)	Stormwater drainage
<b>2018</b>					
<b>Opening balance</b>	152,992	58,526	11,955	73,631	34,142
Purchases (GBV)	3,850	409	222	361	158
Disposals (WDV)	(893)	(54)	(204)	—	—
Depreciation and impairment	(5,257)	(782)	(289)	—	(564)
Revaluation increments to equity (ARR)	60,098	10,677	36	(11,630)	1,148
Transfers from/(to) Capital Work in Progress	628	26	—	—	—
Reinstatement costs for impaired assets	2,936	134	—	—	—
Impairment reversal recognised in equity	4,734	(650)	—	—	—
<b>Closing balance</b>	<b>219,088</b>	<b>68,286</b>	<b>11,720</b>	<b>62,362</b>	<b>34,884</b>
<b>2019</b>					
<b>Opening balance</b>	219,088	68,286	11,720	62,362	34,884
Transfers from/(to) another asset class	—	—	89	—	—
Purchases (GBV)	6,061	400	716	17	231
Disposals (WDV)	(2,184)	(254)	(93)	(16)	(52)
Depreciation and impairment	(5,967)	(1,160)	(229)	—	(575)
Revaluation increments to equity (ARR)	5,370	1,686	290	1,572	16,022
Transfers from/(to) Capital Work in Progress	1,883	29	747	—	—
Reinstatement costs for impaired assets	376	557	—	—	—
Impairment reversal recognised in equity	90	—	—	—	—
<b>Closing balance</b>	<b>224,717</b>	<b>69,544</b>	<b>13,240</b>	<b>63,935</b>	<b>50,510</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Water supply network	Library books	Sewerage network	Swimming pools	Other open space/ recreation
<b>2018</b>					
<b>Opening balance</b>	71,035	372	109,890	6,754	7,632
Transfers from/(to) another asset class	—	—	—	—	(13)
Purchases (GBV)	770	87	671	14	182
Disposals (WDV)	(256)	(24)	(134)	(8)	(38)
Depreciation and impairment	(1,433)	(82)	(2,121)	(115)	(195)
Revaluation increments to equity (ARR)	1,456	—	2,266	181	203
Transfers from/(to) Capital Work in Progress	5	—	1	—	44
Impairment loss recognised in equity	—	—	—	(1,035)	—
<b>Closing balance</b>	<b>71,577</b>	<b>353</b>	<b>110,573</b>	<b>5,791</b>	<b>7,815</b>
<b>2019</b>					
<b>Opening balance</b>	71,577	353	110,573	5,791	7,815
Purchases (GBV)	1,298	94	1,658	23	1,934
Disposals (WDV)	(282)	(21)	(185)	(2)	(246)
Depreciation and impairment	(1,355)	(81)	(2,181)	(119)	(243)
Revaluation increments to equity (ARR)	1,121	—	1,748	282	312
Transfers from/(to) Capital Work in Progress	88	—	615	—	596
<b>Closing balance</b>	<b>72,447</b>	<b>345</b>	<b>112,228</b>	<b>5,975</b>	<b>10,168</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Crown Land	Total
<b>2018</b>		
<b>Opening balance</b>	19,573	<b>670,024</b>
Purchases (GBV)	–	<b>15,782</b>
Disposals (WDV)	–	<b>(7,623)</b>
Depreciation and impairment	–	<b>(14,037)</b>
Revaluation increments to equity (ARR)	603	<b>68,027</b>
Transfers from/(to) Capital Work in Progress	–	<b>2,707</b>
Reinstatement costs for impaired assets	–	<b>3,070</b>
Impairment reversal recognised in equity	–	<b>4,084</b>
Impairment loss recognised in equity	–	<b>(1,225)</b>
<b>Closing balance</b>	<b>20,176</b>	<b>740,809</b>
<b>2019</b>		
<b>Opening balance</b>	20,176	<b>740,809</b>
Purchases (GBV)	–	<b>25,966</b>
Disposals (WDV)	(893)	<b>(7,200)</b>
Depreciation and impairment	–	<b>(15,332)</b>
Revaluation increments to equity (ARR)	6	<b>32,026</b>
Transfers from/(to) Capital Work in Progress	–	<b>5,395</b>
Reinstatement costs for impaired assets	–	<b>933</b>
Impairment reversal recognised in equity	–	<b>90</b>
<b>Closing balance</b>	<b>19,289</b>	<b>782,687</b>

## b. The valuation process for level 3 fair value measurements

## Fair Value Hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following 'hierarchy':

- Level 1 - Quoted prices (unadjusted) 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 - Unobservable inputs for asset or liability.

## Fair Valuation Techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

**'Cost Approach':** A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

**'Income Approach':** A valuation technique that converts future amounts (cash inflows/outflows) to signal the current (ie discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

**'Market Approach':** A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

## Valuation Techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market process 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).

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- Pattern of consumption
- Asset condition
- Unit rates
- Useful life

#### (5) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Related Party Transactions

#### (a) Key management personnel

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

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

<b>\$ '000</b>	<b>2019</b>	<b>2018</b>
<b>Compensation:</b>		
Short-term benefits	826	797
Post-employment benefits	58	58
Other long-term benefits	22	23
Termination benefits	—	52
<b>Total</b>	<b>906</b>	<b>930</b>

#### (b) Other transactions with KMP and their related parties

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance (incl. loans and commitments)</b>	<b>Terms and conditions</b>	<b>Provisions for impairment of receivables outstanding</b>	<b>Expense recognised for impairment of receivables</b>
<b>\$ '000</b>	<b>Ref</b>					
<b>2019</b>						
Employee expenses relating to close family members of KMP	1	110	—		—	—
<b>2018</b>						
Employee expenses relating to close family members of KMP	1	102	—		—	—

1 One (1) close family member of Council's KMP are employed by the council under the relevant pay award on an arm's length basis

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Related Party Transactions (continued)

#### (c) Other related party transactions

\$ '000	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
<b>2019</b>					
Joint Venture - North East Weight of Loads Group	28	—		—	—
<b>2018</b>					
Joint Venture - North East Weight of Loads Group	25	—		—	—

- 1 The principal activity of NEWLOG is the checking and enforcement of load weights carried by heavy vehicles on roads within the member council's boundaries. NEWLOG operates with the objective to generally advance the aims of reducing damage to Council and classified roads and promotion of road safety, by policing of vehicle weights as prescribed in the Acts and Regulations pertinent to overloading.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. 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

	as at 30/6/2018			as at 30/6/2019				
		Contributions received during the year						
\$ '000	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	200	—	—	6	—	—	206	—
Community facilities	5	—	—	—	—	—	5	—
Infrastructure	2	—	—	—	—	—	2	—
Community Services	53	—	—	2	—	—	55	—
Recreation & Civil Facilities	1	—	—	—	—	—	1	—
Rural Heavy Haulage	1,347	1,642	—	45	(1,201)	—	1,833	—
Quarry Roads	71	—	—	—	—	—	71	—
Bushfire	9	—	—	—	—	—	9	—
<b>S7.11 contributions – under a plan</b>	<b>1,688</b>	<b>1,642</b>	<b>—</b>	<b>53</b>	<b>(1,201)</b>	<b>—</b>	<b>2,182</b>	<b>—</b>
<b>S7.12 levies – under a plan</b>	<b>206</b>	<b>269</b>	<b>—</b>	<b>9</b>	<b>(98)</b>	<b>—</b>	<b>386</b>	<b>—</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>1,894</b>	<b>1,911</b>	<b>—</b>	<b>62</b>	<b>(1,299)</b>	<b>—</b>	<b>2,568</b>	<b>—</b>
S64 contributions	4,904	395	—	148	—	—	5,447	—
<b>Total contributions</b>	<b>6,798</b>	<b>2,306</b>	<b>—</b>	<b>210</b>	<b>(1,299)</b>	<b>—</b>	<b>8,015</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Statement of developer contributions (continued)

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN NUMBER 2 – EX RRSC								
Roads	117	–	–	3	–	–	120	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	53	–	–	2	–	–	55	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	71	–	–	–	–	–	71	–
Rural Heavy Haulage	1,347	1,642	–	45	(1,201)	–	1,833	–
Total	1,591	1,642	–	50	(1,201)	–	2,082	–
CONTRIBUTION PLAN NUMBER – Ex Copmanhurst								
Roads	83	–	–	3	–	–	86	–
Community facilities	5	–	–	–	–	–	5	–
Bushfire	9	–	–	–	–	–	9	–
Total	97	–	–	3	–	–	100	–
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER 1 – Richmond Valley Council								
Section 7.12 Levies	206	269	–	9	(98)	–	386	–
Total	206	269	–	9	(98)	–	386	–

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	16,573	1,396	6,973
User charges and fees	9,570	5,176	1,173
Interest and investment revenue	1,134	211	387
Other revenues	166	–	–
Grants and contributions provided for operating purposes	9,667	63	1
Grants and contributions provided for capital purposes	16,691	291	665
<b>Total income from continuing operations</b>	<b>53,801</b>	<b>7,137</b>	<b>9,199</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	18,278	901	1,482
Borrowing costs	436	–	813
Materials and contracts	5,826	2,365	2,550
Depreciation and amortisation	12,354	1,369	2,216
Other expenses	3,826	1,335	283
Net losses from the disposal of assets	5,309	282	200
<b>Total expenses from continuing operations</b>	<b>46,029</b>	<b>6,252</b>	<b>7,544</b>
<b>Operating result from continuing operations</b>	<b>7,772</b>	<b>885</b>	<b>1,655</b>
<b>Net operating result for the year</b>	<b>7,772</b>	<b>885</b>	<b>1,655</b>
<b>Net operating result attributable to each council fund</b>	<b>7,772</b>	<b>885</b>	<b>1,655</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(8,919)</b>	<b>594</b>	<b>990</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Financial result and financial position by fund (continued)

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,019	1,157	1,996
Investments	22,666	5,453	9,409
Receivables	8,273	1,641	2,057
Inventories	1,249	–	–
Other	331	–	–
<b>Total current assets</b>	<b>37,538</b>	<b>8,251</b>	<b>13,462</b>
<b>Non-current assets</b>			
Investments	1,000	–	–
Receivables	1,156	451	563
Inventories	1,679	–	–
Infrastructure, property, plant and equipment	597,722	74,704	114,824
<b>Total non-current assets</b>	<b>601,557</b>	<b>75,155</b>	<b>115,387</b>
<b>TOTAL ASSETS</b>	<b>639,095</b>	<b>83,406</b>	<b>128,849</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5,650	9	160
Income received in advance	30	–	–
Borrowings	1,209	–	1,277
Provisions	6,315	–	–
<b>Total current liabilities</b>	<b>13,204</b>	<b>9</b>	<b>1,437</b>
<b>Non-current liabilities</b>			
Payables	512	–	–
Borrowings	9,652	–	13,762
Provisions	3,754	–	–
<b>Total non-current liabilities</b>	<b>13,918</b>	<b>–</b>	<b>13,762</b>
<b>TOTAL LIABILITIES</b>	<b>27,122</b>	<b>9</b>	<b>15,199</b>
<b>Net assets</b>	<b>611,973</b>	<b>83,397</b>	<b>113,650</b>
<b>EQUITY</b>			
Accumulated surplus	285,368	27,666	40,759
Revaluation reserves	326,605	55,731	72,891
<b>Council equity interest</b>	<b>611,973</b>	<b>83,397</b>	<b>113,650</b>
<b>Total equity</b>	<b>611,973</b>	<b>83,397</b>	<b>113,650</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	Prior periods 2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(2,334)	(4.51)%	(7.31)%	7.50%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	51,700				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	41,500	59.84%	64.04%	68.13%	>60.00%
Total continuing operating revenue <sup>1</sup>	69,347				
3. Unrestricted current ratio					
Current assets less all external restrictions	27,590	3.05x	3.40x	3.48x	>1.50x
Current liabilities less specific purpose liabilities	9,038				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	14,854	4.20x	0.93x	5.02x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3,538				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,323	11.78%	13.29%	14.94%	<10.00%
Rates, annual and extra charges collectible	28,209				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,172	9.08 mths	7.81 mths	7.00 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	3,103				

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>(11.58)%</b>	(9.88)%	<b>12.80%</b>	7.49%	<b>12.16%</b>	(8.07)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>49.86%</b>	53.45%	<b>93.92%</b>	97.05%	<b>91.75%</b>	95.12%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.05x</b>	3.40x	<b>712.22x</b>	592.00x	<b>6.86x</b>	6.87x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>5.67x</b>	2.12x	∞	∞	<b>1.99x</b>	0.33x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>5.03%</b>	6.31%	<b>23.36%</b>	24.81%	<b>22.40%</b>	23.76%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>6.99</b>	8.67	<b>17.23</b>	14.80	<b>11.83</b>	4.30	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

(1) - (2) Refer to Notes at Note 23a above.

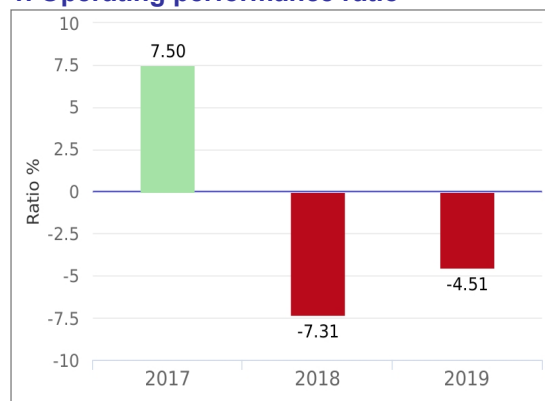
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(c). Statement of performance measures – consolidated results (graphs)

### 1. Operating performance ratio



#### Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

#### Commentary on 2018/19 result

2018/19 ratio (4.51)%

Council's operating performance ratio has improved to -4.51%. The approval of a further special rate variation of 5.5% per annum for the four year period 2019/2020 to 2022/2023 will help Council move this ratio closer to the benchmark of > 0.00%.

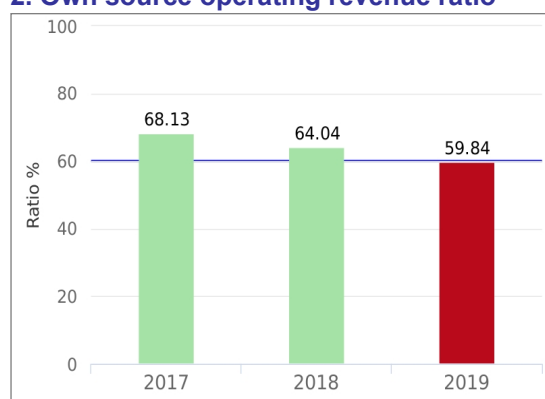
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

#### Commentary on 2018/19 result

2018/19 ratio 59.84%

Council's own source operating revenue ratio is just below the benchmark of 60.00%. Council received a significant level of grant funding during 2018/2019, including funding for a number of one-off projects benefiting the community and local economy. Grant funding is expected to reduce in 2019/2020 and as a result, this ratio is expected to move back above the benchmark in 2019/2020.

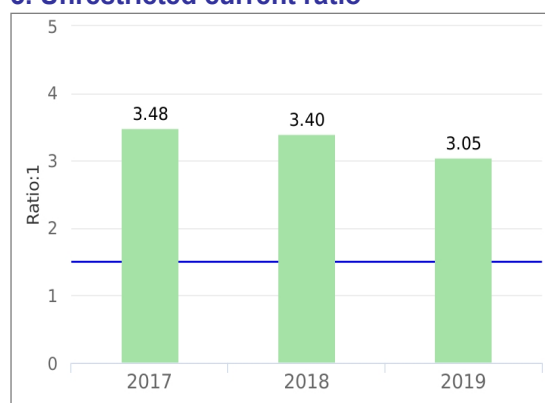
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

#### Commentary on 2018/19 result

2018/19 ratio 3.05x

Council's unrestricted current ratio has decreased slightly to 3.05, which is well above the benchmark of 1.50. This ratio remains relatively consistent.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

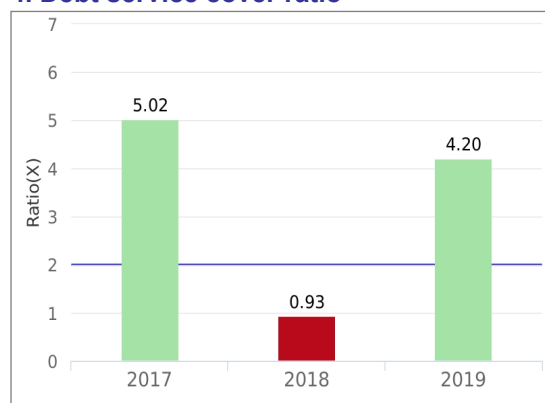
Ratio is outside benchmark

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(c). Statement of performance measures – consolidated results (graphs)

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

#### Commentary on 2018/19 result

2018/19 ratio 4.20x

Council's debt service cover ratio for 2019 has improved to 4.20, above the benchmark of  $> 2.00$ . In 2018, this ratio was affected by the refinancing of three loans, which led to savings of over \$536,000.

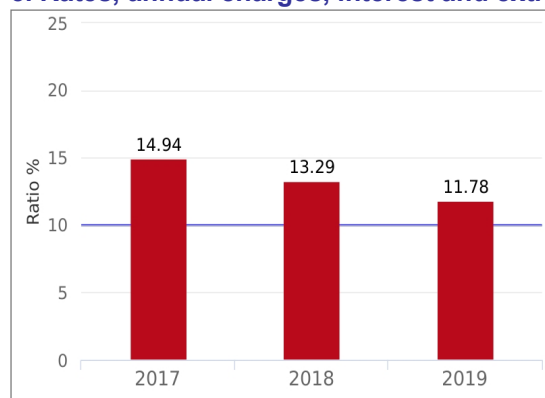
Benchmark: —  $> 2.00x$

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates, annual charges, interest and extra charges outstanding percentage



#### Purpose of rates, annual charges, interest and extra charges outstanding

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

#### Commentary on 2018/19 result

2018/19 ratio 11.78%

There has been a further improvement in Council's rates, annual charges, interest and extra charges outstanding ratio, reducing 13.29% to 11.78%. In comparing this ratio to the benchmark, it is impacted by the fact that Council levies its water and sewerage annual charges in arrears. Council actively monitors and pursues outstanding balances through its debt recovery practices which is leading to the improvement in this ratio.

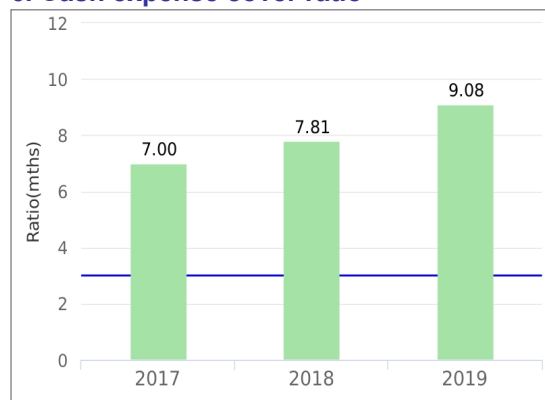
Benchmark: —  $< 10.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

#### Commentary on 2018/19 result

2018/19 ratio 9.08 mths

Council's cash expense cover ratio is well above the benchmark of 3.0. This ratio was affected by the refinancing of three loans in 2018, leading to a significant improvement in 2019.

Benchmark: —  $> 3.00mths$

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 24. Council information and contact details

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**Principal place of business:**

10 Graham Place  
Casino NSW 2470

#### Contact details

**Mailing Address:**

Locked Bag 10  
CASINO NSW 2470

**Telephone:** 02 6660 0300

**Facsimile:** 02 6660 1300

**Opening hours:**

Office Hours: 8:30am - 5:00pm  
Cashier Hours: 8:30am - 4.30pm  
Monday to Friday

**Internet:** [www.richmondvalley.nsw.gov.au](http://www.richmondvalley.nsw.gov.au)

**Email:** [council@richmondvalley.nsw.gov.au](mailto:council@richmondvalley.nsw.gov.au)

#### Officers

**GENERAL MANAGER**

Vaughan Macdonald

**RESPONSIBLE ACCOUNTING OFFICER**

Ryan Gaiter

**Auditors**

Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

#### Elected members

**MAYOR**

Robert Mustow

**Councillors**

Steve Morrissey  
Sam Cornish  
Robert Hayes  
Sandra Humphrys  
Jill Lyons  
Daniel Simpson

#### Other information

**ABN:** 54 145 907 009



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Richmond Valley Council

To the Councillors of the Richmond Valley Council

### Opinion

I have audited the accompanying financial statements of Richmond Valley Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

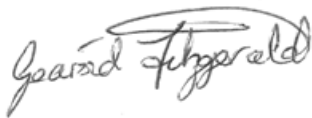
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

23 October 2019  
SYDNEY



Cr Robert Mustow  
Mayor  
Richmond Valley Council  
Locked Bag 10  
CASINO NSW 2470

Contact: Gearoid Fitzgerald  
Phone no: 9275 7392  
Our ref: D1925279/1782

23 October 2019

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
Richmond Valley Council**

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	24.9	23.3	↑ 6.9%
Grants and contributions revenue	27.4	21.0	↑ 30.5
Operating result for the year	10.3	5.7	↑ 80.7
Net operating result before capital grants and contributions	(7.3)	(5.9)	↓ 23.7

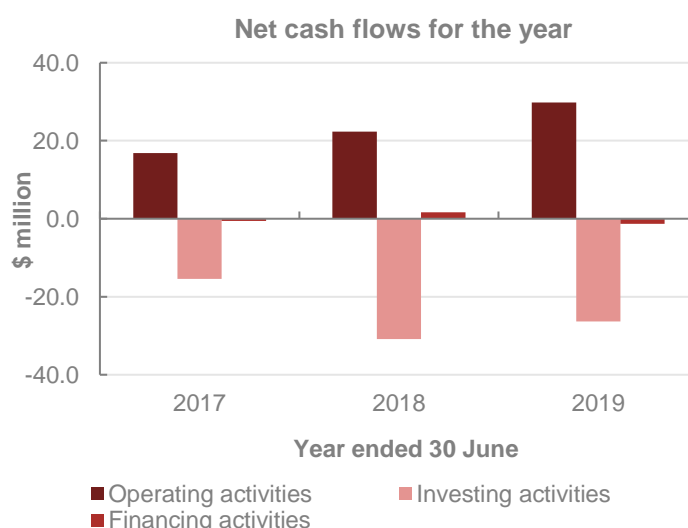
Council's operating result (\$10.3 million surplus including the effect of depreciation and amortisation expense of \$15.9 million) was \$4.6 million higher than the 2017–18 result.

The increase is largely attributable to the following:

- rates and annual charges revenue increased \$1.6 million
  - ordinary rates income increased by \$0.8 million. Council had an approved special general rate increase of 5.5 per cent for the 2018 – 19 year
  - annual charges income increased by \$0.8 million.
- grants and contributions revenue increased by \$6.4 million
  - grants and contributions for capital purposes increased by \$6.1 million. This was predominantly due to additional funding received towards the Northern Rivers Livestock Exchange Upgrade (increased by \$4.0 million), \$1.4 million towards the Casino Drill Hall and Amphitheatre project and \$1.4 million towards the Woodburn Riverside Precinct upgrade. Natural disaster funding decreased by \$2.2 million.
- Roads & Maritime Services NSW (RMS) charges increased by \$1.5 million. These fluctuate year to year based on the needs of the RMS
- employee costs increased by \$1.6 million
- borrowing costs decreased by \$1.7 million. Last year Council incurred \$1.5 million in extra break costs as part of refinancing some of its loans to achieve a better long term outcome
- depreciation and amortisation expense increased by \$1.2 million. Of this, \$1.0 million related to increased depreciation on roads/bridges/footpaths, as a result of the 30 June 2018 revaluation of transport assets in conjunction with a re-assessment of useful lives for these assets by an external expert
- net loss on disposals of assets increased by \$3.1 million. Council undertook a number of significant capital projects during 2018 – 2019. Some of these works involved demolishing existing assets so new assets could be constructed in their place. In addition, Council disposed of some parcels of Crown Land totalling \$0.9 million that were no longer deemed to be under Council's control.

## STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$7.5 million, predominantly due to higher capital grants received as set out above.
- Net cash used in investing activities decreased by \$4.6 million. Whilst net investments in infrastructure, property, plant and equipment increased by \$9.9 million in 2019, 2018 included a transfer to investments of \$13.0 million.
- Net cash used in financing activities increased by \$2.9 million. Only \$1.0 million in new loans were drawn in 2018–19.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	28.7	25.6	<ul style="list-style-type: none"> <li>The increase in externally restricted cash and investments of \$3.1 million is predominantly due to increases of \$1.1 million for water supplies, \$0.8 million for domestic waste management and \$1.2 million for developer contributions.</li> <li>Internally restricted cash and investments has decreased by \$1.4 million. A decrease in the real estate and infrastructure reserve of \$2.0 million was most significant.</li> </ul>
Internal restrictions	18.0	19.4	
<b>Cash and investments</b>	<b>46.7</b>	<b>45.0</b>	

## PERFORMANCE

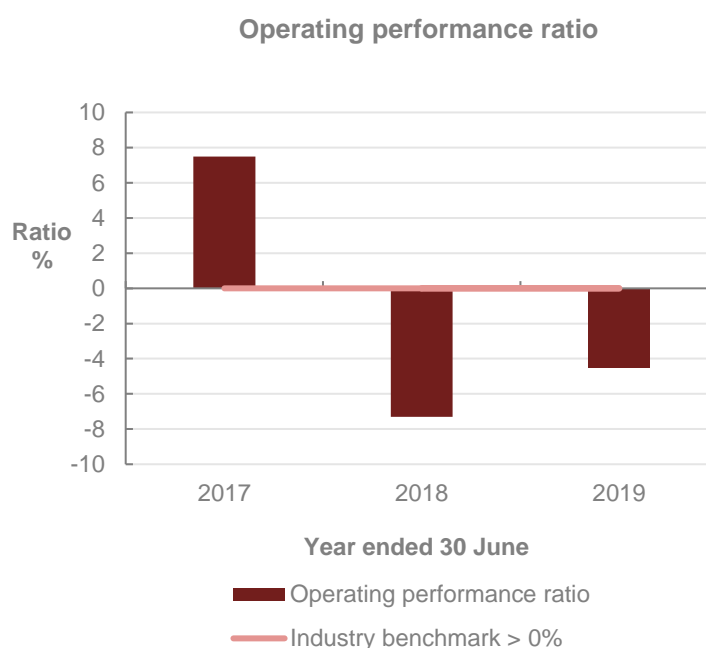
### Operating performance ratio

Councils 'operating performance ratio' for the 2018–19 year was negative 4.51%.

Whilst Council's 'operating performance ratio' has improved from 2018, it is still below the industry benchmark of >0%.

The improvement is reflective of a reduction in Council's operating deficit before capital items.

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



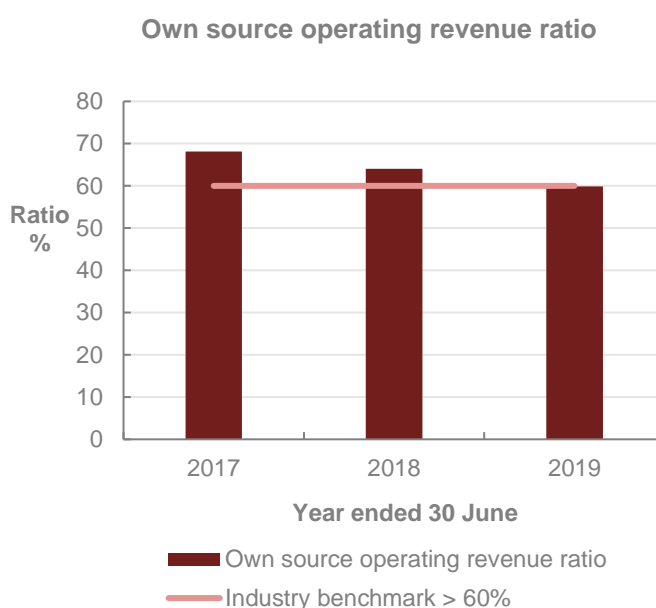
## Own source operating revenue ratio

Council 'own source operating revenue ratio' is at 59.84%, just below the industry benchmark of >60%.

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

Revenue streams, such as quarries, RMS charges, and the Northern Rivers Livestock Exchange, reduce the Council's reliance on government funding.

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

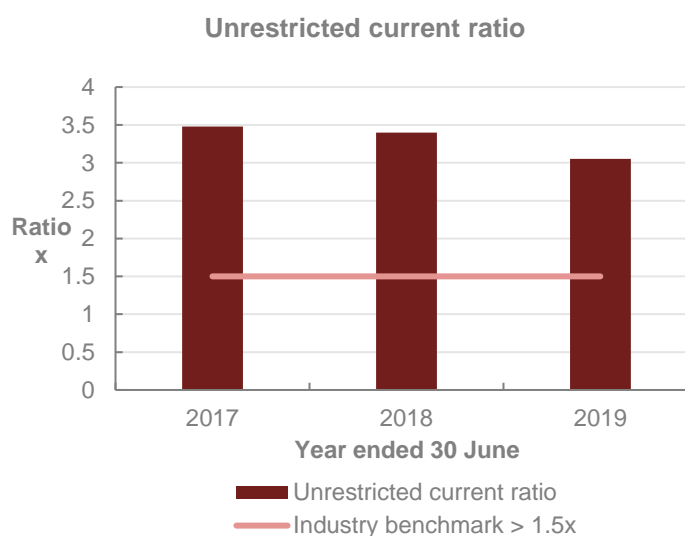


## Unrestricted current ratio

Council's 'unrestricted current ratio' exceeds the industry benchmark, however has declined over the last two years. The reduction from the prior year is due to a decrease in unrestricted current assets.

Council has \$3.05 in liquid current assets for every \$1 of current liabilities.

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



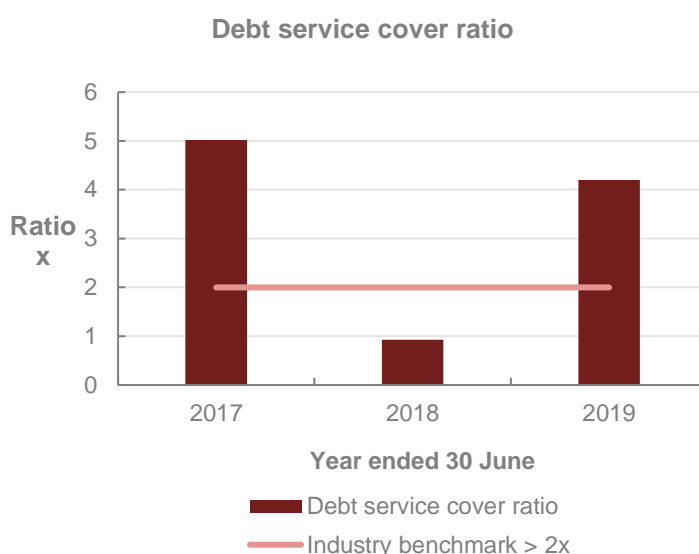
## Debt service cover ratio

Council's 'debt service cover ratio' has improved to 4.20x and is well above the industry benchmark again.

Last year's decline was the result of refinancing of loans, which saw a large increase in principal repayments (although these were offset by proceeds from the refinanced loans, which are excluded from this ratio). Furthermore, Council incurred loan refinancing fees of \$1.5 million as part of this process.

Sewer fund 'debt service cover ratio' has improved from 0.33x in 2018 to 1.99x in 2019.

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



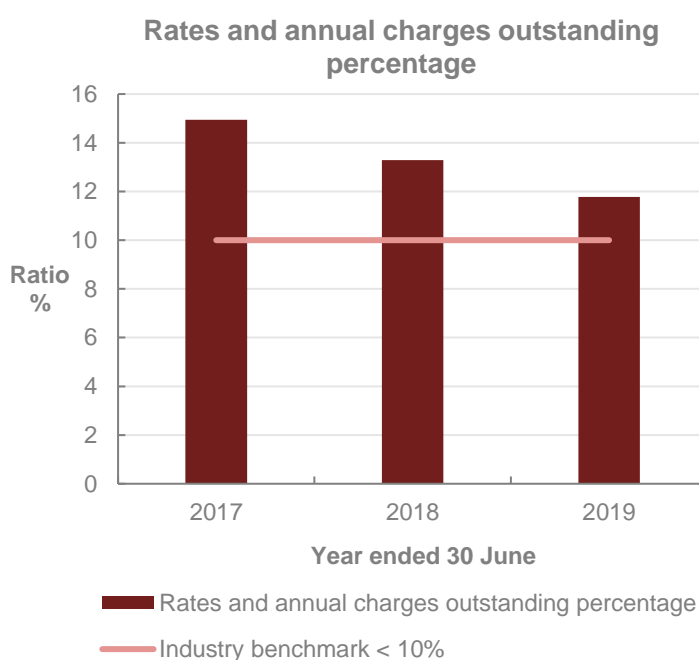
## Rates and annual charges outstanding percentage

Council's 'rates and annual charges outstanding ratio' is at 11.78%.

Despite continued improvement over the last two years, Council did not meet the industry benchmark on a consolidated basis.

General fund 'rates and annual charges outstanding ratio' is at 5.03%. The water and sewer fund ratios are higher than the general fund ratio (and industry benchmark) as Council levies annual charges in arrears for these funds.

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

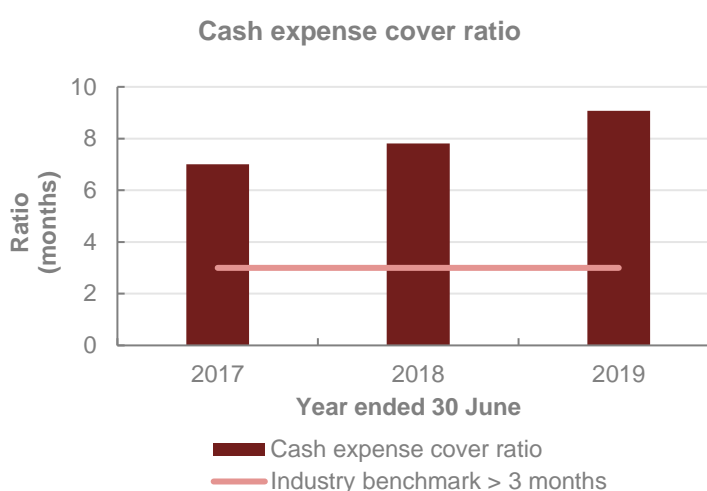


## Cash expense cover ratio

Council continues to improve its 'cash expense cover ratio' and is well above the industry benchmark at 9.08 months.

The absence of last year's large loan repayments, as discussed above, resulted in an improved 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 the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2018 – 2019 financial year was \$17.0 million compared to \$13.6 million in the 2017 – 2018 financial year.

The increase in renewal expenditure has seen renewals exceeding the rate at which these assets are depreciating.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12(b).</p>

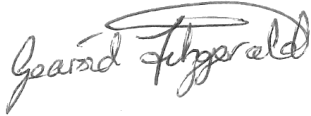
## Legislative compliance

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

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

The Council's:

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

A handwritten signature in dark ink, reading "Gearoid Fitzgerald". The signature is written in a cursive style with a large, sweeping initial 'G'.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

cc: Vaughan Macdonald, General Manager  
Daniel Simpson, Chair of the Internal Audit Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# Special Purpose Financial Statements

for the year ended 30 June 2019

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## Background

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

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

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

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

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

## Richmond Valley Council

### Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 October 2019.



Robert Mustow  
Mayor  
22 October 2019



Steve Morrissey  
Councillor  
22 October 2019



Vaughan Macdonald  
General Manager  
22 October 2019



Ryan Gaiter  
Responsible Accounting Officer  
22 October 2019

# Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	1,396	1,245
User charges	5,057	4,689
Fees	119	99
Interest	211	160
Grants and contributions provided for non-capital purposes	63	78
<b>Total income from continuing operations</b>	<b>6,846</b>	<b>6,271</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	901	913
Materials and contracts	2,365	2,170
Depreciation, amortisation and impairment	1,369	1,446
Water purchase charges	1,056	1,032
Loss on sale of assets	282	256
Calculated taxation equivalents	22	24
Other expenses	279	240
<b>Total expenses from continuing operations</b>	<b>6,274</b>	<b>6,081</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>572</b>	<b>190</b>
Grants and contributions provided for capital purposes	291	110
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>863</b>	<b>300</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>863</b>	<b>300</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(157)	(52)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>706</b>	<b>248</b>
<b>Plus opening accumulated surplus</b>	<b>26,811</b>	<b>26,487</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	22	24
– Corporate taxation equivalent	157	52
<b>Less:</b>		
Amount restated on adoption of AASB 9	(30)	–
<b>Closing accumulated surplus</b>	<b>27,666</b>	<b>26,811</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.3%</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	706	248
Less: capital grants and contributions (excluding developer contributions)	(198)	(37)
<b>Surplus for dividend calculation purposes</b>	<b>508</b>	<b>211</b>
<b>Potential dividend calculated from surplus</b>	<b>254</b>	<b>105</b>

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	6,973	6,707
User charges	1,053	1,050
Fees	120	139
Interest	387	292
Grants and contributions provided for non-capital purposes	1	76
<b>Total income from continuing operations</b>	<b>8,534</b>	<b>8,264</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,482	1,661
Borrowing costs	813	2,154
Materials and contracts	2,550	2,572
Depreciation, amortisation and impairment	2,216	2,158
Loss on sale of assets	200	138
Calculated taxation equivalents	17	18
Other expenses	283	270
<b>Total expenses from continuing operations</b>	<b>7,561</b>	<b>8,971</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>973</b>	<b>(707)</b>
Grants and contributions provided for capital purposes	665	339
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,638</b>	<b>(368)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,638</b>	<b>(368)</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(267)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,371</b>	<b>(368)</b>
<b>Plus opening accumulated surplus</b>	<b>39,142</b>	<b>39,492</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	17	18
– Corporate taxation equivalent	267	–
<b>Less:</b>		
Amount restated on adoption of AASB 9	(38)	–
<b>Closing accumulated surplus</b>	<b>40,759</b>	<b>39,142</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>1.3%</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,371	(368)
Less: capital grants and contributions (excluding developer contributions)	(363)	(235)
<b>Surplus for dividend calculation purposes</b>	<b>1,008</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>504</b>	<b>–</b>

# Income Statement – Petersons Quarry

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
Fees	1,399	1,307
Interest	61	53
Grants and contributions provided for non-capital purposes	–	–
<b>Total income from continuing operations</b>	<b>1,460</b>	<b>1,360</b>
<b>Expenses from continuing operations</b>		
Borrowing costs	11	10
Materials and contracts	104	99
Depreciation, amortisation and impairment	31	31
Other expenses	10	5
<b>Total expenses from continuing operations</b>	<b>156</b>	<b>145</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,304</b>	<b>1,215</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,304</b>	<b>1,215</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,304</b>	<b>1,215</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(359)	(334)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>945</b>	<b>881</b>
<b>Plus opening accumulated surplus</b>	<b>2,376</b>	<b>2,311</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	359	334
<b>Less:</b>		
– Dividend paid	(1,226)	(1,150)
<b>Closing accumulated surplus</b>	<b>2,454</b>	<b>2,376</b>
<b>Return on capital %</b>	<b>114.8%</b>	<b>108.8%</b>

# Income Statement – Woodview Quarry

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
Fees	559	1,283
Interest	40	29
<b>Total income from continuing operations</b>	<b>599</b>	<b>1,312</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	62	78
Borrowing costs	8	8
Materials and contracts	388	656
Depreciation, amortisation and impairment	16	16
Calculated taxation equivalents	3	4
<b>Total expenses from continuing operations</b>	<b>477</b>	<b>762</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>122</b>	<b>550</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>122</b>	<b>550</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>122</b>	<b>550</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(34)	(151)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>88</b>	<b>399</b>
<b>Plus opening accumulated surplus</b>	1,622	1,392
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	3	4
– Corporate taxation equivalent	34	151
<b>Add:</b>		
Subsidy paid/contribution to operations	134	–
<b>Less:</b>		
– Dividend paid	–	(324)
<b>Closing accumulated surplus</b>	<b>1,881</b>	<b>1,622</b>
<b>Return on capital %</b>	<b>11.5%</b>	<b>50.0%</b>

# Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,157	714
Investments	5,453	4,655
Receivables	1,641	1,656
<b>Total current assets</b>	<b>8,251</b>	<b>7,025</b>
<b>Non-current assets</b>		
Receivables	451	536
Infrastructure, property, plant and equipment	74,704	73,855
<b>Total non-current assets</b>	<b>75,155</b>	<b>74,391</b>
<b>TOTAL ASSETS</b>	<b>83,406</b>	<b>81,416</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	9	9
<b>Total current liabilities</b>	<b>9</b>	<b>9</b>
<b>TOTAL LIABILITIES</b>	<b>9</b>	<b>9</b>
<b>NET ASSETS</b>	<b>83,397</b>	<b>81,407</b>
<b>EQUITY</b>		
Accumulated surplus	27,666	26,812
Revaluation reserves	55,731	54,595
<b>TOTAL EQUITY</b>	<b>83,397</b>	<b>81,407</b>

# Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,996	1,413
Investments	9,409	9,206
Receivables	2,057	2,082
<b>Total current assets</b>	<b>13,462</b>	<b>12,701</b>
<b>Non-current assets</b>		
Receivables	563	609
Infrastructure, property, plant and equipment	114,824	113,392
<b>Total non-current assets</b>	<b>115,387</b>	<b>114,001</b>
<b>TOTAL ASSETS</b>	<b>128,849</b>	<b>126,702</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	160	173
Borrowings	1,277	1,209
<b>Total current liabilities</b>	<b>1,437</b>	<b>1,382</b>
<b>Non-current liabilities</b>		
Borrowings	13,762	15,039
<b>Total non-current liabilities</b>	<b>13,762</b>	<b>15,039</b>
<b>TOTAL LIABILITIES</b>	<b>15,199</b>	<b>16,421</b>
<b>NET ASSETS</b>	<b>113,650</b>	<b>110,281</b>
<b>EQUITY</b>		
Accumulated surplus	40,759	39,142
Revaluation reserves	72,891	71,139
<b>TOTAL EQUITY</b>	<b>113,650</b>	<b>110,281</b>

# Statement of Financial Position – Petersons Quarry

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	2,183	2,063
<b>Total current assets</b>	<b>2,183</b>	<b>2,063</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,145	1,126
<b>Total non-current assets</b>	<b>1,145</b>	<b>1,126</b>
<b>TOTAL ASSETS</b>	<b>3,328</b>	<b>3,189</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions	486	444
<b>Total non-current liabilities</b>	<b>486</b>	<b>444</b>
<b>TOTAL LIABILITIES</b>	<b>486</b>	<b>444</b>
<b>NET ASSETS</b>	<b>2,842</b>	<b>2,745</b>
<b>EQUITY</b>		
Accumulated surplus	2,454	2,376
Revaluation reserves	388	369
<b><u>TOTAL EQUITY</u></b>	<b><u>2,842</u></b>	<b><u>2,745</u></b>

# Statement of Financial Position – Woodview Quarry

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	1,538	1,254
<b>Total current assets</b>	<b>1,538</b>	<b>1,254</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,129	1,115
<b>Total non-current assets</b>	<b>1,129</b>	<b>1,115</b>
<b>TOTAL ASSETS</b>	<b>2,667</b>	<b>2,369</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions	389	356
<b>Total non-current liabilities</b>	<b>389</b>	<b>356</b>
<b>TOTAL LIABILITIES</b>	<b>389</b>	<b>356</b>
<b>NET ASSETS</b>	<b>2,278</b>	<b>2,013</b>
<b>EQUITY</b>		
Accumulated surplus	1,881	1,622
Revaluation reserves	397	391
<b><u>TOTAL EQUITY</u></b>	<b><u>2,278</u></b>	<b><u>2,013</u></b>

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

### Note 1. Significant Accounting Policies

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A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

###### a. Water Supplies

Comprising the whole of the operations and assets of the water supply systems, which service the towns of Broadwater, Casino, Coraki, Evans Head and Woodburn.

###### b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, which service the towns of Casino, Broadwater, Coraki, Evans Head, Rileys Hill and Woodburn.

##### Category 2

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

###### a. Petersons Quarry

Providing high quality supplies of gravel, aggregate and other materials, for both Council's construction program and also for sale to the public.

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

### Note 1. Significant Accounting Policies (continued)

---

#### b. Woodview Quarry

Providing high quality supplies of gravel, aggregate and other materials, for both Council's construction program and also for sale to the public.

#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

#### Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

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

## 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 1.32% at 30/6/19.

### (iv) Dividends

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

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

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

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

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Richmond Valley Council**

To the Councillors of the Richmond Valley Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Richmond Valley Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water supply
- Sewerage
- Peterson's Quarry
- Woodview Quarry.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

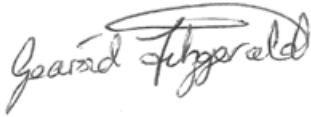
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in dark ink, reading "Gearoid Fitzgerald". The signature is written in a cursive style with a large, sweeping initial 'G' and a distinct 'F'.

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

23 October 2019  
SYDNEY

# Richmond Valley Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Special Schedules

for the year ended 30 June 2019

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#### **Special Schedules**

Permissible income for general rates

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

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	12,444	11,767
Plus or minus adjustments <sup>2</sup>	b	46	57
<b>Notional general income</b>	<b>c = a + b</b>	<b>12,490</b>	<b>11,824</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	5.50%	5.50%
Plus special variation amount	$h = d \times (c + g)$	687	650
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>13,177</b>	<b>12,474</b>
Plus (or minus) last year's carry forward total	l	47	17
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>47</b>	<b>17</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>13,224</b>	<b>12,491</b>
Less notional general income yield	p	13,175	12,444
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>49</b>	<b>47</b>
Less unused catch-up <sup>5</sup>	s	(17)	—
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r + s</b>	<b>32</b>	<b>47</b>

## 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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Richmond Valley Council

To the Councillors of Richmond Valley Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Richmond Valley Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

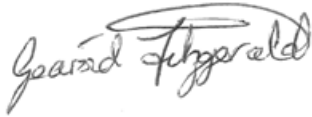
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in cursive script, reading "Gearoid Fitzgerald". The signature is written in dark ink and is positioned above the printed name and title.

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

23 October 2019  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Buildings – specialised	473	473	363	344	56,151	73,284	25.0%	24.0%	40.0%	10.0%	1.0%
	<b>Sub-total</b>	<b>473</b>	<b>473</b>	<b>363</b>	<b>344</b>	<b>56,151</b>	<b>73,284</b>	<b>25.0%</b>	<b>24.0%</b>	<b>40.0%</b>	<b>10.0%</b>	<b>1.0%</b>
<b>Other structures</b>	Other structures	10	10	129	137	21,613	23,381	88.0%	11.0%	1.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>10</b>	<b>10</b>	<b>129</b>	<b>137</b>	<b>21,613</b>	<b>23,381</b>	<b>88.0%</b>	<b>11.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	4,323	4,323	1,758	1,962	204,442	285,066	25.0%	42.0%	26.0%	7.0%	0.0%
	Unsealed roads	305	305	831	1,078	20,275	29,786	26.0%	54.0%	15.0%	5.0%	0.0%
	Bridges	905	905	66	30	69,545	99,373	3.0%	51.0%	40.0%	6.0%	0.0%
	Footpaths	–	–	40	22	13,240	15,707	78.0%	22.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	63,935	63,935	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>5,533</b>	<b>5,533</b>	<b>2,695</b>	<b>3,092</b>	<b>371,437</b>	<b>493,867</b>	<b>32.0%</b>	<b>38.5%</b>	<b>24.0%</b>	<b>5.5%</b>	<b>0.0%</b>
<b>Water supply network</b>	Water supply network	382	382	404	483	72,447	91,922	47.0%	48.0%	3.0%	2.0%	0.0%
	<b>Sub-total</b>	<b>382</b>	<b>382</b>	<b>404</b>	<b>483</b>	<b>72,447</b>	<b>91,922</b>	<b>47.0%</b>	<b>48.0%</b>	<b>3.0%</b>	<b>2.0%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network	3,129	3,129	973	838	112,228	143,330	44.0%	35.0%	13.0%	8.0%	0.0%
	<b>Sub-total</b>	<b>3,129</b>	<b>3,129</b>	<b>973</b>	<b>838</b>	<b>112,228</b>	<b>143,330</b>	<b>44.0%</b>	<b>35.0%</b>	<b>13.0%</b>	<b>8.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	1,045	1,045	171	168	50,510	59,932	37.0%	40.0%	17.0%	6.0%	0.0%
	<b>Sub-total</b>	<b>1,045</b>	<b>1,045</b>	<b>171</b>	<b>168</b>	<b>50,510</b>	<b>59,932</b>	<b>37.0%</b>	<b>40.0%</b>	<b>17.0%</b>	<b>6.0%</b>	<b>0.0%</b>

## Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	1,479	1,479	11	3	5,975	8,368	32.0%	41.0%	19.0%	8.0%	0.0%
	Other Open Space/Recreation	82	82	101	126	10,169	12,493	72.0%	20.0%	3.0%	4.0%	1.0%
	<b>Sub-total</b>	<b>1,561</b>	<b>1,561</b>	<b>112</b>	<b>129</b>	<b>16,144</b>	<b>20,861</b>	<b>56.0%</b>	<b>28.4%</b>	<b>9.4%</b>	<b>5.6%</b>	<b>0.6%</b>
<b>TOTAL - ALL ASSETS</b>		<b>12,133</b>	<b>12,133</b>	<b>4,847</b>	<b>5,191</b>	<b>700,530</b>	<b>906,577</b>	<b>37.2%</b>	<b>36.9%</b>	<b>20.0%</b>	<b>5.8%</b>	<b>0.1%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	15,558	117.78%	86.18%	82.94%	>=100.00%
Depreciation, amortisation and impairment	13,209				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	12,133	1.73%	1.92%	3.80%	<2.00%
Net carrying amount of infrastructure assets	700,530				
Asset maintenance ratio					
Actual asset maintenance	5,191	107.10%	119.15%	113.84%	>100.00%
Required asset maintenance	4,847				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	12,133	1.34%	1.47%	2.65%	
Gross replacement cost	906,577				

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

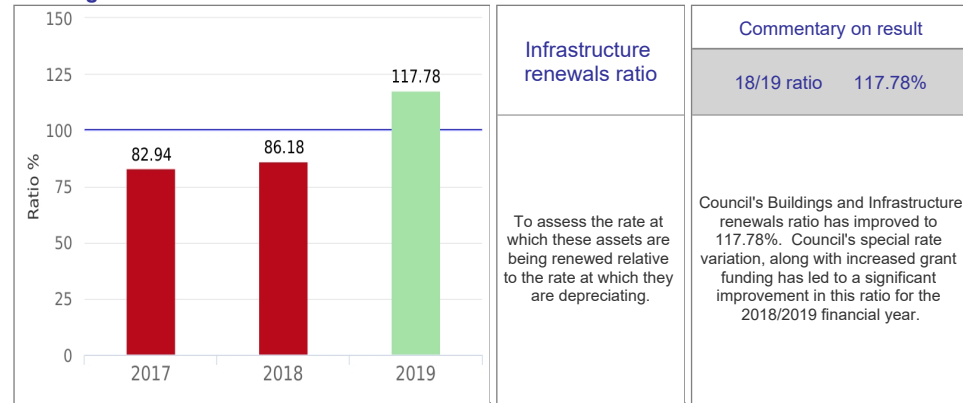
(1) Excludes Work In Progress (WIP)

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

# Report on Infrastructure Assets (continued)

as at 30 June 2019

## Buildings and infrastructure renewals ratio <sup>1</sup>



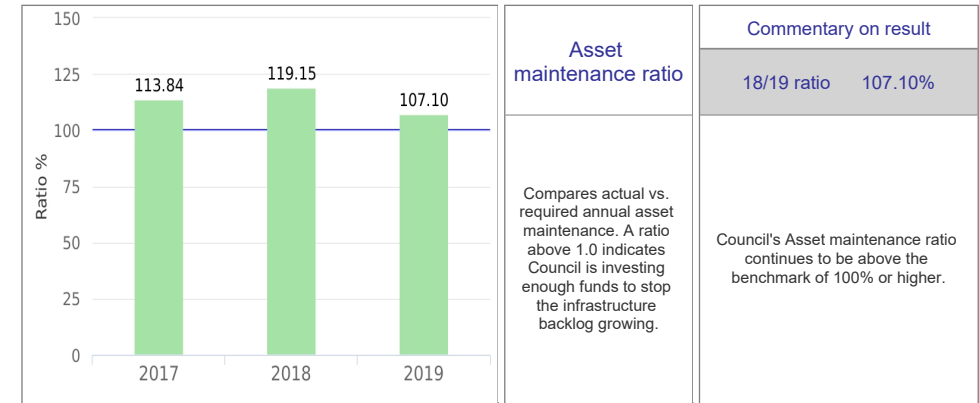
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Asset maintenance ratio



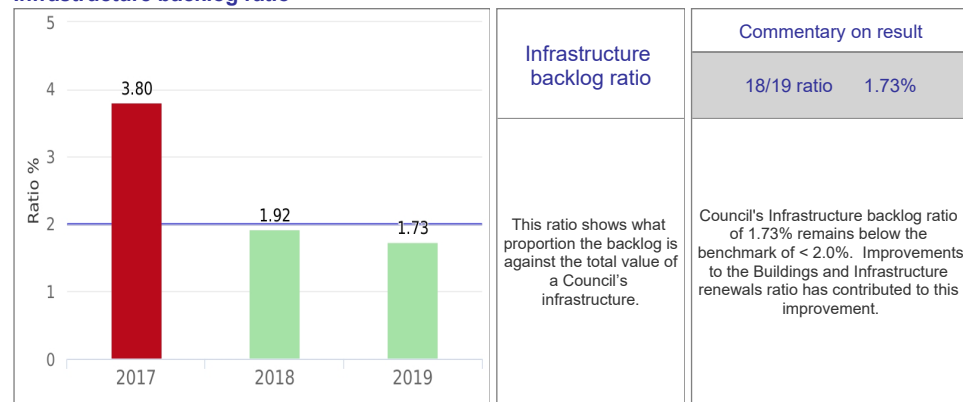
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Infrastructure backlog ratio <sup>1</sup>



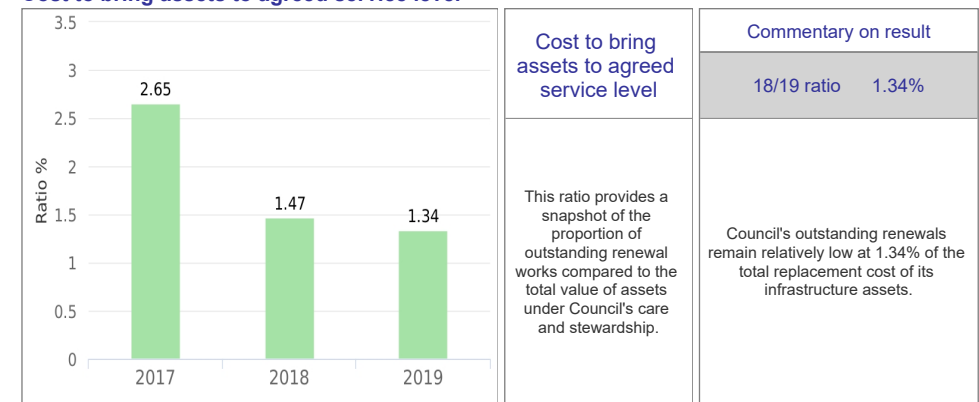
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>	134.59%	101.07%	70.18%	49.34%	72.81%	51.77%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard	1.67%	2.01%	0.53%	0.54%	2.79%	2.43%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	111.53%	122.83%	119.55%	95.50%	86.13%	116.44%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.28%	1.52%	0.42%	0.43%	2.18%	1.92%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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