Richmond Valley Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

LOVE
WHERE WE LIVE &
WORK

This report documents Richmond Valley Council's performance throughout the 2019-2020 financial year.

Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

Richmond Valley Council

Richmond Valley Council

General Purpose Financial Statements

for the year ended 30 June 2020

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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.

Richmond Valley Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

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

2. The Statement of Comprehensive Income
Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position
A 30 June snapshot of Council's financial position indicating its assets, liabilities and “net wealth”.

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 October 2020.

Robert Mustow
Mayor
20 October 2020

Stephen Morrissey
Councillor
20 October 2020

Vaughan Macdonald
General Manager
20 October 2020

Ryan Gaiter
Responsible Accounting Officer
20 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	$ '000	Notes	Actual 2020	Actual 2019
	Income from continuing operations			
26,629	Rates and annual charges	3a	26,759	24,942
13,989	User charges and fees	3b	15,175	15,919
249	Other revenues	3c	990	166
9,916	Grants and contributions provided for operating purposes	3d,3e	14,141	9,731
3,526	Grants and contributions provided for capital purposes	3d,3e	9,782	17,647
1,218	Interest and investment income	4	817	1,732
–	Reversal of impairment losses on receivables	8	47	–
780	Rental income	12e	1,321	–
56,307	**Total income from continuing operations**		69,032	70,137
	Expenses from continuing operations			
20,485	Employee benefits and on-costs	5a	21,650	20,661
1,248	Borrowing costs	5b	1,185	1,249
11,630	Materials and contracts	5c	14,118	10,741
18,069	Depreciation and amortisation	5d	17,126	15,939
6,038	Other expenses	5e	5,938	5,444
–	Net losses from the disposal of assets	6	2,709	5,791
57,470	**Total expenses from continuing operations**		62,726	59,825
(1,163)	**Operating result from continuing operations**		6,306	10,312
(1,163)	Net operating result for the year		6,306	10,312
(1,163)	Net operating result attributable to council		6,306	10,312
(4,689)	**Net operating result for the year before grants and contributions provided for capital purposes**		(3,476)	(7,335)

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

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

Richmond Valley Council

Statement of Comprehensive Income

for the year ended 30 June 2020

$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		**6,306**	**10,312**
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	10,652	32,026
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10	(6,982)	90
Total items which will not be reclassified subsequently to the operating result		3,670	32,116
Total other comprehensive income for the year		3,670	32,116
Total comprehensive income for the year		9,976	42,428
Total comprehensive income attributable to Council		9,976	42,428

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

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

Richmond Valley Council

Statement of Financial Position

as at 30 June 2020

$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	6,686	8,172
Investments	7(b)	44,670	37,528
Receivables	8	8,987	11,971
Inventories	9a	2,324	1,332
Contract assets	11a	3,640	–
Other	9b	295	248
Total current assets		66,602	59,251
Non-current assets			
Investments	7(b)	2,000	1,000
Receivables	8	1,439	2,170
Inventories	9a	1,153	1,679
Infrastructure, property, plant and equipment	10	787,770	787,250
Right of use assets	12a	292	–
Total non-current assets		792,654	792,099
Total assets		859,256	851,350
LIABILITIES			
Current liabilities			
Payables	13	4,916	5,819
Income received in advance	13	–	30
Contract liabilities	11b	1,868	–
Lease liabilities	12b	151	–
Borrowings	13	2,600	2,486
Provisions	14	6,329	6,315
Total current liabilities		15,864	14,650
Non-current liabilities			
Payables	13	314	512
Contract liabilities	11b	67	–
Lease liabilities	12b	145	–
Borrowings	13	20,814	23,414
Provisions	14	3,588	3,754
Total non-current liabilities		24,928	27,680
Total liabilities		40,792	42,330
Net assets		818,464	809,020
EQUITY			
Accumulated surplus	15	359,567	353,793
Revaluation reserves	15	458,897	455,227
Council equity interest		818,464	809,020
Total equity		818,464	809,020

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

$ '000	Notes	as at 30/06/20 Accumulated surplus	as at 30/06/20 IPP&E revaluation reserve	as at 30/06/20 Total equity	as at 30/06/19 Accumulated surplus	as at 30/06/19 IPP&E revaluation reserve	as at 30/06/19 Total equity
Opening balance		353,793	455,227	809,020	343,332	423,111	766,443
Adoption of new accounting standards – not retrospective	15b	–	–	–	149	–	149
Changes due to AASB 1058 and AASB 15 adoption	15	(532)	–	(532)	–	–	–
Restated opening balance		353,261	455,227	808,488	343,481	423,111	766,592
Net operating result for the year		6,306	–	6,306	10,312	–	10,312
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	10,652	10,652	–	32,026	32,026
– Impairment (loss) reversal relating to IPP&E	10	–	(6,982)	(6,982)	–	90	90
Other comprehensive income		–	3,670	3,670	–	32,116	32,116
Total comprehensive income		6,306	3,670	9,976	10,312	32,116	42,428
Equity – balance at end of the reporting period		359,567	458,897	818,464	353,793	455,227	809,020

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	$ '000	Notes	Actual 2020	Actual 2019
	Cash flows from operating activities			
	Receipts:			
26,629	Rates and annual charges		27,038	25,193
14,769	User charges and fees		18,576	14,043
1,218	Investment and interest revenue received		859	767
13,442	Grants and contributions		21,054	24,170
–	Bonds, deposits and retention amounts received		–	251
249	Other		2,352	329
	Payments:			
(20,485)	Employee benefits and on-costs		(21,463)	(20,303)
(11,287)	Materials and contracts		(14,117)	(10,391)
(1,212)	Borrowing costs		(1,262)	(1,103)
–	Bonds, deposits and retention amounts refunded		(128)	–
(6,038)	Other		(6,849)	(3,147)
17,285	**Net cash provided (or used in) operating activities**	16b	26,060	29,809
	Cash flows from investing activities			
	Receipts:			
–	Sale of investment securities		–	1,290
2,485	Sale of real estate assets		335	–
585	Sale of infrastructure, property, plant and equipment		2,774	1,456
1	Deferred debtors receipts		2	2
	Payments:			
–	Purchase of investment securities		(7,999)	–
(15,790)	Purchase of infrastructure, property, plant and equipment		(19,445)	(29,084)
(2,815)	Purchase of real estate assets		(562)	–
(15,534)	**Net cash provided (or used in) investing activities**		(24,895)	(26,336)
	Cash flows from financing activities			
	Receipts:			
–	Proceeds from borrowings and advances		–	1,000
	Payments:			
(2,486)	Repayment of borrowings and advances		(2,486)	(2,289)
–	Lease liabilities (principal repayments)		(165)	–
(2,486)	**Net cash flow provided (used in) financing activities**		(2,651)	(1,289)
(735)	**Net increase/(decrease) in cash and cash equivalents**		(1,486)	2,184
8,172	Plus: cash and cash equivalents – beginning of year	16a	8,172	5,988
7,437	Cash and cash equivalents – end of the year	16a	6,686	8,172
46,670	plus: Investments on hand – end of year	7(b)	46,670	38,528
54,107	Total cash, cash equivalents and investments		53,356	46,700

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

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

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Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 20 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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 21 – Material budget variations

and are clearly marked.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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 10
(ii) estimated tip remediation provisions – refer Note 14
(iii) employee benefit provisions – refer Note 14.

Drought, Bushfires, Flood and COVID-19 Impacts

During the 2019/20 financial year Council has been faced with the effects of drought, bushfires, floods and COVID-19, all of which have significantly impacted our Local Government Area (LGA) along with much of the nation. These financial challenges have presented themselves at a time when the community is relying heavily on Council to maintain essential services and to provide economic stimulus by supporting local suppliers and job creation schemes.

continued on next page ...

Note 1. Basis of preparation (continued)

Significant expenditure of $5.83m has occured as part of Council's recovery from natural disasters mainly on Council roads and other infrastructure. A large prortion of this spending is being funded by Government grants the majority of which will be recieved in the 2020/21 financial year.

COVID-19 afffected the way Council conducts its operations with the closure of various community halls, libraries, sports grounds and cancellation of events. A large portion of Council's indoor workforce were required to work from home for a period of approximately 8-10 weeks, whilst a number of work health and safety measures were introduced to ensure social distancing and the general wellbeing of staff, contractors and other stakeholders. Council adopted a "Response to Coronavirus (COVID-19) Community and Resilience Package" in April 2020 which included initiatives such as a 0.0% interest rate on overdue rates and water accounts from 1 April 2020 to 30 September 2020. The NSW Minister for Local Government extended this to 31 December 2020 and also extended the due date for first quarter 2020/21 instalments to 30 September 2020. Council updated its exisiting financial hardship policy while a new policy specifically addressing financial hardship as a result of natural disasters was adopted.

The effects of COVID-19 had an estimated financial impact on Council of $251k to 30 June 2020 through additional personal protective equipment, additional cleaning services, hire of vehicles, information technology expenses, an online sales system at the Northern Rivers Livestock Exchange, waived interest on overdue accounts and refunded booking fees. A further $85k is forecast to impact Council's finances in 2020/21 due to waived interest on overdue accounts. Council has updated its methodology for assessing the impairment of its receiveables under AASB 9 Financial Instruments to factor in a loss of 10.6% in Gross Regional Product (GRP) during the June 2020 quarter. Council's land, buidlings and other structures were revalued during 2019/20, although COVID-19 did not have any material impacts on these valuations.

Despite these hardships, Council is confident that it will continue as a going concern in the long-term.

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 8.

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.

continued on next page ...

Note 1. Basis of preparation (continued)

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

Volunteer services

Council utilise a number of volunteer services however these are deemed not material to recognise on the income statement.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

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 2020	Income from continuing operations 2019	Expenses from continuing operations 2020	Expenses from continuing operations 2019	Operating result from continuing operations 2020	Operating result from continuing operations 2019	Grants included in income from continuing operations 2020	Grants included in income from continuing operations 2019	Carrying amount of assets 2020	Carrying amount of assets 2019
Functions or activities										
Connecting People and Places	20,322	15,680	28,376	28,074	(8,054)	(12,394)	11,991	8,387	485,768	487,193
Growing our Economy	6,603	12,854	6,891	6,856	(288)	5,998	498	6,976	35,717	33,906
Looking after our Environment	23,157	22,519	24,758	21,643	(1,601)	876	268	134	274,553	272,567
Making Council Great	19,140	19,091	2,891	3,259	16,249	15,832	5,307	5,253	63,218	57,684
Total functions and activities	69,222	70,144	62,916	59,832	6,306	10,312	18,064	20,750	859,256	851,350

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

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

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 2020

Note 3. Revenue from continuing operations

$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	8,534	8,054
Farmland	1058 (1)	2,609	2,469
Business	1058 (1)	1,733	1,664
Less: pensioner rebates (mandatory)	1058 (1)	(386)	(394)
Rates levied to ratepayers		12,490	11,793
Pensioner rate subsidies received	1058 (1)	212	217
Total ordinary rates		12,702	12,010
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	4,335	3,746
Stormwater management services	1058 (1)	201	201
Water supply services	1058 (1)	1,447	1,367
Sewerage services	1058 (1)	7,198	6,920
Waste management services (non-domestic)	1058 (1)	1,085	903
Less: pensioner rebates (mandatory)	1058 (1)	(464)	(457)
Annual charges levied		13,802	12,680
Pensioner subsidies received:			
– Water	1058 (1)	80	81
– Sewerage	1058 (1)	79	79
– Domestic waste management	1058 (1)	96	92
Total annual charges		14,057	12,932
TOTAL RATES AND ANNUAL CHARGES		26,759	24,942

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	4,747	4,674
Sewerage services	15 (2)	903	1,016
Waste management services (non-domestic)	15 (2)	27	44
Total specific user charges		5,677	5,734
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	412	477
Private works – section 67	15 (2)	352	661
Regulatory/ statutory fees	15 (1)	119	136
Registration fees	15 (1)	177	186
Total fees and charges – statutory/regulatory		1,060	1,460
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	1	1
Caravan park	15 (1)	79	78
Cemeteries	15 (1)	269	258
Quarries	15 (1)	294	1,355
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	4,261	4,003
Northern Rivers Livestock Exchange	15 (1)	1,570	1,184
Waste disposal tipping fees	15 (1)	1,659	1,276
Casino showground	15 (1)	18	17
Rent / hire of council property	15 (1)	–	213
Richmond Upper Clarence Regional Library	15 (1)	10	13
Sports grounds	15 (1)	15	29
Other	15 (1)	262	298
Total fees and charges – other		8,438	8,725
TOTAL USER CHARGES AND FEES		15,175	15,919

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

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

Accounting policy for user charges and fees

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

2019 accounting policy
User charges and fees are recognised as revenue when the service has been provided.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

$ '000	AASB	2020	2019
(c) Other revenues			
Fines	1058 (1)	126	80
Insurance claims recoveries	116	770	85
Other	1058 (1)	94	1
TOTAL OTHER REVENUE		990	166

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

15 (1) indicates income recognised under AASB 15 “at a point in time”,
1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while
116 indicates income recognised as compensation for impairment to property, plant & equipment

Accounting policy for other revenue

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

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

2019 accounting policy:
Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council’s activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,759	1,753	–	–
Financial assistance – local roads component	1058 (1)	800	791	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,863	1,817	–	–
Financial assistance – local roads component	1058 (1)	850	821	–	–
Total general purpose		5,272	5,182	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	2,910	659	141	327
LIRS subsidy	1058 (1)	2	2	–	–
Street lighting	1058 (1)	92	90	–	–
Transport (roads to recovery)	1058 (1)	1,002	706	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	1,516	1,484
Library – Richmond Upper Clarence Regional	15 (1) / 1058 (2)	208	116	6	45
Natural disaster funding	1058 (2)	1,562	112	3,391	919
Northern Rivers Livestock Exchange	1058 (2)	–	–	160	6,943
Public Halls	1058 (2)	–	–	64	142
Sporting grounds	1058 (2)	–	–	1,133	3,557
Strategic planning	15 (1)	12	13	–	–
Waste and sustainability	1058 (2)	130	96	75	–
Other	1058 (1)	359	190	29	167
Total specific purpose		6,277	1,984	6,515	13,584
Total grants		11,549	7,166	6,515	13,584
Grant revenue is attributable to:					
– Commonwealth funding		6,274	5,888	204	2,148
– State funding		5,275	1,278	6,311	11,436
		11,549	7,166	6,515	13,584

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

15 (1) indicates income recognised under AASB 15 “at a point in time”,
15 (2) indicates income recognised under AASB 15 “over time”,
1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while
1058 (2) indicates income recognised under AASB 1058 “over time”.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	1,472	1,642
S 7.12 – fixed development consent levies		1058 (1)	–	–	201	269
S 64 – water supply contributions		1058 (1)	–	–	78	93
S 64 – sewerage service contributions		1058 (1)	–	–	206	302
Total developer contributions	24		–	–	1,957	2,306
Other contributions:						
Cash contributions						
Bushfire and emergency services		15 (1)	538	523	–	–
Roads and bridges		1058 (1)	28	10	–	–
RMS contributions (regional roads, block grant)		1058 (1)	920	903	–	–
Sewerage (excl. section 64 contributions)		1058 (1)	1	1	–	–
Tourism		1058 (1)	–	26	–	–
Water supplies (excl. section 64 contributions)		1058 (1)	10	1	–	–
Other		1058 (1)	684	714	–	65
Library – Richmond Upper Clarence Regional		15 (1)	336	313	66	–
Northern Rivers Livestock Exchange		1058 (1)	–	–	272	186
Sports grounds		1058 (1)	75	74	–	–
Total other contributions – cash			2,592	2,565	338	251
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	972	1,506
Total other contributions – non-cash			–	–	972	1,506
Total other contributions			2,592	2,565	1,310	1,757
Total contributions			2,592	2,565	3,267	4,063
TOTAL GRANTS AND CONTRIBUTIONS			14,141	9,731	9,782	17,647

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

15 (1) indicates income recognised under AASB 15 “at a point in time”,
1058 (1) indicates income recognised under AASB 1058 “at a point in time”.

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

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Note 3. Revenue from continuing operations (continued)

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

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Note 3. Revenue from continuing operations (continued)

$ '000		2020	2019

(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

	Unexpended at the close of the previous reporting period	453	475
Add:	operating grants recognised as income in the current period but not yet spent (2019 only)	–	327
Add:	operating grants received for the provision of goods and services in a future period	1,844	–
Less:	operating grants recognised in a previous reporting period now spent (2019 only)	–	(349)
Less:	operating grants received in a previous reporting period now spent and recognised as income	(390)	–
Unexpended and held as externally restricted assets (operating grants)		1,907	453

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

Bushfire recovery $1,369
Roads to Recovery $189
Natural disaster grants $175
EPA Better Waste & Recycling Grant $45
Elsa Dixon Aboriginal Employment Program $73

Capital grants

	Unexpended at the close of the previous reporting period	482	834
Add:	capital grants recognised as income in the current period but not yet spent (2019 only)	–	256
Add:	capital grants received for the provision of goods and services in a future period	1,563	–
Less:	capital grants recognised in a previous reporting period now spent (2019 only)	–	(608)
Less:	capital grants received in a previous reporting period now spent and recognised as income	(282)	–
Unexpended and held as externally restricted assets (capital grants)		1,763	482

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

Northern Rivers Rail Trail $626
Evans Head Library Upgrade $399
Coraki Landfill Transfer Station $180
Colley Park Soccer Field Enhancement (SCCF) $164
Broadwater Youth Space Rope Clib Sets (SCCF) $85
Casino Showground Pavilion and Office Improvements $79
Casino Showground Fencing $70
Nammoona FOGO Compost Facility $116

Contributions

	Unexpended at the close of the previous reporting period	8,700	7,296
Add:	contributions recognised as income in the current period but not yet spent	284	227
Add:	contributions received for the provision of goods and services in a future period	2,100	2,516
Less:	contributions recognised in a previous reporting period now spent	(791)	(1,339)
Unexpended and held as externally restricted assets (contributions)		10,293	8,700

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	99	158
– Cash and investments	575	784
Fair value adjustments		
– Movements in investments at fair value through profit and loss	143	790
Finance income on the net investment in the lease	–	–
Total Interest and investment income	817	1,732
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	52	78
General Council cash and investments	322	993
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	49	62
– Section 64	94	148
Water fund operations	106	161
Sewerage fund operations	194	290
Total interest and investment revenue	817	1,732

Accounting policy for interest and investment revenue

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

Note 5. Expenses from continuing operations

$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	16,945	16,004
Employee leave entitlements (ELE)	3,512	3,424
Superannuation	2,039	1,951
Workers' compensation insurance	480	691
Fringe benefit tax (FBT)	77	76
Payroll tax	135	119
Training costs (other than salaries and wages)	204	211
Other	196	186
Total employee costs	23,588	22,662
Less: capitalised costs	(1,938)	(2,001)
TOTAL EMPLOYEE COSTS EXPENSED	21,650	20,661

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	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		19	–
Interest on loans		1,120	1,212
Total interest bearing liability costs		1,139	1,212
Total interest bearing liability costs expensed		1,139	1,212
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	46	37
Total other borrowing costs		46	37
TOTAL BORROWING COSTS EXPENSED		1,185	1,249

Accounting policy for borrowing costs

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	13,366	10,124
Auditors remuneration [2]	87	75
Legal expenses:		
– Legal expenses: planning and development	–	7
– Legal expenses: other	267	200
Expenses from leases of low value assets (2020 only)	231	–
Variable lease expense relating to usage (2020 only)	167	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments [1]	–	335
TOTAL MATERIALS AND CONTRACTS	14,118	10,741

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Computers	–	217
Motor vehicles	–	94
Other	–	24
	–	335

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	82	75
Other assurance services	5	–
Remuneration for audit and other assurance services	87	75
Total Auditor-General remuneration	87	75
Total Auditor remuneration	87	75

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,735	1,630
Office equipment		71	76
Furniture and fittings		74	71
Land improvements (depreciable)		392	265
Infrastructure:	10		
– Buildings – specialised		1,171	1,107
– Other structures		411	273
– Roads		6,194	5,967
– Bridges		1,166	1,160
– Footpaths		252	229
– Stormwater drainage		506	575
– Water supply network		1,396	1,355
– Sewerage network		2,220	2,181
– Swimming pools		123	119
– Other open space/recreational assets		351	243
Right of use assets	12	169	–
Other assets:			
– Library books		85	81
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10	797	577
– Quarry assets	14,10	13	30
Total gross depreciation and amortisation costs		17,126	15,939
Total depreciation and amortisation costs		17,126	15,939
Impairment / revaluation decrement of IPP&E			
Land improvements (depreciable)		(99)	–
Infrastructure:	10(a)(i)		
– Buildings – specialised		(92)	–
– Roads		6,792	(90)
– Bridges		979	–
– Swimming pools		(598)	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		6,982	(90)
Amounts taken through revaluation reserve	10	(6,982)	90
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		17,126	15,939

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

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

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Note 5. 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	2020	2019
(e) Other expenses		
Advertising	124	102
Bad and doubtful debts	–	56
Bank charges	70	64
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	36	31
– NSW fire brigade levy	111	100
– NSW rural fire service levy	1,005	799
– Waste levy	357	91
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	142	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	18	14
Donations, contributions and assistance to other organisations (Section 356)	489	531
Electricity and heating	874	836
Insurance	650	591
IT expenses	786	623
Postage, printing & stationary	125	289
Street lighting	320	414
Subscriptions and publications	117	101
Telephone and communications	533	495
Valuation fees	67	78
Other	70	47
TOTAL OTHER EXPENSES	**5,938**	**5,444**

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

Note 6. Gain or loss from disposal of assets

$ '000	Notes	2020	2019
Infrastructure, property, plant and equipment	10		
Proceeds from disposal		2,774	1,456
Less: carrying amount of assets sold/written off		(5,721)	(7,247)
Net gain/(loss) on disposal		(2,947)	(5,791)
Real estate assets held for sale	9		
Proceeds from disposal		335	–
Less: carrying amount of assets sold/written off		(97)	–
Net gain/(loss) on disposal		238	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,709)	(5,791)

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 7(a). Cash and cash equivalents

$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	536	614
Cash-equivalent assets		
– Deposits at call	6,150	7,558
Total cash and cash equivalents	6,686	8,172

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 2020

Note 7(b). Investments

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	21,670	–	18,528	–
b. 'Financial assets at amortised cost'	23,000	2,000	19,000	1,000
Total Investments	44,670	2,000	37,528	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	51,356	2,000	45,700	1,000
Financial assets at fair value through the profit and loss				
Managed funds	21,670	–	18,528	–
Total	21,670	–	18,528	–
Financial assets at amortised cost				
Long term deposits	23,000	2,000	19,000	1,000
Total	23,000	2,000	19,000	1,000

Accounting policy for investments

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. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	51,356	2,000	45,700	1,000
attributable to:				
External restrictions	30,732	2,000	27,693	1,000
Internal restrictions	20,624	–	18,007	–
	51,356	2,000	45,700	1,000

$ '000	2020	2019
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund (2020 only)	1,831	–
Bonds and deposits	581	574
External restrictions – included in liabilities	2,412	574
External restrictions – other		
Developer contributions – general	3,694	2,568
Developer contributions – water fund	1,950	1,841
Developer contributions – sewer fund	3,874	3,606
Specific purpose unexpended grants (recognised as revenue) – general fund	1,839	935
Water supplies	5,220	4,769
Sewerage services	7,727	7,799
Domestic waste management	4,431	5,152
Stormwater management	617	569
Other	968	880
External restrictions – other	30,320	28,119
Total external restrictions	32,732	28,693
Internal restrictions		
Plant and vehicle replacement	2,694	1,478
Real estate and infrastructure	2,772	2,855
Employees leave entitlement	1,245	1,158
Carry over works	116	243
Northern Rivers Livestock Exchange	119	61
Insurance	761	97
Other waste management	3,681	3,307
Petersons quarry	2,242	2,183
Public cemeteries perpetual maintenance	247	333
Quarry rehabilitation	208	166
Revolving energy and sustainability fund	–	8
Richmond Upper Clarence Regional Library	141	221
RMS state road maintenance contract	6	5
Road rehabilitation	1,273	897
Rural road safety program	89	114
Unexpended rates variations	805	705
Financial Assistance Grant Advance Payment	2,712	2,638
Woodview quarry	1,513	1,538
Total internal restrictions	20,624	18,007
TOTAL RESTRICTIONS	53,356	46,700

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	2,957	591	2,599	596
Interest and extra charges	158	12	169	8
User charges and fees	2,900	482	5,897	958
Accrued revenues				
– Interest on investments	154	12	339	5
Bank guarantees	20	280	112	512
Deferred debtors	2	12	1	15
Government grants and subsidies	2,208	89	2,629	135
Net GST receivable	233	–	147	–
Other debtors	445	–	196	–
Total	9,077	1,478	12,089	2,229
Less: provision of impairment				
Rates and annual charges	(33)	(18)	(30)	(19)
User charges and fees	(42)	(20)	(78)	(39)
Other debtors	(15)	(1)	(10)	(1)
Total provision for impairment – receivables	(90)	(39)	(118)	(59)
TOTAL NET RECEIVABLES	8,987	1,439	11,971	2,170
Externally restricted receivables				
Water supply				
– Specific purpose grants	80	–	80	–
– Rates and availability charges	341	80	325	96
– Other	1,267	289	1,236	355
Sewerage services				
– Specific purpose grants	78	–	79	–
– Rates and availability charges	1,572	441	1,596	468
– Other	311	74	382	95
Domestic waste management	246	16	270	12
Total external restrictions	3,895	900	3,968	1,026
Unrestricted receivables	**5,092**	**539**	**8,003**	**1,144**
TOTAL NET RECEIVABLES	8,987	1,439	11,971	2,170

$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	177	286
Amount restated through opening retained earnings on adoption of AASB 9	–	(149)
Impairment loss recognised	(47)	40
Balance at the end of the year	130	177

continued on next page ...

Note 8. Receivables (continued)

Accounting policy for receivables

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

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

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

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

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

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

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

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

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

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.

Rates and annual charges outstanding are secured against the property.

Note 9. Inventories and other assets

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,289	1,153	298	1,679
Stores and materials	1,035	–	1,034	–
Total inventories at cost	2,324	1,153	1,332	1,679
TOTAL INVENTORIES	2,324	1,153	1,332	1,679
(b) Other assets				
Prepayments	295	–	248	–
TOTAL OTHER ASSETS	295	–	248	–

Externally restricted assets
There are no restrictions applicable to the above assets.

(i) Other disclosures

$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential - developed		306	204	127	383
Residential - undeveloped		635	–	83	–
Industrial/commercial		348	949	88	1,296
Total real estate for resale		1,289	1,153	298	1,679
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		654	1,132	127	1,658
Development costs		635	21	171	21
Total costs		1,289	1,153	298	1,679
Total real estate for resale		1,289	1,153	298	1,679
Movements:					
Real estate assets at beginning of the year		298	1,679	215	1,679
– Purchases and other costs		562	–	–	–
– WDV of sales (expense)	6	(97)	–	–	–
– Transfer between current/non-current		526	(526)	83	–
Total real estate for resale		1,289	1,153	298	1,679

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Note 9. Inventories and other assets (continued)

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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period											as at 30/06/20		
$ '000	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals [1]	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (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
Capital work in progress	2,654	–	2,654	1,487	295	–	–	–	–	–	(2,039)	–	–	–	2,397	–	2,397
Plant and equipment	26,596	(13,543)	13,053	1,314	346	–	(397)	(1,735)	–	–	–	–	–	–	26,952	(14,371)	12,581
Office equipment	1,281	(1,047)	234	–	36	–	–	(71)	–	–	–	–	–	–	1,307	(1,108)	199
Furniture and fittings	1,307	(912)	395	31	64	–	–	(74)	–	–	–	–	–	–	1,384	(968)	416
Land:																	
– Crown land	19,289	–	19,289	–	–	–	–	–	–	–	–	–	(1,269)	–	18,020	–	18,020
– Operational land	19,897	–	19,897	–	–	–	(1,492)	–	–	–	–	–	(1,478)	2,449	19,376	–	19,376
– Community land	8,527	–	8,527	–	–	–	–	–	–	–	–	–	(787)	–	7,740	–	7,740
– Land under roads (post 30/6/08)	304	–	304	–	13	–	–	–	–	–	–	–	–	54	371	–	371
Land improvements – non-depreciable	5,154	–	5,154	–	–	–	(26)	–	–	–	–	–	–	668	5,796	–	5,796
Land improvements – depreciable	17,807	(2,846)	14,961	–	11	–	(99)	(392)	–	99	–	–	(31)	2,596	20,567	(3,422)	17,145
Infrastructure:																	
– Buildings – specialised	73,284	(17,133)	56,151	908	48	–	(1,030)	(1,171)	–	92	388	–	(553)	2,414	75,880	(18,633)	57,247
– Other structures	23,381	(1,768)	21,613	134	235	–	(417)	(411)	–	–	114	–	(50)	842	24,193	(2,133)	22,060
– Roads	314,852	(90,135)	224,717	3,467	844	3,072	(708)	(6,194)	(6,792)	–	516	–	(325)	1,322	317,494	(97,575)	219,919
– Bridges	99,374	(29,829)	69,545	–	–	366	–	(1,166)	(979)	–	–	–	–	410	99,970	(31,794)	68,176
– Footpaths	15,707	(2,467)	13,240	314	1,133	–	(84)	(252)	–	–	27	–	–	78	17,096	(2,640)	14,456
– Bulk earthworks (non-depreciable)	63,935	–	63,935	–	59	–	–	–	–	–	–	–	–	384	64,378	–	64,378
– Stormwater drainage	59,932	(9,422)	50,510	103	248	–	(29)	(506)	–	–	37	–	–	296	60,612	(9,953)	50,659
– Water supply network	91,922	(19,475)	72,447	564	186	–	(376)	(1,396)	–	–	31	11	–	673	92,891	(20,751)	72,140
– Sewerage network	143,330	(31,102)	112,228	1,622	182	–	(612)	(2,220)	–	–	273	–	–	1,053	144,827	(32,301)	112,526
– Swimming pools	8,368	(2,393)	5,975	–	–	375	(30)	(123)	–	598	62	(11)	–	168	8,670	(1,656)	7,014
– Other open space/recreational assets	12,493	(2,324)	10,169	963	286	–	(402)	(351)	–	–	520	–	–	1,738	15,273	(2,350)	12,923
Other assets:																	
– Library books	1,146	(801)	345	–	116	–	(19)	(85)	–	–	–	–	–	–	1,140	(783)	357
Reinstatement, rehabilitation and restoration assets (refer Note 14):																	
– Tip assets	4,424	(2,694)	1,730	–	744	–	–	(797)	–	–	71	–	–	–	5,239	(3,491)	1,748
– Quarry assets	540	(363)	177	–	–	–	(38)	(13)	–	–	–	–	–	–	501	(375)	126
Total Infrastructure, property, plant and equipment	1,015,504	(228,254)	787,250	10,907	4,846	3,813	(5,759)	(16,957)	(7,771)	789	–	–	(4,493)	15,145	1,032,074	(244,304)	787,770

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

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Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period										as at 30/06/19		
$ '000	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals [1]	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
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
Land:																
– Operational land	20,246	–	20,246	–	150	–	(869)	–	–	–	–	–	370	19,897	–	19,897
– Community land	8,743	–	8,743	–	–	–	–	–	–	–	–	(216)	–	8,527	–	8,527
– Crown land	20,176	–	20,176	–	–	–	(892)	–	–	–	–	–	6	19,289	–	19,289
– 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
Infrastructure:																
– 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
Other assets:																
– Library books	1,168	(815)	353	–	94	–	(21)	(81)	–	–	–	–	–	1,146	(801)	345
Reinstatement, rehabilitation and restoration assets (refer Note 14):																
– 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
Total Infrastructure, property, plant and equipment	969,395	(222,402)	746,993	17,003	13,402	933	(7,258)	(15,939)	90	–	–	(216)	32,242	1,015,504	(228,254)	787,250

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

continued on next page ...

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed 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:

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

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

Land under roads

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Government Grants & Subsidies - Natural Disaster Funding (Capital Only)	3,500	–
Government Grants & Subsidies - Other capital grants	140	–
Total Contract assets	3,640	–

$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,763	–
Unexpended operating grants (received prior to performance obligation being satisified)	(ii)	90	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	2	67
Total grants received in advance		1,855	67
User fees and charges received in advance:			
Funds received in advance of services provided	(iii)	13	–
Total user fees and charges received in advance		13	–
Total contract liabilities		1,868	67

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Booking fees for Council facilities received in advance of service provided are recorded as a contract liability on receipt and recognised as revenue after booking date.

$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	1,765	67
Unspent contributions held as contract liabilities	90	–
Contract liabilities relating to externally restricted assets	1,855	67
Total contract liabilities relating to unrestricted assets	13	–
Total contract liabilities	**1,868**	**67**

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Note 11. Contract assets and liabilities (continued)

$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	282
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	282

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Note 12. Leases

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

(i) Council as a lessee

Council has leases over a range of assets including heavy plant and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases
Details of existing leases in place are shown below on a class basis:

Plant & Equipment
Council leases 2 Komatsu graders with lease terms of 7 years expiring in 2021/2022. The lease payments are fixed during the lease term and there is generally no renewal option.

IT equipment
Leases for IT equipment are generally for low value assets, except for significant items such as network and server equipment. The leases are for between 2 and 5 years with no renewal option and the payments are fixed.

$ '000	Plant & Equipment	IT Equipment	Total
(a) Right of use assets			
Opening balance at 30 June 2019	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	212	249	461
Depreciation charge	(88)	(81)	(169)
RIGHT OF USE ASSETS	124	168	292

$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	151	145
TOTAL LEASE LIABILITIES	151	145

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Note 12. Leases (continued)

(i) The maturity analysis

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

$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	151	145	–	296	**296**

$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Internally restricted assets		
Plant & Equipment	89	37
Lease liabilities relating to internally restricted assets	89	37
Total lease liabilities relating to restricted assets	89	37
Total lease liabilities relating to unrestricted assets	62	108
Total lease liabilities	**151**	**145**

$ '000	2020

(c) Income Statement

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

Interest on lease liabilities	19
Variable lease payments based on usage not included in the measurement of lease liabilities	167
Depreciation of right of use assets	169
Expenses relating to low-value leases	231
	586

(d) Statement of Cash Flows

Total cash outflow for leases	165
	165

continued on next page ...

Note 12. Leases (continued)

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Halls and Community Centres
- Surf Club

The leases are generally between 1 and 20 years and require payments of a maximum amount of $3,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)
Refer to Note 5c.

continued on next page ...

Note 12. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

$ '000	2020
(i) Operating lease income	
Other lease income	
Quarry leases	1,146
Room/Facility Hire	175
Total income relating to operating leases	1,321

(ii) Maturity analysis of contractual lease income

Council leases one of its quarries, which is considered as the only material lessor income. Maturity analysis of future lease income receivable showing the minimum undiscounted lease payments to be received after reporting date is shown below:

< 1 year	449
1–2 years	459
2–3 years	469
3–4 years	479
4–5 years	490
> 5 years	2,614
Total undiscounted contractual lease income receivable	4,960

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,267	–	1,265	–
Goods and services – capital expenditure	1,267	–	2,270	–
Accrued expenses:				
– Salaries and wages	303	–	375	–
– Other expenditure accruals	777	–	1,004	–
Security bonds, deposits and retentions	665	–	793	–
Bank guarantees	20	280	112	512
Other	21	–	–	–
Prepaid rates and annual charges and user charges and fees	596	34	–	–
Total payables	4,916	314	5,819	512
Income received in advance (2019 only)				
Payments received in advance	–	–	30	–
Total income received in advance	–	–	30	–
Borrowings				
Loans – secured [1]	2,600	20,814	2,486	23,414
Total borrowings	2,600	20,814	2,486	23,414
TOTAL PAYABLES AND BORROWINGS	7,516	21,128	8,335	23,926

(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.

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	65	15	9	–
Sewer	1,492	12,415	1,437	13,762
Other	623	–	814	–
Payables and borrowings relating to externally restricted assets	2,180	12,430	2,260	13,762
Total payables and borrowings relating to restricted assets	2,180	12,430	2,260	13,762
Total payables and borrowings relating to unrestricted assets	**5,336**	**8,698**	**6,075**	**10,164**
TOTAL PAYABLES AND BORROWINGS	7,516	21,128	8,335	23,926

continued on next page ...

Note 13. Payables and borrowings (continued)

$ '000	2020	2019

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

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

Payables – security bonds, deposits and retentions	665	793
Total payables and borrowings	665	793

(c) Changes in liabilities arising from financing activities

$ '000	as at 30/06/19 Opening Balance	Cash flows	as at 30/06/20 Closing balance
Loans – secured	25,900	(2,486)	23,414
Lease liabilities	–	296	296
TOTAL	25,900	(2,190)	23,710

$ '000	as at 30/06/18 Opening Balance	Cash flows	as at 30/06/19 Closing balance
Loans – secured	27,189	(1,289)	25,900
TOTAL	27,189	(1,289)	25,900

continued on next page ...

Note 13. Payables and borrowings (continued)

$ '000	2020	2019
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities [1]	500	500
Credit cards/purchase cards	71	67
Total financing arrangements	571	567
Drawn facilities as at balance date:		
– Credit cards/purchase cards	7	2
Total drawn financing arrangements	7	2
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	64	65
Total undrawn financing arrangements	564	565

(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 2020

Note 14. Provisions

$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,996	–	1,814	–
Long service leave	3,002	158	2,845	237
Other leave	12	–	13	–
Sub-total – aggregate employee benefits	5,010	158	4,672	237
Asset remediation/restoration:				
Asset remediation/restoration (future works)	1,319	3,430	1,643	3,517
Sub-total – asset remediation/restoration	1,319	3,430	1,643	3,517
TOTAL PROVISIONS	6,329	3,588	6,315	3,754

(a) Provisions relating to restricted assets

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

$ '000	2020	2019
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,821	2,559
	2,821	2,559

(c) Description of and movements in provisions

$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	5,160	5,160
Changes to provision:		
– Revised costs	774	774
– Revised life	126	126
– Revised discount rate	(123)	(123)
Amounts used (payments)	(1,234)	(1,234)
Unwinding of discount	46	46
Total other provisions at end of year	4,749	4,749
2019		
At beginning of year	2,948	2,948
– Revised costs	2,163	2,163
– Revised discount rate	109	109
Amounts used (payments)	(97)	(97)
Unwinding of discount	37	37
Total other provisions at end of year	5,160	5,160

continued on next page ...

Note 14. 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	
		2020	2019
Landfills - Bora Ridge	2020	-	1,020
Landfills - Nammoona	2023	3,891	3,264
Quarries - Petersons	2033	487	486
Quarries - Woodview	2035	371	389
Balance at end of reporting period		**4,749**	**5,160**

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.

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Note 14. Provisions (continued)

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 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

AASB 15 and AASB 1058

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

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Council has reclassified prepaid rates and charges from a contra receivable in Note 8 to a financial liability in Note 13;
- Revenue in advance from Council facility bookings has been raised as a contract liability in Note 11;
- Additional line items of contract liabilities and right of use assets have been created.

$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–

continued on next page ...

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

$ '000	Balance at 1 July 2019
– Under AASB 1058	1,734
Total Contract assets	1,734
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	532
Total Contract liabilities	532

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Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 and AASB 1058 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	6,686	–	–	6,686	
Investments	44,670	–	–	44,670	
Receivables	8,987	3,010	–	11,997	(i)/(ii)
Inventories	2,324	–	–	2,324	
Contract assets	3,640	(3,640)	–	–	(i)
Other	295	–	–	295	
Total current assets	66,602	(630)	–	65,972	
Current liabilities					
Payables	4,916	(630)	–	4,286	(ii)
Contract liabilities	1,868	(14)	(1,854)	–	(iii)
Lease liabilities	151	–	–	151	
Borrowings	2,600	–	–	2,600	
Provisions	6,329	–	–	6,329	
Income received in advance	–	14	–	14	(iii)
Total current liabilities	15,864	(630)	(1,854)	13,380	
Non-current assets					
Investments	2,000	–	–	2,000	
Receivables	1,439	–	–	1,439	
Inventories	1,153	–	–	1,153	
Infrastructure, property, plant and equipment	787,770	–	–	787,770	
Right of use assets	292	–	–	292	
Total non-current assets	792,654	–	–	792,654	
Non-current liabilities					
Payables	314	–	–	314	
Contract liabilities	67	–	(67)	–	(iii)
Lease liabilities	145	–	–	145	
Borrowings	20,814	–	–	20,814	
Provisions	3,588	–	–	3,588	
Total Non-current liabilities	24,928	–	(67)	24,861	
Net assets	818,464	–	1,921	820,385	
Equity					
Accumulated surplus	359,567	–	1,921	361,488	(ii)
Revaluation reserves	458,897	–	–	458,897	

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Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Carrying amount under previous revenue standards	Notes
Council equity interest	818,464	–	1,921	820,385	
Total equity	818,464	–	1,921	820,385	

(i) Elimination of contract asset which arises under AASB 15.
(ii) Recognition of financial liability for prepaid rates under AASB 1058 ($630k).
(iii) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 & AASB 1058 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income Statement

$ '000	Income Statement and comprehen-sive income under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Income Statement and comprehen-sive income under previous revenue standards	Notes
Income from continuing operations					
Rates and annual charges	26,759	–	–	26,759	
User charges and fees	15,175	–	–	15,175	
Other revenues	990	–	–	990	
Grants and contributions provided for operating purposes	14,141	–	90	14,231	(i)
Grants and contributions provided for capital purposes	9,782	–	1,300	11,082	(i)
Interest and investment income	817	–	–	817	
Reversal of impairment losses on receivables	47	–	–	47	
Rental income	1,321	–	–	1,321	
Total Income from continuing operations	69,032	–	1,390	70,422	
Expenses from continuing operations					
Employee benefits and on-costs	21,650	–	–	21,650	
Borrowing costs	1,185	–	–	1,185	
Materials and contracts	14,118	–	–	14,118	
Depreciation and amortisation	17,126	–	–	17,126	
Other expenses	5,938	–	–	5,938	
Net losses from the disposal of assets	2,709	–	–	2,709	
Total Expenses from continuing operations	62,726	–	–	62,726	
Total Operating result from continuing operations	6,306	–	1,390	7,696	

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Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Net operating result for the year	6,306	–	1,390	7,696	
Total comprehensive income	9,976	–	–	9,976	

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

continued on next page ...

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	**851,350**	**–**	**851,350**
Contract liabilities	–	532	532
Total liabilities	**42,330**	**532**	**42,862**
Accumulated surplus	353,793	(532)	353,261
Total equity	**809,020**	**(532)**	**808,488**

AASB 16 Leases

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

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

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

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

Financial statement impact of adoption of AASB 16
Council has recognised right-of-use assets and lease liabilities of $461,000 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.01%.

$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	858

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Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

$ '000	Balance at 1 July 2019
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	461
Less:	
Leases for low-value assets included in commitments note	359
Lease liabilities recognised at 1 July 2019	820

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

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

Statement of Financial Position

$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	461	461
Total assets	**–**	**461**	**461**
Leases	–	461	461
Total liabilities	**–**	**461**	**461**
Accumulated surplus	–	–	–
Total equity	**–**	**–**	**–**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,686	8,172
Balance as per the Statement of Cash Flows		6,686	8,172
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,306	10,312
Adjust for non-cash items:			
Depreciation and amortisation		17,126	15,939
Net losses/(gains) on disposal of assets		2,709	5,791
Non-cash capital grants and contributions		(1,086)	(1,865)
Adoption of AASB 15/1058		(532)	–
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'		(143)	(790)
Unwinding of discount rates on reinstatement provisions		(77)	146
+/– Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		3,761	(2,870)
Increase/(decrease) in provision for impairment of receivables		(48)	(109)
Decrease/(increase) in inventories		(1)	173
Decrease/(increase) in other current assets		(47)	(83)
Decrease/(increase) in contract assets		(3,640)	–
Increase/(decrease) in payables		2	177
Increase/(decrease) in other accrued expenses payable		(299)	247
Increase/(decrease) in other liabilities		169	188
Increase/(decrease) in contract liabilities		1,935	–
Increase/(decrease) in provision for employee benefits		259	338
Increase/(decrease) in other provisions		(334)	2,066
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		26,060	29,809
(c) Non-cash investing and financing activities			
Bushfire grants		68	322
Other dedications		972	1,506
Estimated future reinstatement costs		46	37
Total non-cash investing and financing activities		1,086	1,865

Note 17. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2020 Net profit/(loss)	2020 Net assets
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles. Joint venture	(235)	148

Reasons for non-recognition
Council's share of NEWLOG net assets is 26.4%. Council does not control the operations of NEWLOG and considers it's interest in the operations to be immaterial to the consolidated financial statements.

Note 18. Commitments

$ '000	2020	2019

(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	799	878
Plant and equipment	256	276
Total commitments	1,055	1,154
These expenditures are payable as follows:		
Within the next year	1,055	1,154
Total payable	1,055	1,154

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

- Various Cars & Trucks $256
- Canning Drive Subdivision $300
- Coraki Caravan Park Amenities $412
- Evans Head Reservior Relining $87

$ '000	2020	2019

(b) Non-cancellable operating lease commitments (2019 only)

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
Later than one year and not later than 5 years	–	519
Total non-cancellable operating lease commitments	–	858

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

continued on next page ...

Note 18. Commitments (continued)

$ '000	2020	2019

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
Total non-cancellable operating lease commitments	–	452

b. Total Contingent rents recognised as income in the period

Contingent Rents recognised as income in the period	–	903

c. Lessor's Leasing arrrangements 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.

Refer to Note 12 for information relating to leases for 2020.

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

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

– Assets are not segregated within the sub-group according to the employees of each sponsoring employer.

– The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

– Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

Description of the funding arrangements, including the method used to determine Council's rate of contributions and any minimum funding requirements.

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

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times 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 past service contribution for each Pooled Employer is a share of the total past service contributions of $40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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Note 19. Contingencies (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 2020 was $369,241.74. The last valuation of the Scheme was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of past service contributions included in the total employer contribution advised above is $213,200. Council's expected contribution to the plan for the next annual reporting period is $302,858.72.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be 0.54% as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(i) Native Title Claims

NSD122 of 2019. On 29 March 2019 the Bandjalang People #4 commenced proceedings in the Federal Court claiming native title over three lots. The matter has yet to be determined.

(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.

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Note 19. Contingencies (continued)

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

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.

Note 20. Financial risk management

Risk management

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

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

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

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

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

$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,686	8,172	6,686	8,172
Receivables	10,426	14,141	14,006	14,140
Investments				
– 'Financial assets at amortised cost'	25,000	20,000	25,000	20,000
Fair value through profit and loss				
Investments				
– 'Held for trading'	21,670	18,528	21,670	18,528
Total financial assets	63,782	60,841	67,362	60,840
Financial liabilities				
Payables	5,230	6,331	5,163	6,331
Loans/advances	23,414	25,900	25,085	26,972
Lease liabilities	296	–	296	–
Total financial liabilities	28,940	32,231	30,544	33,303

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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Note 20. Financial risk management (continued)

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.

	Increase of values/rates		Decrease of values/rates	
$ '000	**Profit**	**Equity**	**Profit**	**Equity**
2020				
Possible impact of a 10% movement in market values	2,167	–	(2,167)	–
Possible impact of a 1% movement in interest rates	534	–	(534)	–
2019				
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) 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 no 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 als 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.

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Note 20. Financial risk management (continued)

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
2020						
Gross carrying amount	2,990	558	–	–	–	3,548
2019						
Gross carrying amount	2,598	596	–	–	–	3,194

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 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	6,111	–	–	–	896	7,007
Expected loss rate (%)	0.93%	0.00%	0.00%	0.00%	4.38%	1.37%
ECL provision	57	–	–	–	39	96
2019						
Gross carrying amount	9,491	–	–	–	1,632	11,123
Expected loss rate (%)	1.24%	0.00%	0.00%	0.00%	3.60%	1.59%
ECL provision	118	–	–	–	59	177

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Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	665	3,935	–	–	4,600	4,600
Loans and advances	4.58%	–	3,631	14,526	10,119	28,276	23,414
Total financial liabilities		665	7,566	14,526	10,119	32,876	28,014
2019							
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
Total financial liabilities		793	9,169	14,526	13,751	38,239	32,231

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is unaudited.

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

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

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

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

$ '000	2020 Budget	2020 Actual	2020 -------- Variance --------		
REVENUES					
Other revenues	**249**	**990**	**741**	**298%**	**F**
Other revenues were over budget by $741,000 (298%). This was mainly due to Council receiving $770,000 in insurance claims, which are unbudgeted.					
Operating grants and contributions	**9,916**	**14,141**	**4,225**	**43%**	**F**
Operating grants and contributions were over budget by $4,225,000 (43%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget is adopted and on the outcomes of various grant applications submitted throughout the year. The main variances were due to additional bushfire and emergency services and natural disaster grants of $3,967,600 being received in relation to the significant bushfire disasters experienced in the Richmond Valley Local Government Area during 2019/2020.					
Capital grants and contributions	**3,526**	**9,782**	**6,256**	**177%**	**F**
Capital grants and contributions were over budget by $6,256,000 (177%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget is adopted and on the outcomes of various grant applications submitted during the year. The main increases included natural disaster funding for flood and fire events of $3,391,000, dedicated assets of $972,028, roads and bridges funding of $769,900, additional developer contributions of $325,500, and sports grounds and parks funding of $315,700.					
Interest and investment revenue	**1,218**	**817**	**(401)**	**(33)%**	**U**
Interest and investment revenue was under budget by ($401,000) (33%). The Coronavirus pandemic has had a significant impact on the global economy and has adversely affected Council's returns on its investments, particularly with the funds invested in the NSW Treasury Corporation Medium Term Growth Fund. Term deposit rates have also been impacted significantly, reducing Council's capacity to meet its budget.					
Reversal of impairment losses on receivables	**–**	**47**	**47**	**∞**	**F**
The impact of the impairment of receivables is not budgeted as this is not known at the time of setting the original budget and is an accounting adjustment at year end.					
Rental income	**780**	**1,321**	**541**	**69%**	**F**
Rental income was over budget by $541,000 (69%). This was mainly due to additional quarry fees of $583,500, along with a slight reduction in other rental income.					

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

$ '000	2020 Budget	2020 Actual	2020 -------- Variance --------		
EXPENSES					
Materials and contracts	**11,630**	**14,118**	**(2,488)**	**(21)%**	**U**
Materials and contracts were over budget by $2,488,000 (21%). Council's budget is based on a normal mix of self-constructed and contract works. The process of calling and accepting tenders during the year, along with decisions made by State and Federal Governments as well as uncontrollable weather events can result in significant budget variations in this item. The main reason for the increase is that the Richmond Valley Local Government Area suffered two significant natural disaster events during 2019/2020. These included the devastating fires in 2019 and also a flood event in early 2020.					
Net losses from disposal of assets	**–**	**2,709**	**(2,709)**	**∞**	**U**
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 $2,709,000, details of which are disclosed in Note 6 of the General Purpose Financial Statements.					
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	**17,285**	**26,060**	**8,775**	**51%**	**F**
Net cash provided from operating activities was over budget by $8,775,000 (51%). This was mainly attributable to grants and contributions being over budget by $7,612,000 as well as user charges and fees being over budget by $3,807,000. Grants were over budget mainly due to natural disaster events occurring throughout 2019/2020. Offsetting these increases in revenue were increases in materials and contracts, which were over budget by $2,830,000 and other expenses by $811,000.					
Cash flows from investing activities	**(15,534)**	**(24,895)**	**(9,361)**	**60%**	**U**
Net cash used in investing activities was over budget by $9,361,000 (60%). This was mainly due to a net increase in total investments held of $7,999,000.					

Note 22. 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

		Fair value measurement hierarchy			
2020	**Date of latest valuation**	**Level 1 Quoted prices in active mkts**	**Level 2 Significant observable inputs**	**Level 3 Significant unobserv-able inputs**	**Total**
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/20	–	21,670	–	21,670
'Financial assets at amortised cost'/'held to maturity' (2018)	30/06/20	–	25,000	–	25,000
Total financial assets		–	46,670	–	46,670
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/20	–	–	12,581	12,581
Office Equipment	30/06/20	–	–	199	199
Furniture & Fittings	30/06/20	–	–	416	416
Land:					
– Crown Land	30/06/20	–	–	18,020	18,020
– Operational Land	30/06/20	–	–	19,376	19,376
– Community Land	30/06/20	–	–	7,740	7,740
– Land Under Roads (post 30/06/08)	30/06/20	–	–	371	371
Land Improvements – non depreciable	30/06/20	–	–	5,796	5,796
Land Improvements – depreciable	30/06/20	–	–	17,145	17,145
Buildings – Specialised	30/06/20	–	–	57,247	57,247
Other Structures	30/06/20	–	–	22,060	22,060
Infrastructure:					
– Roads	30/06/18	–	–	219,919	219,919
– Bridges	30/06/18	–	–	68,176	68,176
– Footpaths	30/06/18	–	–	14,456	14,456
– Bulk Earthworks (non depreciable)	30/06/18	–	–	64,378	64,378
– Stormwater Drainage	30/06/19	–	–	50,659	50,659
– Water Supply Network	30/06/17	–	–	72,140	72,140
– Sewerage Network	30/06/17	–	–	112,526	112,526
– Swimming Pools	30/06/20	–	–	7,014	7,014
– Other Open Space/Recreational Assets	30/06/20	–	–	12,923	12,923
– Library Books	30/06/20	–	–	357	357
Total infrastructure, property, plant and equipment		–	–	783,499	783,499

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Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements					
Financial assets					
Investments					
– '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					
Plant & Equipment	30/06/19	–	–	13,053	13,053
Office Equipment	30/06/19	–	–	234	234
Furniture & Fittings	30/06/19	–	–	395	395
Land:					
– Crown Land	30/06/17	–	–	19,289	19,289
– Operational Land	30/06/17	–	–	19,897	19,897
– Community Land	30/06/17	–	–	8,527	8,527
– 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

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.

continued on next page ...

Note 22. 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)	$25,000,000
NSW Treasury Corporation - Cash Facility Trust	$12,218,000
NSW Treasury Corporation - Medium Term Growth Fund	$ 9,452,000

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 2020. 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'.

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Note 22. Fair Value Measurement (continued)

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 2020. 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 2020. 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 2020 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 2020 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 2020.

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 2020.

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.

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Note 22. Fair Value Measurement (continued)

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 last 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.

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 2020.

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.

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Note 22. Fair Value Measurement (continued)

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 2020. 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.

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Note 22. 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 equimpent	Office equipment	Furniture and fittings	Operational Land	Community Land
2019					
Opening balance	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)
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	13,053	234	395	19,897	8,527
2020					
Opening balance	13,053	234	395	19,897	8,527
Purchases (GBV)	1,660	36	95	–	–
Disposals (WDV)	(397)	–	–	(2,970)	–
Depreciation and impairment	(1,735)	(71)	(74)	–	–
Revaluation increments to equity (ARR)	–	–	–	2,449	–
Revaluation decrements to equity (ARR)	–	–	–	–	(787)
Closing balance	12,581	199	416	19,376	7,740

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

$ '000	Land under Roads post 30/6/08	Land improvements non-depreciable	Land improvements depreciable	Buildings specialised	Other structures
2019					
Opening balance	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
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	304	5,154	14,961	56,151	21,613
2020					
Opening balance	304	5,154	14,961	56,151	21,613
Purchases (GBV)	13	–	11	956	369
Disposals (WDV)	–	(26)	(130)	(1,583)	(467)
Depreciation and impairment	–	–	(392)	(1,171)	(411)
Revaluation increments to equity (ARR)	54	668	2,596	2,414	842
Transfers from/(to) Capital Work in Progress	–	–	–	388	114
Impairment reversal recognised in equity	–	–	99	92	–
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	371	5,796	17,145	57,247	22,060

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

$ '000	Roads	Bridges	Footpaths	Bulk earthworks (non-depreciable)	Stormwater drainage
2019					
Opening balance	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	–	–	–	–
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	224,717	69,544	13,240	63,935	50,510
2020					
Opening balance	224,717	69,544	13,240	63,935	50,510
Purchases (GBV)	4,311	–	1,447	59	351
Disposals (WDV)	(1,033)	–	(84)	–	(29)
Depreciation and impairment	(6,194)	(1,165)	(252)	–	(506)
Revaluation increments to equity (ARR)	1,322	410	78	384	296
Transfers from/(to) Capital Work in Progress	516	–	27	–	37
Reinstatement costs for impaired assets	3,072	366	–	–	–
Impairment loss recognised in equity	(6,792)	(979)	–	–	–
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	219,919	68,176	14,456	64,378	50,659

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Note 22. Fair Value Measurement (continued)

$ '000	Water supply network	Library books	Sewerage network	Swimming pools	Other open space/ recreation
2019					
Opening balance	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
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	72,447	345	112,228	5,975	10,168
2020					
Opening balance	72,447	345	112,228	5,975	10,168
Transfers from/(to) another asset class	11	–	–	(11)	–
Purchases (GBV)	750	116	1,804	–	1,250
Disposals (WDV)	(376)	(19)	(612)	(30)	(402)
Depreciation and impairment	(1,396)	(85)	(2,220)	(123)	(351)
Revaluation increments to equity (ARR)	673	–	1,053	168	1,738
Transfers from/(to) Capital Work in Progress	31	–	273	62	520
Reinstatement costs for impaired assets	–	–	–	375	–
Impairment reversal recognised in equity	–	–	–	598	–
Revaluation decrements to equity (ARR)	–	–	–	–	–
Closing balance	72,140	357	112,526	7,014	12,923

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Note 22. Fair Value Measurement (continued)

$ '000	Crown Land	Total
2019		
Opening balance	20,176	**740,809**
Purchases (GBV)	–	**25,966**
Disposals (WDV)	(893)	**(7,200)**
Depreciation and impairment	–	**(15,332)**
Revaluation increments to equity (ARR)	6	**32,026**
Transfers from/(to) Capital Work in Progress	–	**5,395**
Reinstatement costs for impaired assets	–	**933**
Impairment reversal recognised in equity	–	**90**
Revaluation decrements to equity (ARR)	–	**–**
Closing balance	19,289	**782,687**
2020		
Opening balance	19,289	**782,687**
Purchases (GBV)	–	**13,228**
Disposals (WDV)	–	**(8,158)**
Depreciation and impairment	–	**(16,146)**
Revaluation increments to equity (ARR)	–	**15,145**
Transfers from/(to) Capital Work in Progress	–	**1,968**
Reinstatement costs for impaired assets	–	**3,813**
Impairment reversal recognised in equity	–	**789**
Impairment loss recognised in equity	–	**(7,771)**
Revaluation decrements to equity (ARR)	(1,269)	**(2,056)**
Closing balance	18,020	**783,499**

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.

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Note 22. Fair Value Measurement (continued)

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).

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 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

$ '000	2020	2019
Compensation:		
Short-term benefits	931	826
Post-employment benefits	62	58
Other long-term benefits	38	22
Total	1,031	906

(b) Other transactions with KMP and their related parties

Nature of the transaction $ '000	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020						
Employee expenses relating to close family members of KMP	1	110	–		–	–
2019						
Employee expenses relating to close family members of KMP	1	110	–		–	–

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

(c) Other related party transactions

$ '000	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020						
NEWLOG	1	29	–		–	–
2019						
NEWLOG	1	28	–		–	–

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 2020

Note 24. 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 30/06/19						as at 30/06/20	
		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	206	–	–	3	–	–	210	–
Community facilities	5	–	–	–	–	–	5	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	55	8	–	–	–	–	63	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Rural Heavy Haulage	1,833	1,464	–	37	(468)	–	2,867	–
Quarry Roads	71	–	–	1	–	–	72	–
Bushfire	9	–	–	–	–	–	9	–
S7.11 contributions – under a plan	2,182	1,472	–	41	(468)	–	3,229	–
S7.12 levies – under a plan	386	201	–	7	(129)	–	465	–
Total S7.11 and S7.12 revenue under plans	2,568	1,673	–	48	(597)	–	3,694	–
S64 contributions	5,447	283	–	94	–	–	5,824	–
Total contributions	8,015	1,956	–	142	(597)	–	9,518	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

$ '000	as at 30/06/19 Opening Balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20 Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN NUMBER 2 – EX RRSC								
Roads	120	–	–	2	–	–	122	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	55	8	–	–	–	–	63	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	71	–	–	1	–	–	72	–
Rural Heavy Haulage	1,833	1,464	–	37	(468)	–	2,867	–
Total	2,082	1,472	–	40	(468)	–	3,127	–
CONTRIBUTION PLAN NUMBER – Ex Copmanhurst								
Roads	86	–	–	1	–	–	88	–
Community facilities	5	–	–	–	–	–	5	–
Bushfire	9	–	–	–	–	–	9	–
Total	100	–	–	1	–	–	102	–
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER 1 – Richmond Valley Council								
Section 7.12 Levies	386	201	–	7	(129)	–	465	–
Total	386	201	–	7	(129)	–	465	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

$ '000	General [1] 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	18,093	1,481	7,185
User charges and fees	8,883	5,161	1,131
Interest and investment revenue	424	137	256
Other revenues	990	–	–
Grants and contributions provided for operating purposes	14,131	10	–
Grants and contributions provided for capital purposes	9,466	89	227
Reversal of impairment losses on receivables	47	–	–
Rental income	1,284	37	–
Total income from continuing operations	53,318	6,915	8,799
Expenses from continuing operations			
Employee benefits and on-costs	19,010	1,073	1,567
Borrowing costs	441	–	744
Materials and contracts	8,677	2,614	2,827
Depreciation and amortisation	13,446	1,412	2,268
Other expenses	4,178	1,476	284
Net losses from the disposal of assets	1,721	376	612
Total expenses from continuing operations	47,473	6,951	8,302
Operating result from continuing operations	5,845	(36)	497
Net operating result for the year	5,845	(36)	497
Net operating result attributable to each council fund	5,845	(36)	497
Net operating result for the year before grants and contributions provided for capital purposes	(3,621)	(125)	270

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.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

$ '000	General [1] 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,333	899	1,454
Investments	28,252	6,271	10,147
Receivables	5,365	1,675	1,947
Inventories	2,324	–	–
Contract assets	3,640	–	–
Other	295	–	–
Total current assets	44,209	8,845	13,548
Non-current assets			
Investments	2,000	–	–
Receivables	528	382	529
Inventories	1,153	–	–
Infrastructure, property, plant and equipment	597,415	74,920	115,435
Right of use assets	292	–	–
Total non-current assets	601,388	75,302	115,964
TOTAL ASSETS	645,597	84,147	129,512
LIABILITIES			
Current liabilities			
Payables	4,706	65	145
Contract liabilities	1,868	–	–
Lease liabilities	151	–	–
Borrowings	1,253	–	1,347
Provisions	6,329	–	–
Total current liabilities	14,307	65	1,492
Non-current liabilities			
Payables	299	15	–
Contract liabilities	67	–	–
Lease liabilities	145	–	–
Borrowings	8,399	–	12,415
Provisions	3,588	–	–
Total non-current liabilities	12,498	15	12,415
TOTAL LIABILITIES	26,805	80	13,907
Net assets	618,792	84,067	115,605
EQUITY			
Accumulated surplus	290,681	27,630	41,256
Revaluation reserves	328,111	56,437	74,349
Council equity interest	618,792	84,067	115,605
Total equity	618,792	84,067	115,605

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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(a). Statement of performance measures – consolidated results

$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	Prior periods 2018	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1, 2]	**(957)**	**(1.62)%**	(4.51)%	(7.31)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions [1]	**59,060**				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions [1]	**44,919**	**65.25%**	60.52%	64.04%	>60.00%
Total continuing operating revenue [1]	**68,842**				
3. Unrestricted current ratio					
Current assets less all external restrictions	**31,975**	**3.83x**	3.05x	3.40x	>1.50x
Current liabilities less specific purpose liabilities	**8,343**				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation [1]	**17,354**	**4.52x**	4.20x	0.93x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**3,836**				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	**3,667**	**12.15%**	11.59%	13.29%	<10.00%
Rates, annual and extra charges collectible	**30,181**				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	**31,686**	**8.18 mths**	9.08 mths	7.81 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	**3,872**				

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

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(b). Statement of performance measures – by fund

$ '000	General Indicators [3] 2020	General Indicators [3] 2019	Water Indicators 2020	Water Indicators 2019	Sewer Indicators 2020	Sewer Indicators 2019	Benchmark
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1, 2] / Total continuing operating revenue excluding capital grants and contributions [1]	**(4.69)%**	(11.58)%	**3.68%**	12.80%	**9.87%**	12.16%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions [1] / Total continuing operating revenue [1]	**55.58%**	50.44%	**98.57%**	95.04%	**97.42%**	92.62%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions / Current liabilities less specific purpose liabilities	**3.83x**	3.05x	**106.08x**	712.22x	**6.48x**	6.86x	>1.50x
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation [1] / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**6.55x**	5.67x	**∞**	∞	**1.90x**	1.99x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible	**6.63%**	4.94%	**21.63%**	22.35%	**21.54%**	22.21%	<10.00%
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits / Payments from cash flow of operating and financing activities	**4.48 mths**	6.99 mths	**16.66 mths**	17.23 mths	**20.78 mths**	11.83 mths	>3.00 mths

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

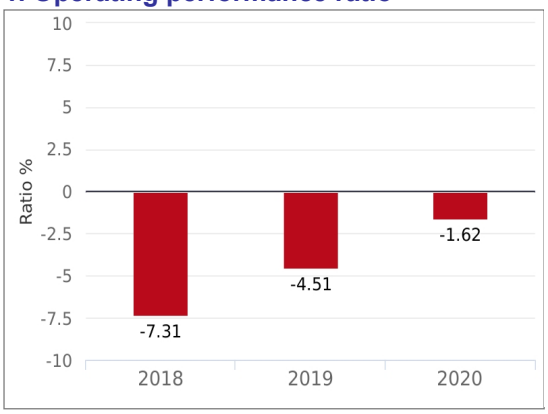
(3) General fund refers to all of Council's activites except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(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 2019/20 result

2019/20 ratio (1.62)%

Council's operating performance ratio has improved to -1.62%. The approval of a special rate variation of 5.5% per annum for the period 2019/2020 to 2022/2023 will assist Council in moving this ratio closer to the benchmark of 0.0%.

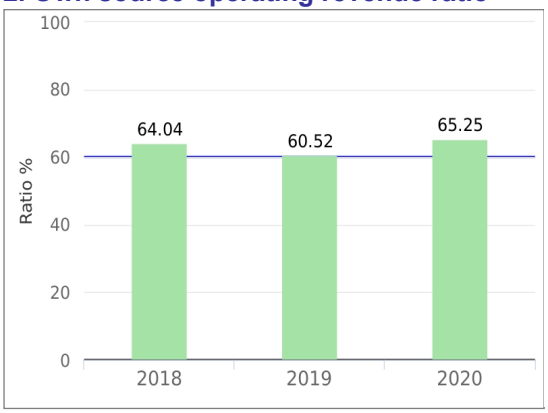
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 65.25%

Council's own source operating revenue ratio has improved to 65.25%, above the benchmark of 60%.

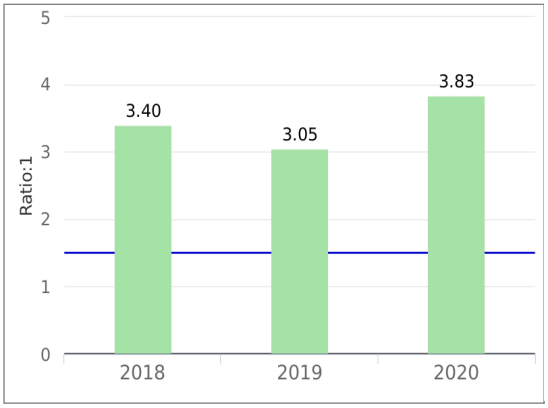
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 3.83x

Council's unrestricted current ratio has improved to 3.83, 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 #28

Ratio achieves benchmark

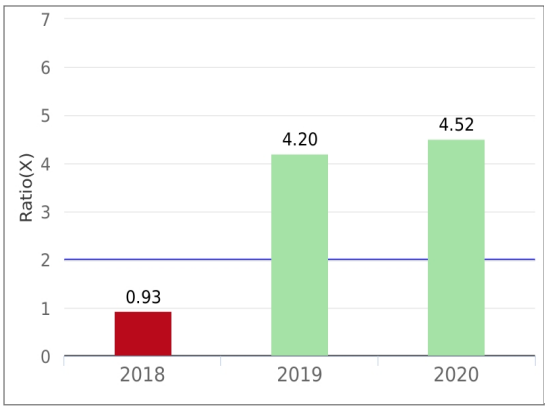
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(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 2019/20 result

2019/20 ratio 4.52x

The debt service cover ratio has improved to 4.52, well above the benchmark of > 2.0. The 2018 ratio was affected by the refinancing of three loans, which led to savings of $536,000.

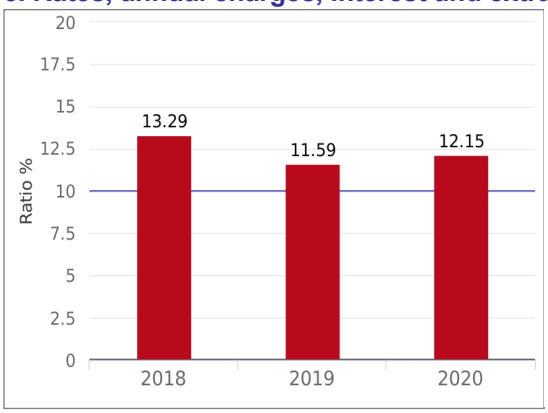
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 12.15%

Council's rates, annual charges, interest and extra charges outstanding percentage has increased to 12.15%. This ratio has been impacted by a change in accounting standards, whereby the prepayment of rates are treated as a liability and are excluded for the purposes of calculating this ratio. In addition, this ratio 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.

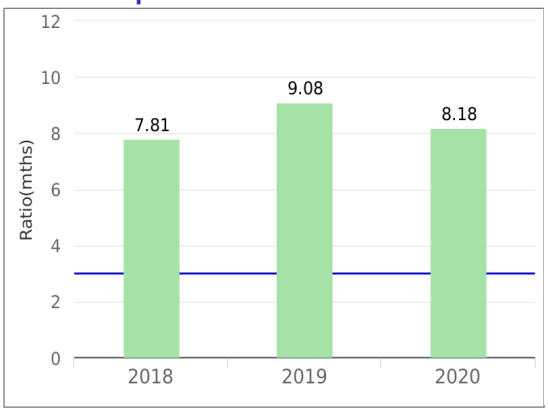
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 8.18 mths

Council's cash expense cover ratio is 8.18, well above the benchmark of > 3 months.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:
10 Graham Place
Casino NSW 2470

Contact details

Mailing Address:
Locked Bag 10
CASINO NSW 2470

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

Telephone: 02 6660 0300
Facsimile: 02 6660 1300

Internet: www.richmondvalley.nsw.gov.au
Email: 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 Richmond Valley Council

Opinion

I have audited the accompanying financial statements of Richmond Valley Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, 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.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Basis for Opinion

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

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

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

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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

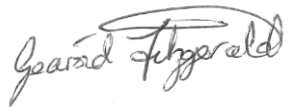
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 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 2020
SYDNEY

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

Contact: Gearoid Fitzgerald
Phone no: 9275 7392
Our ref: D2024501/1686

23 October 2020

Dear Mayor

Report on the Conduct of the Audit

for the year ended 30 June 2020

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 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020 $m	2019 $m	Variance %
Rates and annual charges revenue	26.8	24.9	↑ 7.6
Grants and contributions revenue	23.9	27.4	↓ 12.8
Materials and contracts	14.1	10.7	↑ 31.8

Depreciation and amortisation	17.1	15.9	7.5
Operating result from continuing operations	6.3	10.3	38.8
Net operating result before capital grants and contributions	(3.5)	(7.3)	52.1

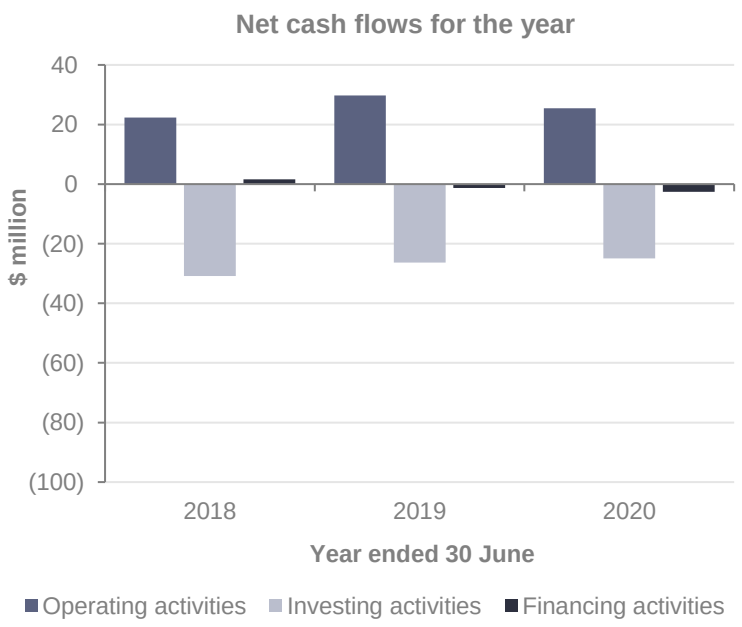
The Council's operating result from continuing operations ($6.3 million including depreciation and amortisation expense of $17.1 million) was $4.0 million lower than the 2018–19 result. The decrease is largely attributable to the following:

- Rates and annual charges revenue ($26.8 million) increased by $1.9m (7.6 per cent) in 2019–20. This was the first year of Council's approved Special Rate Variation (SRV) of 5.5 per cent for four years.
- Grants and contributions revenue ($23.9 million) decreased by $3.5m (12.8 per cent) in 2019–20 mainly due to:
  - $7.1 million net decrease in overall capital grants. 2018–19 included additional funding for the Northern Rivers Livestock Exchange ($6.9 million) and additional funding for sporting grounds ($3.5 million). This has been off-set by Natural Disaster funding of $3.4m in 2019-20.
  - $3.5 million increase in operating grants for bushfire and emergency services.
- Materials and contracts expense ($14.1 million) increased by $3.4 million (31.8 per cent) primarily due to increased consumption of raw materials and consumables.
- Depreciation and amortisation expense ($17.1 million) increased by $1.2 million (7.5 per cent) as a result of comprehensive revaluation adjustments made in the prior year.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities decreased by $4.3 million. This is largely due to decreased grants and contributions received and an increase in materials and contract payments (as outlined above).

- Net cash used in investing activities decreased by $*1.4* million. The majority of the decrease relates to additional proceeds from the sale of PPE.
- Net cash used in financing activities increased by $1.4 million relating to repayment of borrowings and no new borrowings received during 2019-20.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	$m	$m	
External restrictions	32.7	28.7	• Externally restricted cash and investments has increased by $4.0 million. Developer contributions increased by $1.5 million.
Internal restrictions	20.7	18.0	
Unrestricted	-	-	• The level of internally restricted cash and investments has remained *relatively* stable.
Cash and investments	**53.4**	**46.7**	

PERFORMANCE

Performance measures

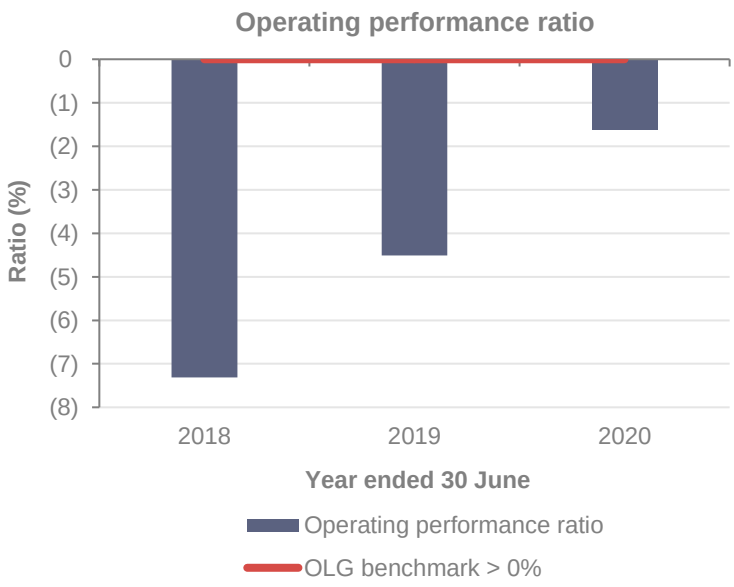
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not achieve the OLG benchmark for the current reporting period.

However, an improvement in Councils 2019–20 operating result (before all capital items) led to an improved operating performance ratio compared to prior years.

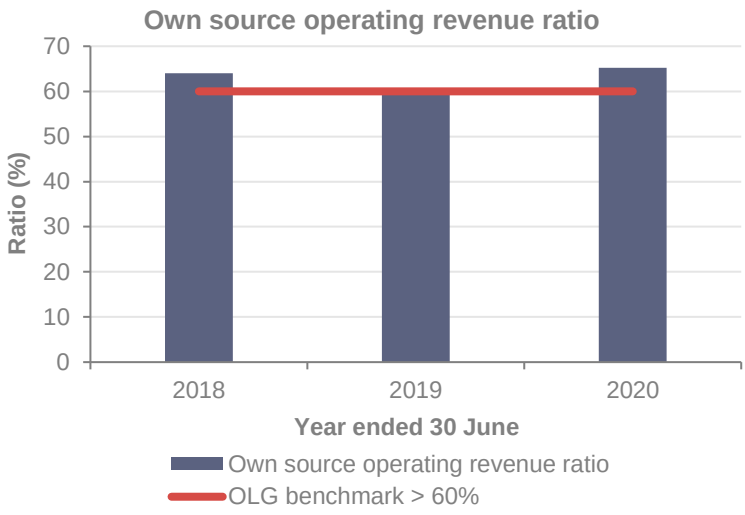


Own source operating revenue ratio

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

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

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

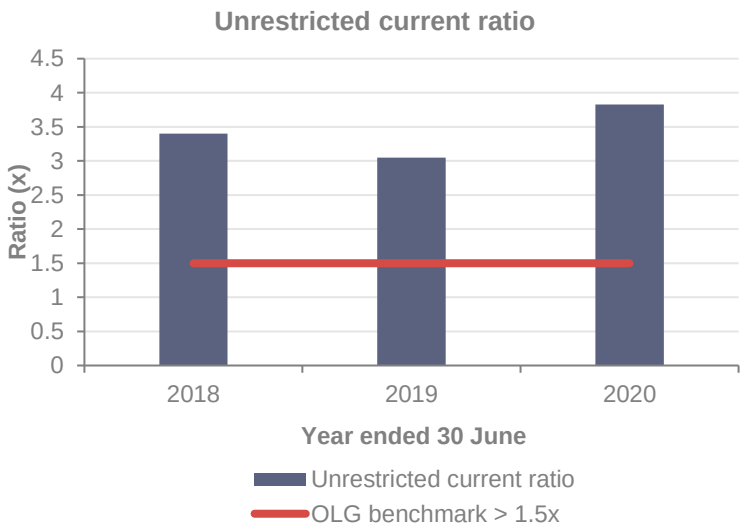


Unrestricted current ratio

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

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

Council's current liabilities (less specific purpose liabilities) have decreased in the current year, resulting in an increase in the ratio at 30 June 2020.

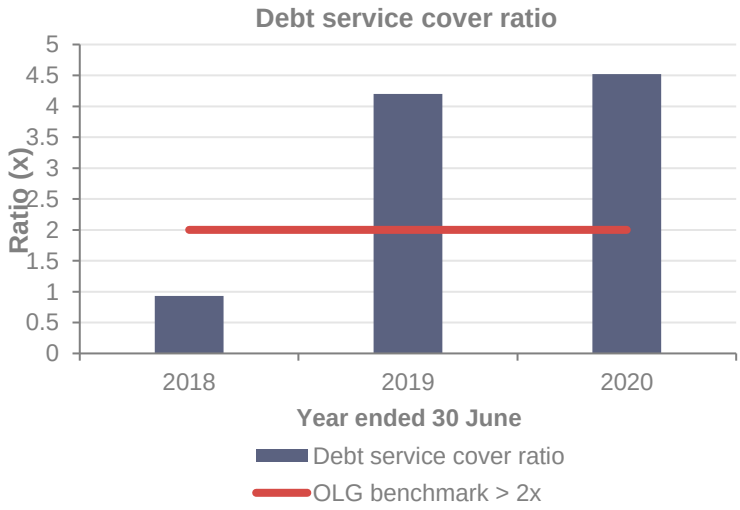


Debt service cover ratio

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

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

Debt service levels have remained consistent with 2018-19.



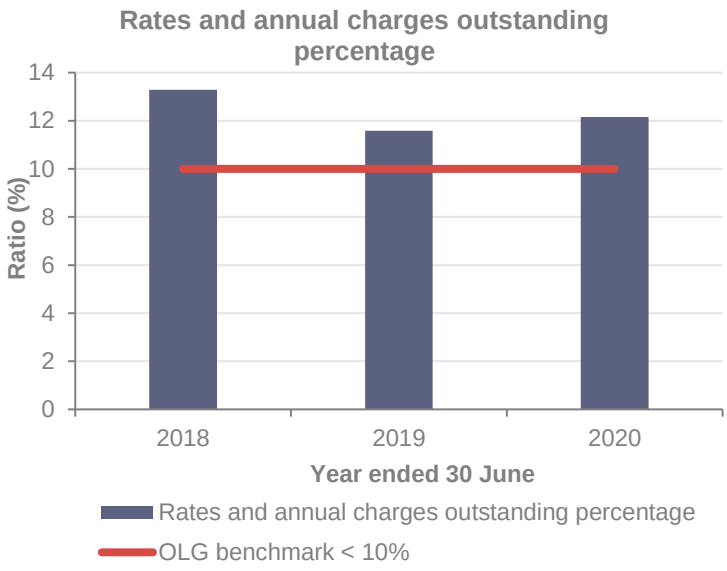
Rates and annual charges outstanding per centage

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

The Council did not meet the OLG benchmark on a consolidated basis for the current reporting period.

General fund 'rates and annual charges outstanding ratio' is at 6.63%. 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.

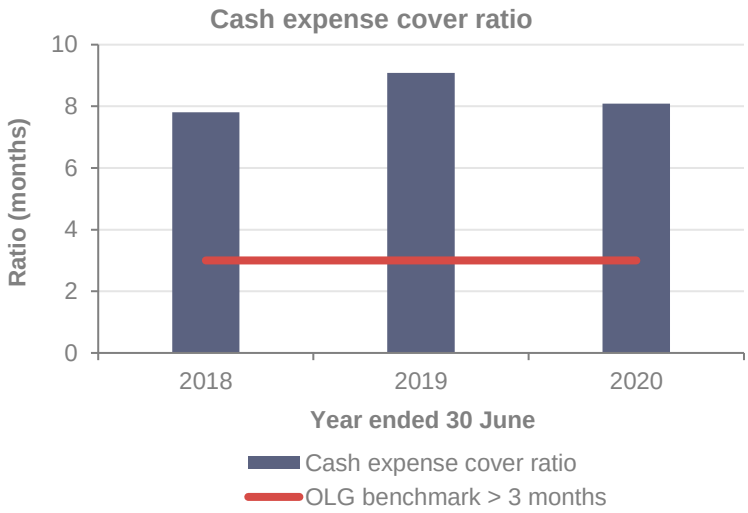
The ratio has remained consistent with 2018-19.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2019–20 year was $10.9 million (2018–19 - $17.0 million). In 2019–20 major renewal projects included the renewal of several regional roads including Casino-Coraki Road and Tomki-Tatham Road, as well as relining of sewerage network assets.

OTHER MATTERS

Impact of new accounting standards

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

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

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

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

The Council recognised a $0.5 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

AASB 16 'Leases'

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

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

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

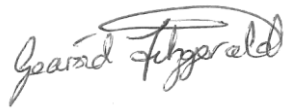
The Council recognised right-of-use assets of $0.5 million and lease liabilities of $0.5 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 12.

Legislative compliance

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

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



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

cc: Vaughan Macdonald, General Manager
Cr Daniel Simpson, Chair of the Audit, Risk and Improvement Committee

Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

Richmond Valley Council

Richmond Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and 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 20 October 2020.

Robert Mustow
Mayor
20 October 2020

Stephen Morrissey
Councillor
20 October 2020

Vaughan Macdonald
General Manager
20 October 2020

Ryan Gaiter
Responsible Accounting Officer
20 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

$ '000	2020	2019
Income from continuing operations		
Access charges	1,481	1,396
User charges	5,085	5,057
Fees	113	119
Interest	137	211
Grants and contributions provided for non-capital purposes	10	63
Total income from continuing operations	6,826	6,846
Expenses from continuing operations		
Employee benefits and on-costs	1,073	901
Materials and contracts	2,614	2,365
Depreciation, amortisation and impairment	1,412	1,369
Water purchase charges	1,209	1,056
Loss on sale of assets	376	282
Calculated taxation equivalents	24	22
Other expenses	267	279
Total expenses from continuing operations	6,975	6,274
Surplus (deficit) from continuing operations before capital amounts	(149)	572
Grants and contributions provided for capital purposes	89	291
Surplus (deficit) from continuing operations after capital amounts	**(60)**	**863**
Surplus (deficit) from all operations before tax	**(60)**	**863**
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(157)
SURPLUS (DEFICIT) AFTER TAX	(60)	706
Plus opening accumulated surplus	27,666	26,811
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	24	22
– Corporate taxation equivalent	–	157
Less:		
Amount restated on adoption of AASB 9	–	(30)
Closing accumulated surplus	27,630	27,666
Return on capital %	(0.2)%	0.8%
Calculation of dividend payable:		
Surplus (deficit) after tax	(60)	706
Less: capital grants and contributions (excluding developer contributions)	(11)	(198)
Surplus for dividend calculation purposes	**–**	**508**
Potential dividend calculated from surplus	**–**	**254**

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

$ '000	2020	2019
Income from continuing operations		
Access charges	7,185	6,973
User charges	1,059	1,053
Fees	72	120
Interest	256	387
Grants and contributions provided for non-capital purposes	–	1
Total income from continuing operations	8,572	8,534
Expenses from continuing operations		
Employee benefits and on-costs	1,567	1,482
Borrowing costs	744	813
Materials and contracts	2,827	2,550
Depreciation, amortisation and impairment	2,268	2,216
Loss on sale of assets	612	200
Calculated taxation equivalents	23	17
Other expenses	284	283
Total expenses from continuing operations	8,325	7,561
Surplus (deficit) from continuing operations before capital amounts	247	973
Grants and contributions provided for capital purposes	227	665
Surplus (deficit) from continuing operations after capital amounts	**474**	**1,638**
Surplus (deficit) from all operations before tax	**474**	**1,638**
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(68)	(267)
SURPLUS (DEFICIT) AFTER TAX	406	1,371
Plus opening accumulated surplus	40,759	39,142
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	23	17
– Corporate taxation equivalent	68	267
Less:		
Amount restated on adoption of AASB 9	–	(38)
Closing accumulated surplus	41,256	40,759
Return on capital %	0.9%	1.6%
Calculation of dividend payable:		
Surplus (deficit) after tax	406	1,371
Less: capital grants and contributions (excluding developer contributions)	(21)	(363)
Surplus for dividend calculation purposes	**385**	**1,008**
Potential dividend calculated from surplus	**193**	**504**

Income Statement – Petersons Quarry

for the year ended 30 June 2020

$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Fees	1,165	1,399
Interest	35	61
Grants and contributions provided for non-capital purposes	–	–
Total income from continuing operations	1,200	1,460
Expenses from continuing operations		
Borrowing costs	12	11
Materials and contracts	106	104
Depreciation, amortisation and impairment	22	31
Calculated taxation equivalents	5	–
Other expenses	–	10
Total expenses from continuing operations	145	156
Surplus (deficit) from continuing operations before capital amounts	1,055	1,304
Surplus (deficit) from continuing operations after capital amounts	**1,055**	**1,304**
Surplus (deficit) from all operations before tax	**1,055**	**1,304**
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(290)	(359)
SURPLUS (DEFICIT) AFTER TAX	765	945
Plus opening accumulated surplus	2,454	2,376
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	5	–
– Corporate taxation equivalent	290	359
Less:		
– Dividend paid	(1,035)	(1,226)
Closing accumulated surplus	2,479	2,454
Return on capital %	59.4%	114.8%

Income Statement – Woodview Quarry

for the year ended 30 June 2020

$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Fees	1,006	559
Interest	24	40
Total income from continuing operations	1,030	599
Expenses from continuing operations		
Employee benefits and on-costs	51	62
Borrowing costs	9	8
Materials and contracts	499	388
Depreciation, amortisation and impairment	8	16
Calculated taxation equivalents	8	3
Total expenses from continuing operations	575	477
Surplus (deficit) from continuing operations before capital amounts	455	122
Surplus (deficit) from continuing operations after capital amounts	**455**	**122**
Surplus (deficit) from all operations before tax	**455**	**122**
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(125)	(34)
SURPLUS (DEFICIT) AFTER TAX	330	88
Plus opening accumulated surplus	1,881	1,622
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	8	3
– Corporate taxation equivalent	125	34
Add:		
Subsidy paid/contribution to operations	–	134
Less:		
– Dividend paid	(507)	–
Closing accumulated surplus	1,837	1,881
Return on capital %	32.2%	11.5%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	899	1,157
Investments	6,271	5,453
Receivables	1,675	1,641
Total current assets	8,845	8,251
Non-current assets		
Receivables	382	451
Infrastructure, property, plant and equipment	74,920	74,704
Total non-current assets	75,302	75,155
TOTAL ASSETS	84,147	83,406
LIABILITIES		
Current liabilities		
Payables	65	9
Total current liabilities	65	9
Non-current liabilities		
Payables	15	–
Total non-current liabilities	15	–
TOTAL LIABILITIES	80	9
NET ASSETS	84,067	83,397
EQUITY		
Accumulated surplus	27,630	27,666
Revaluation reserves	56,437	55,731
TOTAL EQUITY	84,067	83,397

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,454	1,996
Investments	10,147	9,409
Receivables	1,947	2,057
Total current assets	13,548	13,462
Non-current assets		
Receivables	529	563
Infrastructure, property, plant and equipment	115,435	114,824
Total non-current assets	115,964	115,387
TOTAL ASSETS	129,512	128,849
LIABILITIES		
Current liabilities		
Payables	145	160
Borrowings	1,347	1,277
Total current liabilities	1,492	1,437
Non-current liabilities		
Borrowings	12,415	13,762
Total non-current liabilities	12,415	13,762
TOTAL LIABILITIES	13,907	15,199
NET ASSETS	115,605	113,650
EQUITY		
Accumulated surplus	41,256	40,759
Revaluation reserves	74,349	72,891
TOTAL EQUITY	115,605	113,650

Statement of Financial Position – Petersons Quarry

as at 30 June 2020

$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Investments	2,242	2,183
Total current assets	2,242	2,183
Non-current assets		
Infrastructure, property, plant and equipment	1,797	1,145
Total non-current assets	1,797	1,145
TOTAL ASSETS	4,039	3,328
LIABILITIES		
Non-current liabilities		
Provisions	487	486
Total non-current liabilities	487	486
TOTAL LIABILITIES	487	486
NET ASSETS	3,552	2,842
EQUITY		
Accumulated surplus	2,479	2,454
Revaluation reserves	1,073	388
TOTAL EQUITY	3,552	2,842

Statement of Financial Position – Woodview Quarry

as at 30 June 2020

$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Investments	1,513	1,538
Total current assets	1,513	1,538
Non-current assets		
Infrastructure, property, plant and equipment	1,443	1,129
Total non-current assets	1,443	1,129
TOTAL ASSETS	2,956	2,667
LIABILITIES		
Non-current liabilities		
Provisions	372	389
Total non-current liabilities	372	389
TOTAL LIABILITIES	372	389
NET ASSETS	2,584	2,278
EQUITY		
Accumulated surplus	1,837	1,881
Revaluation reserves	747	397
TOTAL EQUITY	2,584	2,278

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

(where gross operating turnover is over $2 million)

a. Water Supplies
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.

continued on next page ...

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 Finanncial Statements.

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

The payment of taxation equivalent charges, referred to in the 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.

continued on next page ...

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:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(iv) Dividends

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

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 2020 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 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 Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 2020, and their 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 28 (LG Code).

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

Basis for Opinion

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

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

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

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 2020 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

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

23 October 2020
SYDNEY

Richmond Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

Richmond
Valley
Council

Richmond Valley Council

Special Schedules
for the year ended 30 June 2020

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Richmond Valley Council

Permissible income for general rates

$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation [1]			
Last year notional general income yield	a	13,175	12,444
Plus or minus adjustments [2]	b	41	46
Notional general income	c = a + b	**13,216**	**12,490**
Permissible income calculation			
Special variation percentage [3]	d	5.50%	5.50%
Plus special variation amount	h = d x (c + g)	727	687
Sub-total	k = (c + g + h + i + j)	**13,943**	**13,177**
Plus (or minus) last year's carry forward total	l	32	47
Sub-total	n = (l + m)	**32**	**47**
Total permissible income	o = k + n	13,975	13,224
Less notional general income yield	p	13,968	13,175
Catch-up or (excess) result	q = o – p	**7**	**49**
Less unused catch-up [5]	s	(5)	(17)
Carry forward to next year [6]	t = q + r + s	**2**	**32**

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 2021.

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 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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 2020 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 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

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

23 October 2020
SYDNEY

Richmond Valley Council

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance [a]	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – specialised	163	163	365	362	57,247	75,880	40.0%	43.0%	16.0%	1.0%	0.0%
	Sub-total	**163**	**163**	**365**	**362**	**57,247**	**75,880**	**40.0%**	**43.0%**	**16.0%**	**1.0%**	**0.0%**
Other structures	Other structures	6	6	142	154	22,060	24,193	88.0%	10.0%	2.0%	0.0%	0.0%
	Sub-total	**6**	**6**	**142**	**154**	**22,060**	**24,193**	**88.0%**	**10.0%**	**2.0%**	**0.0%**	**0.0%**
Roads	Sealed roads	3,524	3,524	1,845	2,201	203,400	287,216	26.0%	42.0%	26.0%	6.0%	0.0%
	Unsealed roads	3,457	3,457	1,047	1,010	16,519	30,278	26.0%	53.0%	16.0%	5.0%	0.0%
	Bridges	612	612	67	121	68,176	99,970	3.0%	51.0%	40.0%	5.0%	1.0%
	Footpaths	–	–	41	34	14,456	17,096	81.0%	19.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	64,378	64,378	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**7,593**	**7,593**	**3,000**	**3,366**	**366,929**	**498,938**	**32.8%**	**38.3%**	**24.0%**	**4.8%**	**0.2%**
Water supply network	Water supply network	406	406	437	619	72,140	92,891	48.0%	47.0%	3.0%	2.0%	0.0%
	Sub-total	**406**	**406**	**437**	**619**	**72,140**	**92,891**	**48.0%**	**47.0%**	**3.0%**	**2.0%**	**0.0%**
Sewerage network	Sewerage network	2,085	2,085	1,033	1,156	112,526	144,827	45.0%	35.0%	13.0%	7.0%	0.0%
	Sub-total	**2,085**	**2,085**	**1,033**	**1,156**	**112,526**	**144,827**	**45.0%**	**35.0%**	**13.0%**	**7.0%**	**0.0%**
Stormwater drainage	Stormwater drainage	1,054	1,054	175	140	50,659	60,612	37.0%	40.0%	17.0%	6.0%	0.0%
	Sub-total	**1,054**	**1,054**	**175**	**140**	**50,659**	**60,612**	**37.0%**	**40.0%**	**17.0%**	**6.0%**	**0.0%**

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Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance [a]	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	7	7	11	7	7,014	8,670	57.0%	42.0%	1.0%	0.0%	0.0%
	Other Open Space/Recreation	48	48	119	101	12,923	15,273	73.0%	20.0%	5.0%	2.0%	0.0%
	Sub-total	**55**	**55**	**130**	**108**	**19,937**	**23,943**	**67.2%**	**28.0%**	**3.6%**	**1.3%**	**0.0%**
	TOTAL - ALL ASSETS	**11,362**	**11,362**	**5,282**	**5,905**	**701,498**	**921,284**	**39.5%**	**38.1%**	**17.9%**	**4.4%**	**0.1%**

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

Infrastructure asset condition assessment 'key'

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

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Report on Infrastructure Assets (continued)

as at 30 June 2020

$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	Prior periods 2018	Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio [1]					
Asset renewals [2]	9,546	69.22%	117.78%	86.18%	>=100.00%
Depreciation, amortisation and impairment	13,790				
Infrastructure backlog ratio [1]					
Estimated cost to bring assets to a satisfactory standard	11,362	1.62%	1.73%	1.92%	<2.00%
Net carrying amount of infrastructure assets	701,498				
Asset maintenance ratio					
Actual asset maintenance	5,905	111.79%	107.10%	119.15%	>100.00%
Required asset maintenance	5,282				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	11,362	1.23%	1.34%	1.47%	
Gross replacement cost	921,284				

(*) 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.

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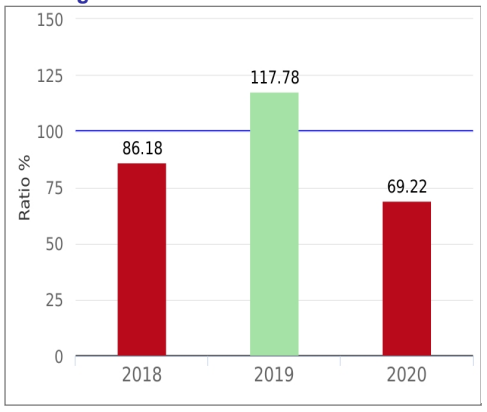
Richmond Valley Council

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	Commentary on result
	19/20 ratio 69.22%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Council's buildings and infrastructure renewals ratio decreased to 69.22%. The 2019 ratio was impacted by Council receiving a significantly higher level of capital grants, resulting in a much higher renewals ratio for that year.

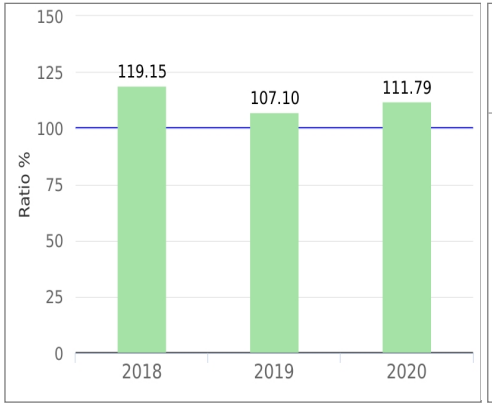
Benchmark: — >= 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	19/20 ratio 111.79%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	Council's asset maintenance ratio has improved to 111.79%, which is above the benchmark of 100%.

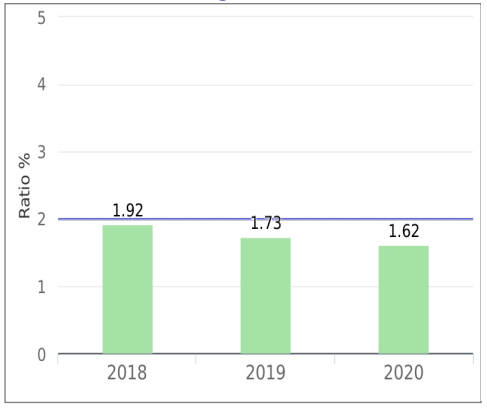
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio	Commentary on result
	19/20 ratio 1.62%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	Council's infrastructure backlog ratio has fallen to 1.62%, which remains below the benchmark of < 2.0%.

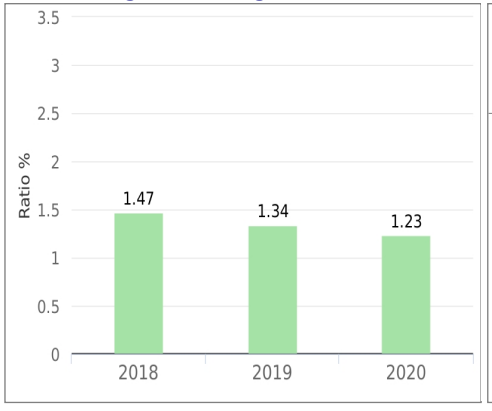
Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	19/20 ratio 1.23%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	Council's outstanding renewals remain relatively low at 1.23% of the total replacement cost of its infrastructure assets.

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Richmond Valley Council

Report on Infrastructure Assets (continued)

as at 30 June 2020

$ '000	General fund 2020	General fund 2019	Water fund 2020	Water fund 2019	Sewer fund 2020	Sewer fund 2019	Benchmark
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio [1]							
Asset renewals [2] / Depreciation, amortisation and impairment	**64.97%**	134.59%	**77.94%**	70.18%	**83.24%**	72.81%	>=100.00%
Infrastructure backlog ratio [1]							
Estimated cost to bring assets to a satisfactory standard / Net carrying amount of infrastructure assets	**1.72%**	1.67%	**0.56%**	0.53%	**1.85%**	2.79%	<2.00%
Asset maintenance ratio							
Actual asset maintenance / Required asset maintenance	**108.34%**	111.53%	**141.65%**	119.55%	**111.91%**	86.13%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council / Gross replacement cost	**1.30%**	1.28%	**0.44%**	0.42%	**1.44%**	2.18%	

(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.