



# Tweed Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Living and loving the Tweed*



**TWEED**  
SHIRE COUNCIL



# Tweed Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Living and loving the Tweed*



# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

Civic and Cultural Centre, Tumbulgum Road  
Murwillumbah NSW 2484

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

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### About the Auditor's Reports

Council's consolidated 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.

#### About the Councillor/Management Statement

The financial statements must include an opinion by senior staff and Council as 'presenting fairly' the Council's financial results for the year and – ensuring both responsibility for and ownership of the financial statements.

#### 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 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.

#### 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.

#### 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.

## Tweed Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2020

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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:**

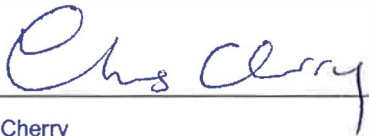
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

**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 19 November 2020.**



Chris Cherry

**Mayor**

19 November 2020



Reece Byrnes

**Councillor**

19 November 2020



Troy Green

**General Manager**

19 November 2020



Michael Chorlton

**Responsible Accounting Officer**

19 November 2020



## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
116,910	Rates and annual charges	3a	118,386	112,063
48,364	User charges and fees	3b	48,954	49,774
2,507	Other revenues	3c	2,791	3,681
19,335	Grants and contributions provided for operating purposes	3d,3e	19,723	26,468
14,529	Grants and contributions provided for capital purposes	3d,3e	27,272	24,858
9,808	Interest and investment income	4	8,326	10,361
–	Rental income	13e	317	–
–	Net share of interests in joint ventures and associates using the equity method	18	97	–
211,453	<b>Total income from continuing operations</b>		225,866	227,205
<b>Expenses from continuing operations</b>				
59,162	Employee benefits and on-costs	5a	59,937	56,616
11,268	Borrowing costs	5b	11,498	12,203
50,810	Materials and contracts	5c	51,304	49,197
45,028	Depreciation and amortisation	5d	47,207	46,387
17,093	Other expenses	5e	15,022	15,334
–	Net losses from the disposal of assets	6	7,777	7,198
–	Net share of interests in joint ventures and associates using the equity method	18	–	8
183,361	<b>Total expenses from continuing operations</b>		192,745	186,943
28,092	<b>Operating result from continuing operations</b>		33,121	40,262
28,092	<b>Net operating result for the year</b>		33,121	40,262
28,092	Net operating result attributable to council		33,121	40,262
13,563	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		5,849	15,404

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* in 2019/20. The comparative information has been prepared using the relevant standards applicable at the time - being 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.

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>33,121</b>	<b>40,262</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	117,283	26,479
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>117,283</b>	<b>26,479</b>
<b>Total other comprehensive income for the year</b>		<b>117,283</b>	<b>26,479</b>
<b>Total comprehensive income for the year</b>		<b>150,404</b>	<b>66,741</b>
Total comprehensive income attributable to Council		150,404	66,741

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* in 2019/20. The comparative information has been prepared using the relevant standards applicable at the time - being 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.



## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	45,458	21,868
Investments	7(b)	180,958	167,801
Receivables	8	18,809	17,520
Inventories	9a	759	791
Contract assets	12a	763	–
Other	9b	467	550
<b>Total current assets</b>		<u>247,214</u>	<u>208,530</u>
<b>Non-current assets</b>			
Investments	7(b)	167,925	174,664
Receivables	8	222	263
Infrastructure, property, plant and equipment	10(a)	2,969,339	2,855,320
Intangible Assets	11	1,245	1,049
Right of use assets	13a	511	–
Investments accounted for using the equity method	18	1,289	1,192
<b>Total non-current assets</b>		<u>3,140,531</u>	<u>3,032,488</u>
<b>Total assets</b>		<u>3,387,745</u>	<u>3,241,018</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	11,871	11,346
Income received in advance	14	8,698	7,913
Contract liabilities	12b	3,406	–
Lease liabilities	13b	76	–
Borrowings	14	8,159	9,115
Provisions	15	23,444	22,813
<b>Total current liabilities</b>		<u>55,654</u>	<u>51,187</u>
<b>Non-current liabilities</b>			
Payables	14	854	695
Lease liabilities	13b	445	–
Borrowings	14	143,670	149,838
Provisions	15	5,861	5,506
<b>Total non-current liabilities</b>		<u>150,830</u>	<u>156,039</u>
<b>Total liabilities</b>		<u>206,484</u>	<u>207,226</u>
<b>Net assets</b>		<u>3,181,261</u>	<u>3,033,792</u>
<b>EQUITY</b>			
Accumulated surplus	16	1,516,752	1,486,566
Revaluation reserves	16	1,664,509	1,547,226
<b>Council equity interest</b>		<u>3,181,261</u>	<u>3,033,792</u>
<b>Total equity</b>		<u>3,181,261</u>	<u>3,033,792</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* in 2019/20. The comparative information has been prepared using the relevant standards applicable at the time - being 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			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,486,566	1,547,226	3,033,792	1,446,304	1,520,747	2,967,051
Changes due to AASB 1058 and AASB 15 adoption	16	(2,930)	–	(2,930)	–	–	–
Changes due to AASB 16 adoption	16	(5)	–	(5)	–	–	–
<b>Restated opening balance</b>		<b>1,483,631</b>	<b>1,547,226</b>	<b>3,030,857</b>	<b>1,446,304</b>	<b>1,520,747</b>	<b>2,967,051</b>
Net operating result for the year		33,121	–	33,121	40,262	–	40,262
<b>Net operating result for the period</b>		<b>33,121</b>	<b>–</b>	<b>33,121</b>	<b>40,262</b>	<b>–</b>	<b>40,262</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	117,283	117,283	–	26,479	26,479
<b>Other comprehensive income</b>		<b>–</b>	<b>117,283</b>	<b>117,283</b>	<b>–</b>	<b>26,479</b>	<b>26,479</b>
<b>Total comprehensive income</b>		<b>33,121</b>	<b>117,283</b>	<b>150,404</b>	<b>40,262</b>	<b>26,479</b>	<b>66,741</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,516,752</b>	<b>1,664,509</b>	<b>3,181,261</b>	<b>1,486,566</b>	<b>1,547,226</b>	<b>3,033,792</b>

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* in 2019/20. The comparative information has been prepared using the relevant standards applicable at the time - being 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
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
116,190	Rates and annual charges		118,081	111,431
48,206	User charges and fees		49,679	53,481
9,641	Investment and interest revenue received		9,521	9,984
35,573	Grants and contributions		41,640	49,191
2,711	Other		7,757	9,418
<b>Payments:</b>				
(57,581)	Employee benefits and on-costs		(58,995)	(57,054)
(53,511)	Materials and contracts		(56,148)	(56,002)
(11,141)	Borrowing costs		(11,240)	(11,691)
(100)	Bonds, deposits and retention amounts refunded		(634)	(514)
(17,093)	Other		(15,768)	(16,322)
<b>72,895</b>	<b>Net cash provided (or used in) operating activities</b>	17b	<b>83,893</b>	<b>91,922</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		166,350	54,900
1,812	Sale of infrastructure, property, plant and equipment		570	1,309
–	Deferred debtors receipts		25	–
<b>Payments:</b>				
(17,320)	Purchase of investment securities		(172,935)	(80,712)
(45,025)	Purchase of infrastructure, property, plant and equipment		(46,471)	(49,361)
–	Purchase of intangible assets		(511)	(227)
(97)	Other investing activity payments		–	–
<b>(60,630)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(52,972)</b>	<b>(74,091)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
2,316	Proceeds from borrowings and advances		1,991	2,250
<b>Payments:</b>				
(9,243)	Repayment of borrowings and advances		(9,254)	(8,840)
–	Lease liabilities (principal repayments)		(68)	–
<b>(6,927)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(7,331)</b>	<b>(6,590)</b>
<b>5,338</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23,590</b>	<b>11,241</b>
6,000	Plus: cash and cash equivalents – beginning of year	17a	21,868	10,627
<b>11,338</b>	<b>Cash and cash equivalents – end of the year</b>	17a	<b>45,458</b>	<b>21,868</b>
–	plus: Investments on hand – end of year	7(b)	348,883	342,465
<b>11,338</b>	<b>Total cash, cash equivalents and investments</b>		<b>394,341</b>	<b>364,333</b>

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* in 2019/20. The comparative information has been prepared using the relevant standards applicable at the time - being AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 19 November 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.

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.

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

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 22 – Material budget variations

and are clearly marked.

The COVID-19 health and economic crisis has had an impact on some of Council's operations. As with other events, these impacts are reflected in the financial results reported in these statements.

The temporary closure and restricted use of facilities including holiday parks, aquatic centres and cultural facilities has resulted in a loss of revenue. Similarly, Council initiatives such as the temporary suspension of some fees and charges has also had an impact on revenue. Increased frequency of the cleaning of public toilets has resulted in additional operating costs.

There has been a minor increase in receivables, some of which may have been caused by the downturn in economic conditions caused by COVID-19. At this stage there is no expectation of any increase in future credit losses.

#### (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 15
- (iii) employee benefit provisions – refer Note 15.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 8.

(ii) Useful lives of assets

Council has used significant judgment in determining the useful lives of assets and the associated consumption (depreciation expense).

#### 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.

The Consolidated Fund has been included in the financial statements of Council.

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Tweed Holiday Parks

##### (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 other than receivables are recognised excluding GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented inclusive of GST. 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 utilises volunteers for customer service functions at art galleries and museums. As volunteers do not undergo a selection or performance appraisal process, and each volunteer would have differing levels of skills and abilities, the value of their services cannot be measured reliably. Whilst volunteers provide a valuable service, there is no evidence that had those services not been donated, that Council would have purchased those services to a full or partial extent

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

##### New accounting standards and interpretations issued but 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

#### **AASB 1059 Service Concession Arrangements: Grantors**

#### **AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059**

#### **AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 105.

**Council does not expect any material impact to future financial statements as it does not generally enter into service concession arrangements.**

This standard has an effective date for the 30 June 2021 reporting period.

#### **AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

#### **AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128**

#### **AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

**Council does not expect any material impact to future financial statements as it does not generally transfer assets between Council and Joint Ventures/Associates.**

Apart from the standards listed above, there are no other released standards and interpretations (with future effective dates) that are expected to have a material impact on Council.

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **New accounting standards adopted during the year**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Natural resource management	1,244	919	5,234	4,571	(3,990)	(3,652)	697	704	44,842	44,533
Asset protection	4,557	2,660	10,474	8,246	(5,917)	(5,586)	4,311	1,462	200,009	199,921
Utility services	101,479	95,931	74,522	67,868	26,957	28,063	136	236	1,371,285	1,380,999
Managing community growth	86	39	1,208	897	(1,122)	(858)	12	12	–	–
Built environment	4,652	3,031	6,213	6,197	(1,561)	(3,166)	–	–	1	–
Engagement	74,050	73,276	12,390	11,791	61,660	61,485	8,034	7,813	213,918	191,739
People	5,612	7,740	12,643	12,978	(7,031)	(5,238)	865	3,899	60,431	58,823
Places	18,804	17,800	29,254	29,648	(10,450)	(11,848)	3,567	1,986	331,437	314,691
Moving around	12,951	23,131	32,407	36,568	(19,456)	(13,437)	6,207	16,115	1,079,777	965,114
Assurance	1,483	1,015	5,394	5,005	(3,911)	(3,990)	757	143	57,874	58,515
Support services	948	1,663	3,006	3,174	(2,058)	(1,511)	–	–	28,171	23,290
Other	–	–	–	–	–	–	–	–	–	3,393
<b>Total functions and activities</b>	<b>225,866</b>	<b>227,205</b>	<b>192,745</b>	<b>186,943</b>	<b>33,121</b>	<b>40,262</b>	<b>24,586</b>	<b>32,370</b>	<b>3,387,745</b>	<b>3,241,018</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Natural resource management**

Biodiversity, bushland, coastal, and waterways management. Environmental sustainability and sustainable agriculture

#### **Asset protection**

Floodplain management and stormwater drainage

#### **Utility services**

Rubbish & recycling, Tweed Laboratory, sewerage services and water supply

#### **Managing community growth**

Strategic land use planning

#### **Built environment**

Building certification, development assessment and development engineering

#### **Engagement**

Animal management, communications, contact centre, councillor & civic business and financial services

#### **People**

Cemeteries, community & cultural development, community services, compliance services, economic development, environmental health, events, lifeguard services, local emergency management, pest management, public toilets and tourism

#### **Places**

Aquatic centres, art gallery, auditoriums, holiday parks, libraries, museums, parks & gardens, saleyards and sporting fields

#### **Moving around**

Airfield, construction services, design services, roads, traffic and footpaths & cycleways

#### **Assurance**

Governance, audit and legal services

#### **Support services**

Fleet management, Human resources & workplace health & safety, information technology and procurement services

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	53,740	52,019
Farmland	1058 (1)	3,042	3,014
Business	1058 (1)	5,361	5,240
Less: pensioner rebates (mandatory)	1058 (1)	(1,764)	(1,707)
<b>Rates levied to ratepayers</b>		<b>60,379</b>	<b>58,566</b>
Pensioner rate subsidies received	1058 (1)	970	951
<b>Total ordinary rates</b>		<b>61,349</b>	<b>59,517</b>
<b>Special rates</b>			
Koala beach	1058 (1)	86	83
Cobaki Lakes	1058 (1)	591	575
<b>Rates levied to ratepayers</b>		<b>677</b>	<b>658</b>
<b>Total special rates</b>		<b>677</b>	<b>658</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	16,055	13,107
Water supply services	1058 (1)	6,846	6,656
Sewerage services	1058 (1)	30,840	30,006
Waste management services (non-domestic)	1058 (1)	3,382	2,879
Less: pensioner rebates (mandatory)	1058 (1)	(1,696)	(1,714)
<b>Annual charges levied</b>		<b>55,427</b>	<b>50,934</b>
Pensioner subsidies received:			
– Water	1058 (1)	375	375
– Sewerage	1058 (1)	362	362
– Domestic waste management	1058 (1)	196	217
<b>Total annual charges</b>		<b>56,360</b>	<b>51,888</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>118,386</b>	<b>112,063</b>

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

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

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

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

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

Council has used 2019 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**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.

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	677	619
Water supply services	15 (2)	23,202	22,598
Sewerage services	15 (1)	3,109	3,069
Waste management services (non-domestic)	15 (1)	4,213	2,692
<b>Total specific user charges</b>		<b>31,201</b>	<b>28,978</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Private works – section 67	15 (1)	112	142
Section 603 certificates	15 (1)	200	180
Town planning	15 (1)	1,034	990
Animal control	15 (1)	130	164
Health approvals	15 (1)	722	881
Building	15 (1)	1,317	1,468
<b>Total fees and charges – statutory/regulatory</b>		<b>3,515</b>	<b>3,825</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	32	36
Caravan park	15 (2)	8,552	9,912
Cemeteries	15 (1)	769	1,027
Leaseback fees – Council vehicles	15 (1)	460	485
Library and art gallery	15 (1)	316	504
Parking fees	15 (1)	12	14
Water connection fees	15 (1)	311	364
Beach vehicles	15 (1)	20	20
Parks and gardens	15 (1)	120	144
Pools	15 (1)	1,540	1,838
Sewer/drainage	15 (1)	318	348
Other	15 (1)	1,123	1,658
Sportsgrounds	15 (1)	51	90
Tweed laboratory	15 (1)	614	531
<b>Total fees and charges – other</b>		<b>14,238</b>	<b>16,971</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>48,954</b>	<b>49,774</b>

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for 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 the balance of the booking 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.

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	853
Fines – parking	1058 (1)	219	337
Fines – other	1058 (1)	346	137
Legal fees recovery – rates and charges (extra charges)	1058 (1)	62	136
Legal fees recovery – other	1058 (1)	66	29
Diesel rebate <sup>1</sup>	1058 (1)	183	173
Short-term rent and facilities hire	15 (1)	561	–
Insurance claims recoveries	1058 (1)	147	597
Other	1058 (1)	1,207	1,419
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,791</u></b>	<b><u>3,681</u></b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

(1) Previously reported under Materials and Contracts as a reduction in fuel expense

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	3,899	3,869	–	–
Financial assistance – local roads component	1058 (1)	1,463	1,375	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	4,135	3,944	–	–
Financial assistance – local roads component	1058 (1)	1,554	1,495	–	–
<b>Total general purpose</b>		<b>11,051</b>	<b>10,683</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058	13	48	–	–
Bushfire and emergency services	1058	158	158	–	–
Community centres	1058	–	–	510	227
Economic development	1058	–	–	757	30
Library	1058	295	240	–	–
LIRS subsidy	1058	98	119	–	–
Public halls	1058	–	–	–	21
Recreation and culture	1058	–	–	–	1,221
Street lighting	1058	156	153	–	–
Transport (other roads and bridges funding)	1058	241	6,546	2,203	4,182
Other waste and sustainability improvement	1058	122	188	–	–
Art gallery	1058	100	100	3	47
Community service	1058	631	463	–	–
Cycleways/walkways	1058	–	–	393	2,127
Other	1058	137	2,977	5,930	1,079
Environment (incl. coastal/estuary management)	1058	1,421	1,482	233	142
Museums	1058	91	–	–	34
Positions funded by other govt. dept	1058	43	103	–	–
<b>Total specific purpose</b>		<b>3,506</b>	<b>12,577</b>	<b>10,029</b>	<b>9,110</b>
<b>Total grants</b>		<b>14,557</b>	<b>23,260</b>	<b>10,029</b>	<b>9,110</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		11,934	13,823	2,734	3,317
– State funding		2,623	9,437	7,295	5,793
		<b>14,557</b>	<b>23,260</b>	<b>10,029</b>	<b>9,110</b>

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”,



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	6,286	4,930
S 64 – water supply contributions		1058 (1)	–	–	2,914	2,912
S 64 – sewerage service contributions		1058 (1)	–	–	2,156	1,434
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>11,356</b>	<b>9,276</b>
<b>Non-cash contributions</b>						
Water S 64 – in kind		1058 (1)	–	–	194	457
Sewerage S 64 – in kind		1058 (1)	–	–	1,270	1,698
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>1,464</b>	<b>2,155</b>
<b>Total developer contributions</b>	26		<b>–</b>	<b>–</b>	<b>12,820</b>	<b>11,431</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Bushfire services		1058 (1)	1,275	–	–	–
Community services		1058 (1)	455	317	–	–
Heritage/cultural		1058 (1)	245	365	–	–
Recreation and culture		1058 (1)	–	–	451	13
RMS contributions (regional roads, block grant)		1058 (1)	2,317	2,268	152	152
Sewerage (excl. section 64 contributions)		1058 (1)	240	209	–	–
Other		1058 (1)	336	49	10	33
Dedications (other than by s7.11) – open space		1058 (1)	–	–	–	–
Environment		1058 (1)	298	–	–	–
Roads		1058 (1)	–	–	842	–
<b>Total other contributions – cash</b>			<b>5,166</b>	<b>3,208</b>	<b>1,455</b>	<b>198</b>
<b>Non-cash contributions</b>						
Community services		1058 (1)	–	–	–	–
Recreation and culture			–	–	118	–
Art gallery		1058 (1)	–	–	700	649
Other		1058 (1)	–	–	–	232
Dedications (other than by s7.11) – land		1058 (1)	–	–	1,102	1,031
Dedications (other than by s7.11) – drainage		1058 (1)	–	–	380	752
Dedications (other than by s7.11) – land under roads		1058 (1)	–	–	156	43
Dedications (other than by s7.11) – open space		1058 (1)	–	–	112	198
Dedications (other than by s7.11) – roads		1058 (1)	–	–	400	1,214
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>2,968</b>	<b>4,119</b>

continued on next page ...

## 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
<b>Total other contributions</b>			5,166	3,208	4,423	4,317
<b>Total contributions</b>			5,166	3,208	17,243	15,748
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>			<u>19,723</u>	<u>26,468</u>	<u>27,272</u>	<u>24,858</u>

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

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

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

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

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

### Accounting policy for 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.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

##### Grant income

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

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*.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

\$ '000	2020	2019
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**(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	2,809	2,586
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,333
<b>Add:</b> operating grants received for the provision of goods and services in a future period	1,531	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(1,110)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(1,473)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>2,867</b>	<b>2,809</b>

**Capital grants**

Unexpended at the close of the previous reporting period	3,134	3,433
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	836
<b>Add:</b> capital grants received for the provision of goods and services in a future period	1,151	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(1,135)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(629)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>3,656</b>	<b>3,134</b>

**Contributions**

Unexpended at the close of the previous reporting period	44,619	39,923
<b>Add:</b> contributions recognised as income in the current period but not yet spent	7,128	6,152
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
	–	–

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(2,517)	(1,456)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>49,230</b>	<b>44,619</b>

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	398	394
– Cash and investments	8,093	10,014
– Deferred debtors	2	2
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	(167)	(49)
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>8,326</b>	<b>10,361</b>

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

Overdue rates and annual charges (general fund)	234	208
General Council cash and investments	1,513	2,056

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	1,171	2,180
Water fund operations	1,714	1,667
Sewerage fund operations	2,211	2,899
Domestic waste management operations	614	555
Other externally restricted assets	–	298

**Restricted investments/funds – internal:**

Internally restricted assets	869	498
<b>Total interest and investment revenue</b>	<b>8,326</b>	<b>10,361</b>

**Accounting policy for interest and investment revenue**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	50,473	48,759
Travel expenses	71	75
Employee leave entitlements (ELE)	7,888	7,366
Superannuation	6,389	5,383
Workers' compensation insurance	1,062	835
Fringe benefit tax (FBT)	137	122
Payroll tax	1,021	970
Training costs (other than salaries and wages)	363	279
Other	145	198
<b>Total employee costs</b>	<b>67,549</b>	<b>63,987</b>
Less: capitalised costs	(7,612)	(7,371)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>59,937</b>	<b>56,616</b>

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		9	–
Interest on loans		11,209	11,634
<b>Total interest bearing liability costs</b>		<b>11,218</b>	<b>11,634</b>
<b>Total interest bearing liability costs expensed</b>		<b>11,218</b>	<b>11,634</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums:			
- Remediation liabilities	15	141	339
- Interest free loan received		139	230
<b>Total other borrowing costs</b>		<b>280</b>	<b>569</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>11,498</b>	<b>12,203</b>

**Accounting policy for borrowing costs**

Borrowing costs for loans are expensed over the life of the loan.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	49,915	47,643
Auditors remuneration <sup>2</sup>	127	139
<b>Legal expenses:</b>		
– Legal expenses: planning and development	789	1,032
– Legal expenses: other	84	49
Expenses from short-term leases (2020 only)	22	–
Expenses from leases of low value assets (2020 only)	365	–
Expenses from Peppercorn leases (2020 only)	2	–
Variable lease expense relating to usage (2020 only)	–	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	334
<b>Total materials and contracts</b>	<b>51,304</b>	<b>49,197</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>51,304</b>	<b>49,197</b>

**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	–	324
Other	–	10
	<b>–</b>	<b>334</b>

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditors of Council and its controlled entity

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

Audit and review of financial statements	98	115
<b>Remuneration for audit and other assurance services</b>	<b>98</b>	<b>115</b>

**Total Auditor-General remuneration**

	<b>98</b>	<b>115</b>
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**Auditors of controlled entity - Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Audit and review of financial statements – TCHP/THP	24	24
<b>Remuneration for audit and other assurance services</b>	<b>24</b>	<b>24</b>

**(ii) Non-assurance services**

Other services – grant acquittals	5	–
<b>Remuneration for non-assurance services</b>	<b>5</b>	<b>–</b>

**Total remuneration of non NSW Auditor-General audit firms**

	<b>29</b>	<b>24</b>
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**Total Auditor remuneration**

	<b>127</b>	<b>139</b>
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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
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		3,390	3,381
Office equipment		108	121
Furniture and fittings		108	122
<b>Infrastructure:</b>	10(a)		
– Buildings		2,658	2,636
– Other structures		11	13
– Roads		12,598	12,339
– Bridges		2,299	2,270
– Footpaths		729	720
– Stormwater drainage		2,596	2,582
– Water supply network		7,574	7,461
– Sewerage network		11,748	11,584
– Swimming pools		303	308
– Other open space/recreational assets		1,806	1,754
– Other infrastructure		677	665
<b>Right of use assets</b>	13	78	–
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	15,10(a)	99	110
– Quarry assets	15,10(a)	110	64
Intangible assets	11	315	257
<b>Total gross depreciation and amortisation costs</b>		<b>47,207</b>	<b>46,387</b>
<b>Total depreciation and amortisation costs</b>		<b>47,207</b>	<b>46,387</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b><u>47,207</u></b>	<b><u>46,387</u></b>

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

Depreciation and amortisation are generally calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Council uses straight-line condition based depreciation for building assets, transport and water/sewerage above ground assets

Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets and Note 13 for right of use assets.

**Impairment of non-financial assets**

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

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
<b>(e) Other expenses</b>		
Caretakers remuneration – holiday parks	2,336	2,457
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	796	757
– Waste levy	693	267
– Department of Lands levy – holiday parks	405	538
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	143	138
Councillors' expenses (incl. mayor)	22	34
Donations, contributions and assistance to other organisations (Section 356)	2,661	2,777
Electricity	4,627	4,711
Insurance	1,758	1,691
Street lighting	1,008	1,370
Telephone and communications	529	501
Other	–	50
<b>Total other expenses</b>	<b>15,022</b>	<b>15,334</b>
<b>TOTAL OTHER EXPENSES</b>	<b>15,022</b>	<b>15,334</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		49	648
Less: carrying amount of property assets sold/written off		(733)	(3,567)
<b>Net gain/(loss) on disposal</b>		<b>(684)</b>	<b>(2,919)</b>
<b>Plant and equipment</b>			
	10(a)		
Proceeds from disposal – plant and equipment		660	661
Less: carrying amount of plant and equipment assets sold/written off		(763)	(1,239)
<b>Net gain/(loss) on disposal</b>		<b>(103)</b>	<b>(578)</b>
<b>Infrastructure</b>			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(6,990)	(3,701)
<b>Net gain/(loss) on disposal</b>		<b>(6,990)</b>	<b>(3,701)</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		166,350	54,900
Less: carrying amount of investments sold/redeemed/matured		(166,350)	(54,900)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(7,777)</b>	<b>(7,198)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	570	1,439
Cash-equivalent assets		
– Deposits at call	44,888	20,429
<b>Total cash and cash equivalents</b>	<b>45,458</b>	<b>21,868</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at amortised cost'	160,066	112,000	151,859	120,000
b. 'Financial assets at fair value through other comprehensive income'	20,892	55,925	15,942	54,664
<b>Total Investments</b>	<b>180,958</b>	<b>167,925</b>	<b>167,801</b>	<b>174,664</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>226,416</b>	<b>167,925</b>	<b>189,669</b>	<b>174,664</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	160,066	112,000	151,859	120,000
<b>Total</b>	<b>160,066</b>	<b>112,000</b>	<b>151,859</b>	<b>120,000</b>
<b>Financial assets at fair value through other comprehensive income</b>				
NCD's, FRN's (with maturities > 3 months)	20,892	55,925	15,942	54,664
<b>Total</b>	<b>20,892</b>	<b>55,925</b>	<b>15,942</b>	<b>54,664</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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#### **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/or interest on the principal amount outstanding.

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

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

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

#### **Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments at fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

#### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	226,416	167,925	189,669	174,664
<b>attributable to:</b>				
External restrictions	182,324	82,000	141,049	113,205
Internal restrictions	33,285	85,925	37,746	61,459
Unrestricted	10,807	–	10,874	–
	226,416	167,925	189,669	174,664

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	6,523	–
Specific purpose unexpended loans – sewer	6,174	6,174
Other – security deposits	3,321	3,934
<b>External restrictions – included in liabilities</b>	<b>16,018</b>	<b>10,108</b>

**External restrictions – other**

Developer contributions – general	49,230	44,612
Specific purpose unexpended grants (recognised as revenue) – general fund	–	5,943
Water supplies	2,809	3,243
Water supplies – asset replacement	65,752	59,573
Sewerage services	1,815	3,335
Sewerage services – Banora Point laboratory	1,137	930
Sewerage services – asset replacement	101,091	90,046
Domestic waste management	26,220	21,719
Tweed Coast Holiday parks (2019 only)	–	14,506
Special rate – Koala Beach	252	239
<b>External restrictions – other</b>	<b>248,306</b>	<b>244,146</b>

**Total external restrictions**

<b>264,324</b>	<b>254,254</b>
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**Internal restrictions**

Tweed Holiday Parks	14,755	–
Employees leave entitlement	13,298	13,569
Carry over works	11,805	11,494
Unexpended loans	3,332	3,852
Asset management reserve – infrastructure	15,600	18,275
Community facilities asset management	12,482	11,949
Drainage infrastructure	321	–
Software and equipment – asset management	4,719	4,617
Access funding	168	182
Art gallery construction	255	236
Beach vehicle licence income	229	229
Catchment water quality	524	443
Insurance	380	230
Land development	676	613
Museum donations	2	97
Non-DWM management	23,393	20,035
Plant operations	8,110	6,812

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## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Revolving energy fund	267	271
Road land sale	92	40
7 year plan	4,019	3,151
Voluntary Planning Agreements	4,783	3,110
<b>Total internal restrictions</b>	<b>119,210</b>	<b>99,205</b>
<b>TOTAL RESTRICTIONS</b>	<b>383,534</b>	<b>353,459</b>

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	4,799	–	4,494	–
Interest and extra charges	742	–	691	–
User charges and fees	4,165	–	3,308	–
Capital debtors (being sale of assets)				
– Other asset sales	139	–	–	–
Accrued revenues				
– Interest on investments	2,393	–	3,472	–
Deferred debtors	13	57	5	90
Government grants and subsidies	5,706	–	4,925	–
Loans to sporting clubs	20	165	20	173
Net GST receivable	931	–	704	–
<b>Total</b>	<b>18,908</b>	<b>222</b>	<b>17,619</b>	<b>263</b>
<b>Less: provision of impairment</b>				
Doubtful debts	(99)	–	(99)	–
<b>Total provision for impairment – receivables</b>	<b>(99)</b>	<b>–</b>	<b>(99)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>18,809</b>	<b>222</b>	<b>17,520</b>	<b>263</b>

## Externally restricted receivables

## Water supply

– Specific purpose grants	12	–	11	–
– Rates and availability charges	254	–	237	–
– Other	3,474	–	3,333	–

## Sewerage services

– Specific purpose grants	12	–	11	–
– Rates and availability charges	1,202	–	1,130	–
– Other	1,453	–	1,780	–

## Domestic waste management

	675	–	571	–
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## Other

Tweed Coast Holiday Parks (2019 only)	–	–	96	–
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## Total external restrictions

	<b>7,082</b>	<b>–</b>	<b>7,169</b>	<b>–</b>
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## Internally restricted receivables

Tweed Holiday Parks	82	–	–	–
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Internally restricted receivables</b>	82	–	–	–
<b>Unrestricted receivables</b>	11,645	222	10,351	263
<b>TOTAL NET RECEIVABLES</b>	18,809	222	17,520	263

\$ '000	2020	2019
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**Movement in provision for impairment of receivables**

Balance at the beginning of the year (calculated in accordance with AASB 139)	99	99
<b>Balance at the end of the year</b>	<b>99</b>	<b>99</b>

**Accounting policy for receivables****Recognition and measurement**

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

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

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

**Impairment**

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables (continued)

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
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	759	–	779	–
Other	–	–	12	–
<b>Total inventories at cost</b>	<b>759</b>	<b>–</b>	<b>791</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>759</u></b>	<b><u>–</u></b>	<b><u>791</u></b>	<b><u>–</u></b>

**(b) Other assets**

Prepayments	467	–	550	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>467</u></b>	<b><u>–</u></b>	<b><u>550</u></b>	<b><u>–</u></b>

**Externally restricted assets**

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Water</b>				
Prepayments	35	–	37	–
<b>Total water</b>	<b>35</b>	<b>–</b>	<b>37</b>	<b>–</b>
<b>Sewerage</b>				
Prepayments	29	–	75	–
<b>Total sewerage</b>	<b>29</b>	<b>–</b>	<b>75</b>	<b>–</b>
<b>Other</b>				
Prepayments	–	–	67	–
Trading stock	–	–	12	–
<b>Total other</b>	<b>–</b>	<b>–</b>	<b>79</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>64</b>	<b>–</b>	<b>191</b>	<b>–</b>
<b>Total internally restricted assets</b>	<b>70</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>1,092</b>	<b>–</b>	<b>1,150</b>	<b>–</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>1,226</u></b>	<b><u>–</u></b>	<b><u>1,341</u></b>	<b><u>–</u></b>

**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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets (continued)

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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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	17,458	–	17,458	10,891	7,145	–	–	(10,070)	–	–	–	25,424	–	25,424
Plant and equipment	42,421	(14,932)	27,489	1,717	341	(734)	(3,390)	76	–	–	–	40,884	(15,385)	25,499
Office equipment	1,313	(1,099)	214	–	390	(30)	(108)	–	–	–	–	1,480	(1,014)	466
Furniture and fittings	2,982	(2,289)	693	–	311	–	(108)	–	–	–	–	3,293	(2,397)	896
<b>Land:</b>														
– Operational land	331,741	–	331,741	–	2,679	–	–	75	–	(203)	–	334,292	–	334,292
– Community land	70,649	–	70,649	–	915	–	–	–	–	–	–	71,564	–	71,564
– Crown land	74,677	–	74,677	–	187	–	–	–	–	(22)	–	74,842	–	74,842
– Land under roads (pre 1/7/08)	58,814	–	58,814	–	–	–	–	–	–	–	–	58,814	–	58,814
– Land under roads (post 30/6/08)	1,257	–	1,257	–	156	–	–	–	–	–	–	1,413	–	1,413
<b>Infrastructure:</b>														
– Buildings	185,398	(43,200)	142,198	1,463	734	(733)	(2,658)	572	–	–	25	187,110	(45,509)	141,601
– Other structures	695	(368)	327	–	–	–	(11)	–	–	–	–	695	(379)	316
– Roads	716,611	(192,117)	524,494	8,122	6,527	(1,691)	(12,598)	2,105	–	–	85,515	736,171	(123,697)	612,474
– Bridges	195,260	(33,624)	161,636	–	374	(142)	(2,299)	2,700	–	–	15,448	201,932	(24,215)	177,717
– Footpaths	42,331	(9,100)	33,231	45	86	(5)	(729)	–	–	(8,113)	–	43,133	(18,618)	24,515
– Bulk earthworks (non-depreciable)	150,293	–	150,293	261	164	(12)	–	–	–	–	14,265	164,971	–	164,971
– Stormwater drainage	240,917	(82,507)	158,410	578	380	(679)	(2,596)	126	–	(623)	–	243,386	(87,790)	155,596
– Water supply network	622,180	(113,220)	508,960	1,895	964	(2,838)	(7,574)	1,815	–	–	4,178	627,678	(120,278)	507,400
– Sewerage network	709,486	(170,235)	539,251	2,144	1,785	(1,554)	(11,748)	1,399	–	–	5,375	716,212	(179,560)	536,652
– Swimming pools	5,262	(2,805)	2,457	–	–	–	(303)	–	–	–	–	5,180	(3,026)	2,154
– Other open space/recreational assets	41,712	(13,192)	28,520	54	1,102	(68)	(1,806)	568	1	–	1,438	46,070	(16,261)	29,809
– Other infrastructure	20,746	(7,042)	13,704	148	108	–	(677)	19	(2)	–	–	21,021	(7,721)	13,300
<b>Other assets:</b>														
– Artworks	7,683	–	7,683	–	733	–	–	–	–	–	–	8,416	–	8,416
<b>Reinstatement, rehabilitation and restoration assets</b>														
– Tip assets	2,228	(1,237)	991	–	–	–	(99)	–	–	–	–	2,228	(1,336)	892
– Quarry assets	593	(420)	173	–	253	–	(110)	–	–	–	–	847	(531)	316
<b>Total Infrastructure, property, plant and equipment</b>	<b>3,542,707</b>	<b>(687,387)</b>	<b>2,855,320</b>	<b>27,318</b>	<b>25,334</b>	<b>(8,486)</b>	<b>(46,814)</b>	<b>(615)</b>	<b>(1)</b>	<b>(8,961)</b>	<b>126,244</b>	<b>3,617,056</b>	<b>(647,717)</b>	<b>2,969,339</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	13,556	–	13,556	11,059	4,238	–	–	(10,313)	(1,082)	–	–	17,458	–	17,458
Plant and equipment	41,938	(13,071)	28,867	1,820	494	(1,108)	(3,381)	797	–	–	–	42,421	(14,932)	27,489
Office equipment	1,298	(977)	321	–	14	–	(121)	–	–	–	–	1,313	(1,099)	214
Furniture and fittings	2,946	(2,167)	779	2	34	–	(122)	–	–	–	–	2,982	(2,289)	693
<b>Land:</b>														
– Operational land	347,670	–	347,670	–	7,390	(600)	–	1,933	(21,411)	(3,241)	–	331,741	–	331,741
– Community land	37,879	–	37,879	–	40	–	–	–	21,411	–	11,319	70,649	–	70,649
– Crown land	67,869	–	67,869	–	545	–	–	–	–	–	6,263	74,677	–	74,677
– Land under roads (pre 1/7/08)	44,222	–	44,222	–	–	–	–	–	–	–	14,592	58,814	–	58,814
– Land under roads (post 30/6/08)	902	–	902	–	43	–	–	–	–	–	312	1,257	–	1,257
<b>Infrastructure:</b>														
– Buildings	182,880	(22,766)	160,114	1,203	1,381	(2,967)	(2,636)	1,688	–	(16,585)	–	185,398	(43,200)	142,198
– Other structures	695	(355)	340	–	–	–	(13)	–	–	–	–	695	(368)	327
– Roads	706,853	(183,631)	523,222	9,814	1,811	(468)	(12,339)	2,353	–	–	101	716,611	(192,117)	524,494
– Bridges	193,819	(31,802)	162,017	1,368	–	(548)	(2,270)	1,069	–	–	–	195,260	(33,624)	161,636
– Footpaths	42,020	(8,440)	33,580	237	213	(95)	(720)	–	–	–	16	42,331	(9,100)	33,231
– Bulk earthworks (non-depreciable)	149,328	–	149,328	366	160	(12)	–	432	–	–	19	150,293	–	150,293
– Stormwater drainage	239,116	(80,120)	158,996	356	1,569	(123)	(2,582)	80	–	–	114	240,917	(82,507)	158,410
– Water supply network	609,947	(104,902)	505,045	1,080	2,788	(1,992)	(7,461)	1,175	–	–	8,325	622,180	(113,220)	508,960
– Sewerage network	699,677	(158,528)	541,149	2,470	1,832	(453)	(11,584)	593	–	–	5,244	709,486	(170,235)	539,251
– Swimming pools	5,260	(2,544)	2,716	59	–	(10)	(308)	–	–	–	–	5,262	(2,805)	2,457
– Other open space/recreational assets	41,359	(11,625)	29,734	112	467	(132)	(1,754)	11	82	–	–	41,712	(13,192)	28,520
– Other infrastructure	20,011	(6,463)	13,548	–	793	–	(665)	28	–	–	–	20,746	(7,042)	13,704
<b>Other assets:</b>														
– Artworks	6,927	–	6,927	–	756	–	–	–	–	–	–	7,683	–	7,683
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	2,228	(1,127)	1,101	–	–	–	(110)	–	–	–	–	2,228	(1,237)	991
– Quarry assets	536	(356)	180	–	57	–	(64)	–	–	–	–	593	(420)	173
<b>Total Infrastructure, property, plant and equipment</b>	<b>3,458,936</b>	<b>(628,874)</b>	<b>2,830,062</b>	<b>29,946</b>	<b>24,625</b>	<b>(8,508)</b>	<b>(46,130)</b>	<b>(154)</b>	<b>(1,000)</b>	<b>(19,826)</b>	<b>46,305</b>	<b>3,542,707</b>	<b>(687,387)</b>	<b>2,855,320</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(a). 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 at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

Capital additions are classified as either "New" or "Renewal". Renewal expenditure is defined as the full or partial replacement of existing assets. All other capital expenditure is classified as new. Where an existing asset is replaced with an asset of substantially increased functional capacity, and the differential cost of the additional capacity is both material and can be reliably measured, then that portion of the expenditure is classified as new, with the balance being classified as renewal.

Upon recognition of capital project expenditure, each capital project is analysed to recognise individual assets by component and allocate direct costs and project overheads. Project overheads are allocated on a pro-rata basis at asset component level, based on the direct costs charged to each asset component.

Land is not depreciated. Depreciation on other assets is generally calculated using the straight-line method (subject to the exceptions described in Note 4) to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	Years	<b>Buildings</b>	Years
Office equipment	3 to 10	Buildings - floor	60 to 130
Office furniture	4 to 20	Buildings - envelope	45 to 125
Computer equipment	4	Buildings - roof	40 to 90
Vehicles	2.5 to 3		
Heavy plant/road making equipment	5 to 10		
Other plant and equipment	5 to 10		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	100	Drains	100
Reticulation pipes: PVC and other	40 to 140	Culverts	75
Pumps and telemetry	14 to 25		
<b>Transportation assets</b>			
Sealed roads: surface	15 to 30	Bridges - concrete	80 to 100
Concrete/paved road	80	Bridges - other	30 to 100
Road pavement - gravel	10	Footpaths	30 to 60
Road pavement - sealed	60 to 100	Kerb and guttering	80
Road pavement - sub-base	180 to 300	Traffic facilities	20 to 80
<b>Other Infrastructure Assets</b>			
Bulk earthworks	Infinite	Flood control structures	80

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **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 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.

#### **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 consolidated 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".

Notwithstanding the above, Council has determined that it does not control Rural Fire Service plant and vehicles, in accordance with SAC 4, AASB 10, and the Framework for the Preparation of Financial Statements. Council therefore does not recognise these assets.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	6,583	–	6,583	3,799	–	3,799
Plant and equipment	249	187	62	238	154	84
Office equipment	9	7	2	9	6	3
Furniture and fittings	20	20	–	20	20	–
Land						
– Operational land	54,353	–	54,353	53,538	–	53,538
– Community land	130	–	130	123	–	123
Buildings	2,639	835	1,804	2,767	847	1,920
Infrastructure	626,951	120,278	506,673	621,453	113,220	508,233
Other assets	728	–	728	728	–	728
<b>Total water supply</b>	<b>691,662</b>	<b>121,327</b>	<b>570,335</b>	<b>682,675</b>	<b>114,247</b>	<b>568,428</b>
<b>Sewerage services</b>						
WIP	3,072	–	3,072	2,490	–	2,490
Plant and equipment	1,150	925	225	1,122	841	281
Office equipment	25	23	2	25	19	6
Furniture and fittings	92	90	2	92	89	3
Land						
– Operational land	56,959	–	56,959	56,959	–	56,959
– Community land	258	–	258	258	–	258
Buildings	7,220	1,816	5,404	7,190	1,734	5,456
Infrastructure	716,212	179,560	536,652	709,486	170,233	539,253
<b>Total sewerage services</b>	<b>784,988</b>	<b>182,414</b>	<b>602,574</b>	<b>777,622</b>	<b>172,916</b>	<b>604,706</b>
<b>Domestic waste management</b>						
Plant and equipment	36	18	18	27	14	13
Office equipment	27	27	–	27	27	–
Furniture and fittings	198	198	–	198	198	–
Land						
– Operational land	3,796	–	3,796	3,980	–	3,980
Buildings	1,367	328	1,039	1,350	305	1,045
Other structures	66	66	–	66	66	–
<b>Total DWM</b>	<b>5,490</b>	<b>637</b>	<b>4,853</b>	<b>5,648</b>	<b>610</b>	<b>5,038</b>
<b>Holiday Parks</b>						
– Capital WIP	59	–	59	16	–	16
– Plant & Equipment	8,313	852	7,461	8,402	895	7,507
– Office Equipment	41	4	37	85	63	22
– Operational Land	30,511	–	30,511	53,232	–	53,232
– Buildings	18,697	3,500	15,197	18,383	3,242	15,141
– Swimming Pools	189	168	21	269	235	34
<b>Total other restrictions</b>	<b>57,810</b>	<b>4,524</b>	<b>53,286</b>	<b>80,387</b>	<b>4,435</b>	<b>75,952</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>1,539,950</b>	<b>308,902</b>	<b>1,231,048</b>	<b>1,546,332</b>	<b>292,208</b>	<b>1,254,124</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	4,582	4,393
Accumulated amortisation	(3,533)	(3,314)
<b>Net book value – opening balance</b>	<u>1,049</u>	<u>1,079</u>
<b>Movements for the year</b>		
– Purchases	511	226
– Amortisation charges	(315)	(256)
– Gross book value written off	(39)	(36)
– Accumulated amortisation charges written off	39	36
<b>Closing values at 30 June</b>		
Gross book value	5,132	4,582
Accumulated amortisation	(3,887)	(3,533)
<b>Total software – net book value</b>	<u>1,245</u>	<u>1,049</u>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<u>1,245</u>	<u>1,049</u>

**Accounting policy for intangible assets****IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services. No direct payroll, and payroll related costs of employees' time spent on the project are capitalised. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## Note 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Contract assets	763	–
<b>Total Contract assets</b>	<u>763</u>	<u>–</u>

**Impairment**

As virtually all of Council's contract assets relate to government grants, there is no significant probability of default. No impairment is recorded.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	3,245	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	161	–
<b>Total grants received in advance</b>		<b>3,406</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>3,406</b>	<b>–</b>

**Notes**

(i) Council receives funding to construct infrastructure and other assets. The funds received are under enforceable contracts 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/AASB 1058 being satisfied since the performance obligations are ongoing.

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	643
Operating grants (received prior to performance obligation being satisfied)	149
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>792</b>

**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.

**(c) Contract cost assets**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Contract assets and liabilities (continued)

**Accounting policy for contract cost assets**

Council recognises assets relating to the costs incurred to fulfil a contract that are directly related to the contract provided they will be recovered through performance of the contract.

**Costs to fulfill a contract**

Where costs are incurred to fulfil a contract, they are accounted for under the relevant accounting standard (if appropriate), otherwise if the costs relate directly to a contract, the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and the costs are expected to be recovered then they are capitalised as contract costs assets and released to the income statement on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates.

## Note 13. Leases

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

## (i) Council as a lessee

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

**Terms and conditions of leases****Land and buildings**

Council leases land and buildings for a variety of purposes, including open space, marine infrastructure, visitor centre, art gallery, car parking, and operational needs; the leases are generally between 1 and 40 years and some of them include an option to continue the lease for an undefined term at either party's discretion.

These leases often contain an annual pricing mechanism, typically based on either fixed increases or CPI movements at each anniversary of the lease inception.

**Office and IT equipment**

Leases for office and IT equipment are generally for low value assets, except for significant items such as servers. The leases are for between 3 and 6 years with no renewal option with fixed payments.

\$ '000	Office Equipment	Land	Total
<b>(a) Right of use assets</b>			
<b>Opening balance at 30 June 2019</b>	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	65	438	503
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 10(a)	–	–	–
Additions to right-of-use assets	86	–	86
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	–
Depreciation charge	(33)	(45)	(78)
Impairment of right-of-use assets	–	–	–
Other movement	–	–	–
<b>Closing balance at 30 June 2020</b>	<b>118</b>	<b>393</b>	<b>511</b>

2020

2020

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	Current	Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	76	445
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>76</u></b>	<b><u>445</u></b>

**(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	85	227	340	652	521
<b>\$ '000</b>					<b>2020</b>

**(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	9
Variable lease payments based on usage not included in the measurement of lease liabilities	–
Income from sub-leasing right of use assets	–
Depreciation of right of use assets	78
Impairment of right of use assets	–
Expenses relating to short-term leases	22
Expenses relating to low-value leases	365
Expenses relating to Peppercorn leases	2
Other	–
	<b><u>476</u></b>

**(d) Statement of Cash Flows**

Total cash outflow for leases	467
	<b><u>467</u></b>

**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:

- Museum Uki
- RFS storage facility Burringbar
- Carparking Murwillumbah

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

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.

**(ii) Council as a lessor****(e) Operating leases**

Council leases a number of properties to community groups and other entities. 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
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Property	317
<b>Total income relating to operating leases</b>	<b>317</b>
<b>(ii) Operating lease expenses</b>	
Property	158
<b>Total expenses relating to operating leases</b>	<b>158</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Leases (continued)

\$ '000	2020
<b>(iv) Maturity analysis of contractual lease income</b>	
< 1 year	317
<b>Total undiscounted contractual lease income receivable</b>	<b>317</b>

\$ '000	Plant & Equipment 2020	Buildings 2020	Land 2020
<b>Opening balance as at 1 July 2019</b>	–	<b>3,972</b>	–
Additions renewals	–	155	–
Carrying value of disposals	–	(35)	–
Depreciation expense	–	(91)	–
<b>Closing balance as at 30 June 2020</b>	–	<b>4,001</b>	–

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease from the Crown.

**(i) Maturity analysis of lease receivable**

Maturity analysis of lease receivable showing the undiscounted lease payments to be received after reporting date for finance leases:

**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.

## Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
– Interest on leases	5	–	–	–
Goods and services – operating expenditure	4,359	–	4,602	–
Goods and services – capital expenditure	2,890	–	1,757	–
Accrued expenses:				
– Borrowings	358	–	380	–
– Salaries and wages	1,671	–	1,127	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
– Other expenditure accruals	121	–	220	–
Security bonds, deposits and retentions	2,467	854	3,260	695
<b>Total payables</b>	<b>11,871</b>	<b>854</b>	<b>11,346</b>	<b>695</b>
<b>Income received in advance</b>				
Rates, charges, and Tweed Holiday Parks prepayments	8,565	–	7,913	–
Other	133	–	–	–
<b>Total income received in advance</b>	<b>8,698</b>	<b>–</b>	<b>7,913</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	8,159	143,670	9,115	149,838
<b>Total borrowings</b>	<b>8,159</b>	<b>143,670</b>	<b>9,115</b>	<b>149,838</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>28,728</u></b>	<b><u>144,524</u></b>	<b><u>28,374</u></b>	<b><u>150,533</u></b>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 21.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	5,155	55,764	6,278	57,558
Sewer	2,078	20,053	3,230	21,639
Other – bonds and deposits	3,312	–	3,923	–
Other – Tweed Coast Holiday Parks (2019 only)	–	–	3,983	–
Payables and borrowings relating to externally restricted assets	10,545	75,817	17,414	79,197
<b>Internally restricted assets</b>				
Other – Tweed Holiday Parks	4,810	–	–	–
Payables and borrowings relating to internally restricted assets	4,810	–	–	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>15,355</b>	<b>75,817</b>	<b>17,414</b>	<b>79,197</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>13,373</b>	<b>68,707</b>	<b>10,960</b>	<b>71,336</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>28,728</u></b>	<b><u>144,524</u></b>	<b><u>28,374</u></b>	<b><u>150,533</u></b>

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

as at 30/06/19

Non-cash changes

as at 30/06/20

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	158,953	(7,263)	–	139	–	–	151,829
Lease liabilities	–	(68)	–	–	589	–	521
<b>TOTAL</b>	<b>158,953</b>	<b>(7,331)</b>	<b>–</b>	<b>139</b>	<b>589</b>	<b>–</b>	<b>152,350</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	165,313	(6,590)	–	230	–	158,953
<b>TOTAL</b>	<b>165,313</b>	<b>(6,590)</b>	<b>–</b>	<b>230</b>	<b>–</b>	<b>158,953</b>

\$ '000	2020	2019
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## (c) Financing arrangements

## (i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities <sup>1</sup>	1,000	1,000
Credit cards/purchase cards	300	300
<b>Total financing arrangements</b>	<b>1,300</b>	<b>1,300</b>

## Drawn facilities as at balance date:

– Credit cards/purchase cards	15	20
<b>Total drawn financing arrangements</b>	<b>15</b>	<b>20</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	285	280
<b>Total undrawn financing arrangements</b>	<b>1,285</b>	<b>1,280</b>

## Additional financing arrangements information

## Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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

## Accounting policy for payables and borrowings

Council measures 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Payables and borrowings (continued)

**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.

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.

## Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	4,612	–	5,215	–
Sick leave	4,923	1,493	5,153	1,632
Long service leave	12,222	920	12,119	862
ELE on-costs <sup>1</sup>	1,319	89	–	–
<b>Sub-total – aggregate employee benefits</b>	<b>23,076</b>	<b>2,502</b>	<b>22,487</b>	<b>2,494</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	368	3,359	326	3,012
<b>Sub-total – asset remediation/restoration</b>	<b>368</b>	<b>3,359</b>	<b>326</b>	<b>3,012</b>
<b>TOTAL PROVISIONS</b>	<b>23,444</b>	<b>5,861</b>	<b>22,813</b>	<b>5,506</b>

(1) ELE on-costs previously disbursed across the three leave types

**(a) Provisions relating to restricted assets****Externally restricted assets**

Domestic waste management	–	1,445	–	1,379
Provisions relating to externally restricted assets	–	1,445	–	1,379

**Internally restricted assets**

Non-Domestic waste management	–	1,445	–	1,379
Provisions relating to internally restricted assets	–	1,445	–	1,379

**Total provisions relating to restricted assets**

	–	2,890	–	2,758
<b>Total provisions relating to unrestricted assets</b>	<b>23,444</b>	<b>2,971</b>	<b>22,813</b>	<b>2,748</b>

**TOTAL PROVISIONS**

	23,444	5,861	22,813	5,506
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\$ '000

2020

2019



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Provisions (continued)

\$ '000	2020	2019
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**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	17,513	16,183
	17,513	16,183

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

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	3,338	3,338
<b>Changes to provision:</b>		
– Revised life	253	253
– Revised discount rate	121	121
Amounts used (payments)	(5)	(5)
Unwinding of discount	20	20
Total other provisions at end of year	3,727	3,727
<b>2019</b>		
At beginning of year	2,941	2,941
– Revised costs	57	57
– Revised life	37	37
– Revised discount rate	267	267
Unwinding of discount	36	36
Total other provisions at end of year	3,338	3,338

**Nature and purpose of non-employee benefit provisions****Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tips and quarries.

**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**

Short-term employee benefit obligations include liabilities for wages and salaries, annual leave, and vesting sick leave expected to be wholly settled within 12 months after the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short-term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability is recognised in these reports.

Provisions for wages and salaries and annual leave are classified as current.

Provisions for vesting sick leave expected to be settled within 12 months of the reporting date, and all long service leave for employees with 4 or more years of service, are classified as current

#### **Other long-term employee benefit obligations**

The liability for all long-service leave and annual leave in respect of services provided by employees (which is not expected to be wholly settled within 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured as the present value of expected future payments. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Vesting sick leave not expected to be settled within 12 months of the reporting date, and long service leave for those employees with less than 4 years of service, are classified as non-current.

### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

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

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

##### **Statement of Financial Position**

#### (ii) AASB 15 and AASB 1058

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

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

##### **Costs incurred in fulfilling customer contracts**

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

##### **Revenue recognition from contract modifications**

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

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

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

##### **Principal v agent**

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

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

**Licences**

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

**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:

- As at 30 June 2019, Council had received \$161,134 for provision of services under the Home Support program which represent unfulfilled service obligations under AASB15. An adjustment between equity and contract liabilities has therefore been performed.
- As at 30 June 2019, a number of capital grants totalling \$2,769,127 had been received, relating to obligations as yet unfulfilled under AASB1058. An adjustment between equity and contract liabilities has therefore been performed.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract assets</b>	
– Under AASB 15	–
– Under AASB 1058	–
<b>Total Contract assets</b>	<b>–</b>
<b>Contract liabilities</b>	
– Under AASB 15	161
– Under AASB 1058	2,769
<b>Total Contract liabilities</b>	<b>2,930</b>

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

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

**Statement of Financial Position**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	45,458	–	–	45,458	
Investments	180,958	–	–	180,958	
Receivables	18,809	–	–	18,809	
Inventories	759	–	–	759	
Contract assets	763	–	–	763	
Other	467	–	–	467	
<b>Total current assets</b>	<b>247,214</b>	<b>–</b>	<b>–</b>	<b>247,214</b>	
<b>Current liabilities</b>					
Payables	11,871	–	–	11,871	
Income received in advance	8,698	–	–	8,698	
Contract liabilities	3,406	–	(3,406)	–	
Lease liabilities	76	–	–	76	
Borrowings	8,159	–	–	8,159	
Provisions	23,444	–	–	23,444	
<b>Total current liabilities</b>	<b>55,654</b>	<b>–</b>	<b>(3,406)</b>	<b>52,248</b>	
<b>Non-current assets</b>					
Investments	167,925	–	–	167,925	
Receivables	222	–	–	222	
Infrastructure, property, plant and equipment	2,969,339	–	–	2,969,339	
Intangible assets	1,245	–	–	1,245	
Right of use assets	511	–	–	511	
Investments accounted for using equity method	1,289	–	–	1,289	
<b>Total non-current assets</b>	<b>3,140,531</b>	<b>–</b>	<b>–</b>	<b>3,140,531</b>	
<b>Non-current liabilities</b>					
Payables	854	–	–	854	
Lease liabilities	445	–	(445)	–	
Borrowings	143,670	–	–	143,670	
Provisions	5,861	–	–	5,861	
<b>Total Non-current liabilities</b>	<b>150,830</b>	<b>–</b>	<b>(445)</b>	<b>150,385</b>	
<b>Net assets</b>	<b>3,181,261</b>	<b>–</b>	<b>3,851</b>	<b>3,185,112</b>	
<b>Equity</b>					
Accumulated surplus	1,516,752	–	3,851	1,520,603	
Revaluation reserves	1,664,509	–	–	1,664,509	
<b>Council equity interest</b>	<b>3,181,261</b>	<b>–</b>	<b>3,851</b>	<b>3,185,112</b>	
<b>Total equity</b>	<b>3,181,261</b>	<b>–</b>	<b>3,851</b>	<b>3,185,112</b>	

The adoption of AASB 15 and AASB 1058 has materially changed the Statement of Financial Position for the year ended 30 June 2020 with regards to the treatment of receipts for provision of services and for capital grants.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

## Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	118,386	–	–	118,386	
User charges and fees	48,954	–	–	48,954	
Other revenues	2,791	–	–	2,791	
Grants and contributions provided for operating purposes	19,723	–	33	19,756	
Grants and contributions provided for capital purposes	27,272	–	443	27,715	
Interest and investment income	8,326	–	–	8,326	
Rental income	317	–	–	317	
Net share of interests in joint ventures and associates using the equity method	97	–	–	97	
<b>Total Income from continuing operations</b>	<b>225,866</b>	<b>–</b>	<b>476</b>	<b>226,342</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	59,937	–	–	59,937	
Borrowing costs	11,498	–	–	11,498	
Materials and contracts	51,304	–	–	51,304	
Depreciation and amortisation	47,207	–	–	47,207	
Other expenses	15,022	–	–	15,022	
Net losses from the disposal of assets	7,777	–	–	7,777	
<b>Total Expenses from continuing operations</b>	<b>192,745</b>	<b>–</b>	<b>–</b>	<b>192,745</b>	
<b>Total Operating result from continuing operations</b>	<b>33,121</b>	<b>–</b>	<b>476</b>	<b>33,597</b>	
<b>Net operating result for the year</b>	<b>33,121</b>	<b>–</b>	<b>476</b>	<b>33,597</b>	
<b>Total comprehensive income</b>	<b>150,404</b>	<b>–</b>	<b>–</b>	<b>150,404</b>	

The adoption of AASB 15 and AASB 1058 has materially changed the Income Statement for the year ended 30 June 2020 with regards to the treatment of receipts for provision of services and for capital grants.

## 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
Contract assets	–	–	–
<b>Total assets</b>	<b>3,241,018</b>	<b>–</b>	<b>3,241,018</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	–	2,930	2,930
<b>Total liabilities</b>	<b>207,226</b>	<b>2,930</b>	<b>210,156</b>
Accumulated surplus	1,486,566	(2,930)	1,483,636
<b>Total equity</b>	<b>3,033,792</b>	<b>(2,930)</b>	<b>3,030,862</b>

**(iii) AASB 16 Leases****Council as a lessee**

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

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

**Practical expedients used on transition**

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 30 June 2020.
- 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.
- 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 \$503,264 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 1.7%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>1,487</b>

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>1,487</b>
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	45
<b>Less:</b>	
Short-term leases included in commitments note	(26)
Leases for low-value assets included in commitments note	(738)



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Other	(265)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>503</b>

**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	–	503	503
<b>Total assets</b>	<b>3,241,018</b>	<b>503</b>	<b>3,241,521</b>
Payables – accrued interest on leases (30/6/2019)	–	5	5
Leases	–	503	503
<b>Total liabilities</b>	<b>207,226</b>	<b>508</b>	<b>207,734</b>
Accumulated surplus	1,486,566	(5)	1,486,561
<b>Total equity</b>	<b>3,033,792</b>	<b>(5)</b>	<b>3,033,787</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	45,458	21,868
<b>Balance as per the Statement of Cash Flows</b>		<b>45,458</b>	<b>21,868</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		33,121	40,262
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		47,207	46,387
Net losses/(gains) on disposal of assets		7,777	7,198
Non-cash capital grants and contributions		(4,432)	(5,439)
Adoption of AASB 15/1058		(2,930)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		167	49
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		139	230
- Unwinding of discount rates on reinstatement provisions		141	303
Share of net (profits)/losses of associates/joint ventures using the equity method		(97)	8
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,134)	3,830
Decrease/(increase) in inventories		32	202
Decrease/(increase) in other current assets		83	316
Decrease/(increase) in contract assets		(763)	–
Increase/(decrease) in payables		(243)	(2,637)
Increase/(decrease) in accrued interest payable		(22)	(21)
Increase/(decrease) in other accrued expenses payable		445	(393)
Increase/(decrease) in other liabilities		151	1,823
Increase/(decrease) in contract liabilities		3,406	–
Increase/(decrease) in provision for employee benefits		597	(290)
Increase/(decrease) in other provisions		248	94
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>83,893</b>	<b>91,922</b>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		118	232
Art gallery		700	649
Development contributions – general		2,150	2,403
Development contributions – water		194	457
Development contributions – sewerage		1,270	1,698
<b>Total non-cash investing and financing activities</b>		<b>4,432</b>	<b>5,439</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Associates	97	(8)	1,289	1,192
<b>Total</b>	<b>97</b>	<b>(8)</b>	<b>1,289</b>	<b>1,192</b>

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

## Summarised financial information for the Subsidiary (2019 only)

\$ '000	2020	2019
<b>Summarised statement of comprehensive income</b>		
Revenue	–	10,610
Expenses	–	(8,349)
<b>Profit for the period</b>	<b>–</b>	<b>2,261</b>
<b>Other comprehensive income:</b>		
Fair value adjustment – IPP&E	–	–
Other items – details here...	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>2,261</b>
(1) Non-controlling interest share	–	–
Dividends paid to non-controlling interests	–	–
<b>Summarised statement of financial position</b>		
Current assets	–	14,681
Non-current assets	–	53,232
<b>Total assets</b>	<b>–</b>	<b>67,913</b>
Current liabilities	–	4,615
Non-current liabilities	–	–
<b>Total liabilities</b>	<b>–</b>	<b>4,615</b>
<b>Net assets</b>	<b>–</b>	<b>63,298</b>
(2) Non-controlling interest share	–	–
<b>Summarised statement of cash flows</b>		
Cash flows from operating activities	–	5,033
Cash flows from investing activities	–	(444)
Cash flows from financing activities	–	(1,261)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>–</b>	<b>3,328</b>

## (a) Associates

The following information is provided for associates that are individually immaterial to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Council has incorporated the following associates into its consolidated financial statements. On 1 July 2017 Council entered

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Interests in other entities (continued)

into a new agreement with other local councils to operate regional library services. Richmond Tweed Regional Library (RTRL) was previously controlled by Lismore City Council. The execution of the new agreement has resulted in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to, on termination of the agreement, equal share of the total equity as at 1 July 2017 and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

**Summarised financial information for individually immaterial associates**

Council has interest in an individually immaterial joint venture - Richmond Tweed Regional Library - that has been accounted for using the equity method.

\$ '000	2020	2019
<b>Individually immaterial associates</b>		
<b>Aggregate carrying amount of individually immaterial associates</b>	1,289	1,191
<b>Aggregate amounts of Council's share of individually immaterial:</b>		
Profit/(loss) from continuing operations	97	(8)
<b>Total comprehensive income – individually immaterial associates</b>	97	(8)

**Accounting policy for associates**

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

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

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

**(b) Subsidiaries, joint arrangements and associates not recognised**

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

Name of entity/operation	Principal activity/type of entity	2020 Net profit	2020 Net assets
<b>North East Weight of Loads Group (NEWLOG)</b>	Enforcement of load weights carried by heavy vehicles.	(236)	148

**Reasons for non-recognition**

Council's share of NEWLOG net assets is 11.72%. Council considers this immaterial to the consolidated financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	3,586	1,541
Plant and equipment	415	137
Infrastructure	12,709	6,300
<b>Total commitments</b>	<b>16,710</b>	<b>7,978</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	11,019	7,824
Later than one year and not later than 5 years	5,691	154
<b>Total payable</b>	<b>16,710</b>	<b>7,978</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	3,795	3,689
Future grants and contributions	6,654	1,742
Section 7.11 and 64 funds/reserves	–	192
Externally restricted reserves	234	12
Internally restricted reserves	378	852
New loans (to be raised)	6	109
Unrestricted water funds	4,431	564
Unrestricted sewerage funds	1,212	818
<b>Total sources of funding</b>	<b>16,710</b>	<b>7,978</b>

**Details of capital commitments**

Capital commitments represent the unfulfilled portion of contracts awarded for asset related capital works, such as roads, water and sewer infrastructure.

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	450
Later than one year and not later than 5 years	–	842
Later than 5 years	–	195
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>1,487</b>

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

Leased assets include computer equipment, buildings, land, and land under water (over which marine assets are constructed).

Terms range from less than 1 year to 33 years remaining.

**Conditions relating to operating leases:**

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

Refer to Note 13 for information relating to leases for 2020.

## Note 20. Contingencies

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies (continued)

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

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

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

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer. Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

*Description of the funding arrangements.*

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 for 2 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 1,248,063.94. The last formal valuation of the Scheme was performed by Mr. Richard Boyfield FIAA as at 31 December 2019.

The amount of additional contributions included in the total employer contribution advised above is \$629,300. Council's expected contribution to the plan for the next annual reporting period is \$1,202,436.04.

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	

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies (continued)

Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$1.25 million or 1.61% as at 30 June 2020.

Council's share of any deficit or surplus 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 or asset has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct any 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.

Past service contributions of \$644,500 are estimated to be remaining.

## 2. Other liabilities

### (i) Third party claims

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

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

## ASSETS NOT RECOGNISED

### (i) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

## Note 21. Financial risk management

### Risk management

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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

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
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	45,458	21,868	45,458	21,868
Receivables	19,031	17,783	19,031	17,783
Investments				
– 'Financial assets at amortised cost'	272,066	271,859	272,066	271,859
<b>Fair value through other comprehensive income</b>				
Investments				
– 'Financial assets at fair value through other comprehensive income'	76,817	70,606	76,817	70,606
<b>Total financial assets</b>	<b>413,372</b>	<b>382,116</b>	<b>413,372</b>	<b>382,116</b>
<b>Financial liabilities</b>				
Payables	12,725	12,041	12,725	12,041
Loans/advances	151,829	158,953	203,229	204,569
Lease liabilities	521	–	521	–
<b>Total financial liabilities</b>	<b>165,075</b>	<b>170,994</b>	<b>216,475</b>	<b>216,610</b>

Fair value is determined as follows:

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

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

Council's Financial Services unit manages the cash and investments portfolio.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether their 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 have sufficient liquid assets 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.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 10% movement in market values	7,682	7,682	(7,682)	(7,682)
Possible impact of a 1% movement in interest rates	3,943	3,943	(3,943)	(3,943)
<b>2019</b>				
Possible impact of a 10% movement in market values	7,060	7,060	(7,060)	(7,060)
Possible impact of a 1% movement in interest rates	3,643	3,643	(3,643)	(3,643)

## (b) Credit risk

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

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

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are predominantly financial institutions 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.

Council makes suitable provision for doubtful receivables as required.

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

## Credit risk profile

## Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	2,072	1,356	1,107	264	4,799
<b>2019</b>						
Gross carrying amount	–	909	1,342	1,797	446	4,494

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

**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
<b>2020</b>						
Gross carrying amount	13,641	–	105	17	568	14,331
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2019</b>						
Gross carrying amount	12,645	–	340	20	383	13,388
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

**(c) Liquidity risk**

Payables and borrowings are both subject to liquidity risk – the risk that insufficient liquid 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.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	3,321	9,404	–	–	12,725	12,725
Loans and advances	7.15%	–	20,087	70,266	146,408	236,761	151,829
<b>Total financial liabilities</b>		<b>3,321</b>	<b>29,491</b>	<b>70,266</b>	<b>146,408</b>	<b>249,486</b>	<b>164,554</b>
<b>2019</b>							
Trade/other payables	0.00%	3,955	8,085	–	–	12,040	12,041
Loans and advances	7.13%	–	20,485	71,867	161,080	253,432	158,953
<b>Total financial liabilities</b>		<b>3,955</b>	<b>28,570</b>	<b>71,867</b>	<b>161,080</b>	<b>265,472</b>	<b>170,994</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 20/06/2019 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 -----		
<b>REVENUES</b>					
Rates and annual charges	116,910	118,386	1,476	1%	<b>F</b>
User charges and fees	48,364	48,954	590	1%	<b>F</b>
Other revenues	2,507	2,791	284	11%	<b>F</b>
Council received income from legal matters for which no budget had been provided.					
Operating grants and contributions	19,335	19,723	388	2%	<b>F</b>
Capital grants and contributions	14,529	27,272	12,743	88%	<b>F</b>
Council received a number of grants which were unforeseen and therefore not included in the budget. In addition, non-cash contributions, representing asset dedications, are not included in the budget.					
Interest and investment revenue	9,808	8,326	(1,482)	(15)%	<b>U</b>
Falling interest rates have had an adverse impact on investment revenue.					
Rental income	-	317	317	∞	<b>F</b>
The budget for Rental income appears under Other revenues.					
<b>EXPENSES</b>					
Employee benefits and on-costs	59,162	59,937	(775)	(1)%	<b>U</b>
Borrowing costs	11,268	11,498	(230)	(2)%	<b>U</b>
Materials and contracts	50,810	51,304	(494)	(1)%	<b>U</b>
Depreciation and amortisation	45,028	47,207	(2,179)	(5)%	<b>U</b>
Other expenses	17,093	15,022	2,071	12%	<b>F</b>
Budget for electricity expenses was overestimated.					
Net losses from disposal of assets	-	7,777	(7,777)	∞	<b>U</b>
<b>STATEMENT OF CASH FLOWS</b>					
Cash flows from operating activities	72,895	83,893	10,998	15%	<b>F</b>
Grants and contributions receipts exceeded budget expectations.					
Cash flows from investing activities	(60,630)	(52,972)	7,658	(13)%	<b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Cash flows from financing activities	(6,927)	(7,331)	(404)	6% <b>U</b>

## Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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 <sup>1</sup>

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	30/06/20	–	–	–	–
– 'Financial assets at fair value through other comprehensive income'	30/06/20	–	76,817	–	76,817
<b>Total financial assets</b>		–	<b>76,817</b>	–	<b>76,817</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational land	1/07/18	–	334,292	–	334,292
Community land including Crown land	1/07/18	–	–	146,406	146,406
Land under roads	1/07/18	–	–	60,227	60,227
Buildings	1/07/18	–	–	141,602	141,602
Roads (including bulk earthworks)	30/06/20	–	–	777,445	777,445
Bridges	30/06/20	–	–	177,717	177,717
Footpaths	30/06/20	–	–	24,515	24,515
Stormwater drainage	30/06/20	–	–	155,596	155,596
Water supply network	01/07/16	–	–	507,400	507,400
Sewerage network	01/07/16	–	–	536,652	536,652
<b>Total infrastructure, property, plant and equipment</b>		–	<b>334,292</b>	<b>2,527,560</b>	<b>2,861,852</b>

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

2019 \$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	Total
<b>Financial assets</b>					
Investments					
– ‘Held for trading’	30/06/19	–	–	–	–
– ‘Financial assets at fair value through other comprehensive income’		–	70,606	–	70,606
<b>Total financial assets</b>		–	<b>70,606</b>	–	<b>70,606</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational land	01/07/18	–	331,741	–	331,741
Community land including Crown land	01/07/18	–	–	145,326	145,326
Land under roads	01/07/18	–	–	60,071	60,071
Buildings	01/07/18	–	–	142,198	142,198
Roads (including bulk earthworks)	30/06/15	–	–	674,787	674,787
Bridges	30/06/15	–	–	161,636	161,636
Footpaths	30/06/15	–	–	33,231	33,231
Stormwater drainage	30/06/15	–	–	158,410	158,410
Water supply network	01/07/16	–	–	508,960	508,960
Sewerage network	01/07/16	–	–	539,251	539,251
<b>Total infrastructure, property, plant and equipment</b>		–	<b>331,741</b>	<b>2,423,870</b>	<b>2,755,611</b>

(1) Note that capital WIP is not included above since it is carried at cost, for both 2018/19 and 2019/20

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

During the reporting period, there were no transfers between level 1 and level 2 fair value hierarchies.

### (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

Council's financial assets are held in a number of forms including cash on hand and at bank, deposits at call, term deposits, floating rate notes and fixed rate bonds. Of these, floating rate notes and fixed rate bonds are fair valued.

These investments are valued by Laminar Group Pty Ltd, using marked to market methodology. Laminar has elected to use the mid-price, that is, the price point that falls halfway between the bid and offer spread to value securities held in portfolios within the Treasury Direct system. Typically when an asset has no bid price or ask price, other level 2 inputs are used to determine the most appropriate fair value, such as quoted prices for similar assets, interest rates, yield curves and credit spreads. Appropriateness may change depending upon market conditions and asset type.

Movements in investments, including fair value movements, are reported to Council monthly.

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

##### Operational Land

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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Council's operational land includes all of Council's land classified as operational land under the Local Government Act 1993. Land use is extremely varied and includes public parks, drainage reserves, sportsfields, sewer pump stations and other uses.

Valuation indices are applied on an annual basis only where the percentage indexation results in a material change. A comprehensive revaluation is ordinarily completed every five years, the most recent one being performed for 1 July 2018 by APV Valuers and Asset Management.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence such as sales of dissimilar but comparable land. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Current Replacement Cost) rather than the amount for which it could be sold (Market Value).

Operational land has historically been valued at highest and best use; that is at values provided by independent professional valuers. The *Local Government Code of Accounting Practice and Financial Reporting – Appendix F* – references NSW Treasury Policy Paper TPP14-01 which promotes the need to take restrictions on assets into account in determining asset values. As crown land has restrictions imposed by the state government that Council cannot remove – Council has used the Valuer Generals' valuations as a proxy for these restricted land parcels. Likewise canal land which is predominately under water has also been re assessed using Valuer Generals' valuations.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining a rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 2.

#### Community Land

Council's Community Land is land owned by Council and Council Administered Crown Land (CACL). It is land intended for public access and use or where other restrictions applied to the land create some obligation to maintain public access. Many of these parcels of land have no practical use other than for parks, reserves and cemeteries. Community Land cannot be sold, cannot be leased or licensed for more than 21 years at a time and must have a plan of management for it.

A revaluation was performed for 1 July 2018 (value date), when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2017. Only in a couple of instances where the Valuer has not yet provided a land value, a unit rate per square metre is applied at the same rate as a similar community land parcel within close proximity.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

#### Land under Roads

Land under Roads is land under roadways, and road reserves, including land under footpaths, nature strips and median strips, as per AASB1051.

Land under Roads was recognised for the first time at 30 June 2011. Council elected to recognise Land under Roads acquired pre 1 July 2008 and post 30 June 2008 as per ASSB 116 - Property, Plant and Equipment. Fair Value for Land under Roads was determined using the Engloba methodology derived from the Local Government Code of Accounting Practice and Financial Reporting. This method applies the total shires road reserve in square metres to the average shires rate calculated from the latest Valuers General Unimproved Capital Values (UCV), with a 90% discount.

A revaluation was performed for 1 July 2018 (value date), when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2017.

This asset class is categorised as Level 3 as inputs used in the valuation require significant professional judgement and are therefore unobservable.

#### Buildings

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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Buildings are owned or controlled. They are componentised into Floor, Building Envelope, Floor Fit-out, Internal Screens Fit-out, Roof, Mechanical Services, Fire Services and Transportation and Security Services. Building use is extremely varied and includes civic centre administration, depot, community and cultural services such as museums, art galleries, libraries, childcare and aged care, sport and recreation clubhouse amenities and public amenities.

A comprehensive revaluation is ordinarily completed every five years, the most recent one being performed for 1 July 2018 by a registered valuation company.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence; Such as sales of dissimilar but comparable buildings or if the value is driven by its cash generation, a Discounted Cash Flow (DCF) approach is used to determine its fair value. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Depreciated Current Replacement Cost) rather than what you could sell it for (Market Value).

This asset class is categorised as Level 3 with the key unobservable input to the valuation being the Gross Replacement Cost which is influenced by changes in construction costs. Other unobservable inputs are condition changes to any of the buildings components and hence patterns of consumption and remaining useful life. Professional judgement is required to establish the value of a building which is intrinsically linked to the value of the associated land, as combined, they represent fair value of the entire parcel.

The depreciation method used for this asset class is straight line.

#### Roads

This asset class comprises the Road Carriageway, Car Parks, Kerb and Gutter, Retaining Walls and Traffic Facilities. The road carriageway consists of the trafficable portion of a road, between but not including the kerb and gutter. The road carriageway is componentised into surface, pavement, pavement sub base and formation and further separated into segments for inspection and valuation.

A valuation of Road assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

The valuation process commences with a condition assessment of each asset. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The condition of Tweed Shire Council's road segment asset stock is determined by visual inspection in a revaluation year, with the latest condition assessment undertaken in 2020.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption and remaining service potential. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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#### Bridges

Council's Bridge asset register consists of all pedestrian and vehicle access bridges. Bridge assets are componentised into significant parts with different useful lives and patterns of consumption, including the Sub Structure (abutments and foundations), Super Structure, Rails and Surface (where applicable).

A valuation of Bridge assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

The valuation process commences with a condition assessment of each asset. Bridges were physically inspected to determine condition. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The data collected is used to calculate the remaining service potential of each asset with the latest condition assessment undertaken in 2020.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life and remaining life. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

#### Footpaths

This asset class consists of footpaths on road reserves and cycle-ways on Council owned and controlled reserves. Footpaths are segmented to match the adjacent road segment. No further componentisation is undertaken.

A valuation of Footpath assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

A condition assessment was undertaken by an external provider in 2020 to determine footpath condition ratings. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. Footpath unit rates were developed by a registered valuation company. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgement based on historical information and experience was applied in determining and remaining useful life. The depreciation method used for this asset class is condition based straight-line.

#### Drainage Infrastructure

This asset class consists of pits, pipes, open channels, culverts and headwalls. Pipes are segmented from node to node. No further componentisation is undertaken.

A valuation of Drainage assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

Fair Values were calculated by a registered valuation company as at 30 June 2020. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, and remaining life. Asset conditions are assumed based on the age of the pipe with some sample testing via CCTV inspections. A condition scale of 1 to 5 is assigned to each asset, with 1 representing



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

excellent condition and 5 representing very poor condition. The depreciation method used for this asset class is condition based straight-line.

**Water Supply Network**

Assets within this class comprise dams, weirs, reservoirs, water treatment plant, water pumping stations and water pipelines. This asset class is classified as being valued using Level 3 inputs.

The water supply network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 0.95% for the 2019/20 reporting period. This asset class is classified as being valued using Level 3 inputs.

**Sewerage Network**

Assets within this class comprise sewer treatment plants, sewer pumping stations, sewer pipelines. This asset class is classified as being valued using Level 3 inputs.

The sewerage network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 0.95% for the 2019/20 reporting period.

**(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	Community Land	Land under Roads	Buildings	Roads	Bridges
<b>2019</b>					
<b>Opening balance</b>	105,748	45,124	160,114	672,550	162,017
Purchases (GBV)	585	43	4,272	14,936	2,437
Disposals (WDV)	–	–	(2,967)	(480)	(548)
Depreciation and impairment	–	–	(2,636)	(12,339)	(2,270)
FV gains – other comprehensive income	17,582	14,904	(16,585)	120	–
Other movement	21,411	–	–	–	–
<b>Closing balance</b>	<b>145,326</b>	<b>60,071</b>	<b>142,198</b>	<b>674,787</b>	<b>161,636</b>
<b>2020</b>					
<b>Opening balance</b>	145,326	60,071	142,198	674,787	161,636
Purchases (GBV)	1,102	156	2,769	17,179	3,074
Disposals (WDV)	–	–	(733)	(1,703)	(142)
Depreciation and impairment	–	–	(2,658)	(12,598)	(2,299)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

\$ '000	Community Land	Land under Roads	Buildings	Roads	Bridges
FV gains – other comprehensive income	–	–	26	99,780	15,448
Other movement	(22)	–	–	–	–
<b>Closing balance</b>	<b>146,406</b>	<b>60,227</b>	<b>141,602</b>	<b>777,445</b>	<b>177,717</b>

\$ '000	Footpaths	Stormwater drainage	Water supply network	Sewerage network	Total
<b>2019</b>					
<b>Opening balance</b>	33,580	158,996	505,045	541,149	<b>2,384,323</b>
Purchases (GBV)	450	2,005	5,043	4,895	<b>34,666</b>
Disposals (WDV)	(95)	(123)	(1,992)	(453)	<b>(6,658)</b>
Depreciation and impairment	(720)	(2,582)	(7,461)	(11,584)	<b>(39,592)</b>
FV gains – other comprehensive income	16	114	8,325	5,244	<b>29,720</b>
Other movement	–	–	–	–	<b>21,411</b>
<b>Closing balance</b>	<b>33,231</b>	<b>158,410</b>	<b>508,960</b>	<b>539,251</b>	<b>2,423,870</b>
<b>2020</b>					
<b>Opening balance</b>	33,231	158,410	508,960	539,251	<b>2,423,870</b>
Purchases (GBV)	131	1,084	4,674	5,328	<b>35,497</b>
Disposals (WDV)	(5)	(679)	(2,838)	(1,554)	<b>(7,654)</b>
Depreciation and impairment	(729)	(2,596)	(7,574)	(11,748)	<b>(40,202)</b>
FV gains – other comprehensive income	–	(623)	4,178	5,375	<b>124,184</b>
Other movement	(8,113)	–	–	–	<b>(8,135)</b>
<b>Closing balance</b>	<b>24,515</b>	<b>155,596</b>	<b>507,400</b>	<b>536,652</b>	<b>2,527,560</b>

## (5) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Related party disclosures

## (a) Key management personnel

Key management personnel (KMP) of the council are those councillors and management personnel 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
<b>Compensation:</b>		
Short-term benefits	1,984	1,692
Post-employment benefits	151	184
Other long-term benefits	61	3
<b>Total</b>	<b>2,196</b>	<b>1,879</b>

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

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

Nature of the transaction	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
\$ '000						
<b>2020</b>						
Employee expenses relating to close family members of KMP	1	143	–		–	–
<b>2019</b>						
Employee expenses relating to close family members of KMP	1	128	–		–	–

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

Note 24. Related party disclosures (continued)

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<sup>1</sup> Close family members of Council's KMP are employed by Council under the relevant pay award on an arm's length basis. There is 1 close family member of KMP currently employed by Council.

Note 25. Events occurring after the reporting date

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

COVID-19

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	621	20	–	16	(312)	–	345	–
Roads	21,555	2,975	–	681	(715)	–	24,496	–
Traffic facilities	169	19	–	5	(1)	–	192	–
Parking	1,703	–	–	51	(47)	–	1,707	–
Open space	12,352	2,554	–	185	(880)	–	14,211	–
Community facilities	4,694	511	–	146	(82)	–	5,269	–
Other	1,792	627	–	60	(471)	–	2,004	–
Path/cycleways	600	131	–	20	(7)	–	744	–
Street trees	241	16	–	7	(2)	–	262	–
<b>S7.11 contributions – under a plan</b>	<b>43,727</b>	<b>6,853</b>	<b>–</b>	<b>1,171</b>	<b>(2,517)</b>	<b>–</b>	<b>49,230</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>43,727</b>	<b>6,853</b>	<b>–</b>	<b>1,171</b>	<b>(2,517)</b>	<b>–</b>	<b>49,230</b>	<b>–</b>
S7.11 not under plans	885	(885)	–	–	–	–	–	–
<b>Total contributions</b>	<b>44,612</b>	<b>5,968</b>	<b>–</b>	<b>1,171</b>	<b>(2,517)</b>	<b>–</b>	<b>49,230</b>	<b>–</b>

## S7.11 Contributions – under a plan

## CONTRIBUTION PLAN NUMBER 1

Open space	5,206	12	–	132	–	–	5,350	–
<b>Total</b>	<b>5,206</b>	<b>12</b>	<b>–</b>	<b>132</b>	<b>–</b>	<b>–</b>	<b>5,350</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER 2</b>								
Drainage	401	1	–	10	(311)	–	101	–
<b>Total</b>	<b>401</b>	<b>1</b>	<b>–</b>	<b>10</b>	<b>(311)</b>	<b>–</b>	<b>101</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 3</b>								
Community facilities	2	–	–	–	–	–	2	–
<b>Total</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 4</b>								
Roads	21,451	2,975	–	678	(715)	–	24,389	–
<b>Total</b>	<b>21,451</b>	<b>2,975</b>	<b>–</b>	<b>678</b>	<b>(715)</b>	<b>–</b>	<b>24,389</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 5</b>								
Open space	712	682	–	19	(393)	–	1,020	–
<b>Total</b>	<b>712</b>	<b>682</b>	<b>–</b>	<b>19</b>	<b>(393)</b>	<b>–</b>	<b>1,020</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 6</b>								
Street trees	241	16	–	7	(2)	–	262	–
<b>Total</b>	<b>241</b>	<b>16</b>	<b>–</b>	<b>7</b>	<b>(2)</b>	<b>–</b>	<b>262</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 7</b>								
Drainage	220	19	–	6	(1)	–	244	–
Open space	807	72	–	25	(3)	–	901	–
<b>Total</b>	<b>1,027</b>	<b>91</b>	<b>–</b>	<b>31</b>	<b>(4)</b>	<b>–</b>	<b>1,145</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 11</b>								
Community facilities (libraries)	1,000	260	–	33	(70)	–	1,223	–
<b>Total</b>	<b>1,000</b>	<b>260</b>	<b>–</b>	<b>33</b>	<b>(70)</b>	<b>–</b>	<b>1,223</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 12</b>								
Traffic facilities – bus shelters (other)	169	19	–	5	(1)	–	192	–
<b>Total</b>	<b>169</b>	<b>19</b>	<b>–</b>	<b>5</b>	<b>(1)</b>	<b>–</b>	<b>192</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 13</b>								

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (cemeteries)	98	37	–	3	(24)	–	114	–
<b>Total</b>	<b>98</b>	<b>37</b>	<b>–</b>	<b>3</b>	<b>(24)</b>	<b>–</b>	<b>114</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 14</b>								
Roads (mebbin springs)	104	–	–	3	–	–	107	–
<b>Total</b>	<b>104</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>107</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 15</b>								
Community facilities	2,346	245	–	73	(12)	–	2,652	–
<b>Total</b>	<b>2,346</b>	<b>245</b>	<b>–</b>	<b>73</b>	<b>(12)</b>	<b>–</b>	<b>2,652</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 16</b>								
Other (surf lifesaving)	98	13	–	3	(5)	–	109	–
<b>Total</b>	<b>98</b>	<b>13</b>	<b>–</b>	<b>3</b>	<b>(5)</b>	<b>–</b>	<b>109</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 18</b>								
Other (council admin fees)	1,596	577	–	54	(442)	–	1,781	–
<b>Total</b>	<b>1,596</b>	<b>577</b>	<b>–</b>	<b>54</b>	<b>(442)</b>	<b>–</b>	<b>1,781</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 19</b>								
Open space	(424)	–	–	(13)	–	–	(437)	–
Community facilities	1,310	–	–	39	–	–	1,349	–
Path/cycleways	117	–	–	4	–	–	121	–
<b>Total</b>	<b>1,003</b>	<b>–</b>	<b>–</b>	<b>30</b>	<b>–</b>	<b>–</b>	<b>1,033</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 21</b>								
Open space	2	–	–	–	–	–	2	–
Community facilities	36	6	–	1	–	–	43	–
<b>Total</b>	<b>38</b>	<b>6</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>45</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 22</b>								
Path/cycleways (shire wide cycleways)	483	131	–	16	(7)	–	623	–
<b>Total</b>	<b>483</b>	<b>131</b>	<b>–</b>	<b>16</b>	<b>(7)</b>	<b>–</b>	<b>623</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER 23</b>								
Parking (shire wide car parking)	1,703	–	–	51	(47)	–	1,707	–
<b>Total</b>	<b>1,703</b>	<b>–</b>	<b>–</b>	<b>51</b>	<b>(47)</b>	<b>–</b>	<b>1,707</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 25</b>								
Open space (salt open space)	1,253	3	–	37	–	–	1,293	–
<b>Total</b>	<b>1,253</b>	<b>3</b>	<b>–</b>	<b>37</b>	<b>–</b>	<b>–</b>	<b>1,293</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 26</b>								
Open space (shirewide)	3,391	1,445	–	(32)	(395)	–	4,409	–
<b>Total</b>	<b>3,391</b>	<b>1,445</b>	<b>–</b>	<b>(32)</b>	<b>(395)</b>	<b>–</b>	<b>4,409</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 27</b>								
Open space	544	64	–	17	(6)	–	619	–
<b>Total</b>	<b>544</b>	<b>64</b>	<b>–</b>	<b>17</b>	<b>(6)</b>	<b>–</b>	<b>619</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 28</b>								
Open space	862	276	–	–	(83)	–	1,055	–
<b>Total</b>	<b>862</b>	<b>276</b>	<b>–</b>	<b>–</b>	<b>(83)</b>	<b>–</b>	<b>1,055</b>	<b>–</b>

### S7.11 Contributions – not under a plan

#### CONTRIBUTIONS NOT UNDER A PLAN

Drainage	320	(320)	–	–	–	–	–	–
Traffic facilities	119	(119)	–	–	–	–	–	–
Open space	470	(470)	–	–	–	–	–	–
Community facilities	(26)	26	–	–	–	–	–	–
Footpath	2	(2)	–	–	–	–	–	–
<b>Total</b>	<b>885</b>	<b>(885)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	81,884	6,200	30,442
User charges and fees	20,425	24,755	3,774
Interest and investment revenue	4,401	1,714	2,211
Other revenues	2,560	197	34
Grants and contributions provided for operating purposes	18,733	388	602
Grants and contributions provided for capital purposes	20,731	3,115	3,426
Rental income	220	97	–
Share of interests in joint ventures and associates using the equity method	97	–	–
<b>Total income from continuing operations</b>	<b>149,051</b>	<b>36,466</b>	<b>40,489</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	47,146	5,289	7,502
Borrowing costs	5,279	4,154	2,065
Materials and contracts	30,847	10,079	10,378
Depreciation and amortisation	27,588	7,660	11,959
Other expenses	11,549	1,377	2,236
Net losses from the disposal of assets	3,330	2,892	1,555
<b>Total expenses from continuing operations</b>	<b>125,739</b>	<b>31,451</b>	<b>35,695</b>
<b>Operating result from continuing operations</b>	<b>23,312</b>	<b>5,015</b>	<b>4,794</b>
<b>Net operating result for the year</b>	<b>23,312</b>	<b>5,015</b>	<b>4,794</b>
<b>Net operating result attributable to each council fund</b>	<b>23,312</b>	<b>5,015</b>	<b>4,794</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,581</b>	<b>1,900</b>	<b>1,368</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	44,679	(2,438)	3,217
Investments	84,958	40,000	56,000
Receivables	12,402	3,740	2,667
Inventories	759	–	–
Contract assets	763	–	–
Other	403	35	29
<b>Total current assets</b>	<b>143,964</b>	<b>41,337</b>	<b>61,913</b>
<b>Non-current assets</b>			
Investments	85,925	31,000	51,000
Receivables	222	–	–
Infrastructure, property, plant and equipment	1,796,433	570,333	602,573
Investments accounted for using the equity method	1,289	–	–
Intangible assets	1,196	22	27
Right of use assets	511	–	–
<b>Total non-current assets</b>	<b>1,885,576</b>	<b>601,355</b>	<b>653,600</b>
<b>TOTAL ASSETS</b>	<b>2,029,540</b>	<b>642,692</b>	<b>715,513</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10,456	923	492
Income received in advance	8,698	–	–
Contract liabilities	3,406	–	–
Lease liabilities	76	–	–
Borrowings	4,779	1,794	1,586
Provisions	23,444	–	–
<b>Total current liabilities</b>	<b>50,859</b>	<b>2,717</b>	<b>2,078</b>
<b>Non-current liabilities</b>			
Payables	854	–	–
Lease liabilities	445	–	–
Borrowings	67,853	55,764	20,053
Provisions	5,861	–	–
<b>Total non-current liabilities</b>	<b>75,013</b>	<b>55,764</b>	<b>20,053</b>
<b>TOTAL LIABILITIES</b>	<b>125,872</b>	<b>58,481</b>	<b>22,131</b>
<b>Net assets</b>	<b>1,903,668</b>	<b>584,211</b>	<b>693,382</b>
<b>EQUITY</b>			
Accumulated surplus	1,033,749	221,490	261,513
Revaluation reserves	869,919	362,721	431,869
<b>Council equity interest</b>	<b>1,903,668</b>	<b>584,211</b>	<b>693,382</b>
<b>Total equity</b>	<b>1,903,668</b>	<b>584,211</b>	<b>693,382</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>13,696</b>	<b>6.89%</b>	11.20%	11.26%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>198,664</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>178,941</b>	<b>79.20%</b>	77.41%	71.17%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>225,936</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>57,744</b>	<b>1.92x</b>	2.32x	1.77x	>1.50x
Current liabilities less specific purpose liabilities	<b>30,034</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>72,401</b>	<b>3.48x</b>	3.86x	3.81x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>20,820</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>5,541</b>	<b>4.47%</b>	4.43%	3.99%	<10.00%
Rates, annual and extra charges collectible	<b>124,031</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>317,524</b>	<b>25.05</b>	23.43	21.55	>3.00
Monthly payments from cash flow of operating and financing activities	<b>12,676</b>	<b>mths</b>	mths	mths	mths

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>4.74%</b>	10.41%	<b>17.36%</b>	14.49%	<b>4.95%</b>	11.14%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>73.53%</b>	71.09%	<b>90.37%</b>	89.41%	<b>90.05%</b>	90.71%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.29x</b>	2.76x	<b>8.49x</b>	4.88x	<b>29.79x</b>	20.58x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>2.84x</b>	4.61x	<b>3.91x</b>	2.85x	<b>7.09x</b>	3.54x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>4.42%</b>	4.43%	<b>6.28%</b>	6.15%	<b>4.23%</b>	4.09%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>16.72</b>	13.96	<b>36.84</b>	39.45	<b>51.46</b>	55.99	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

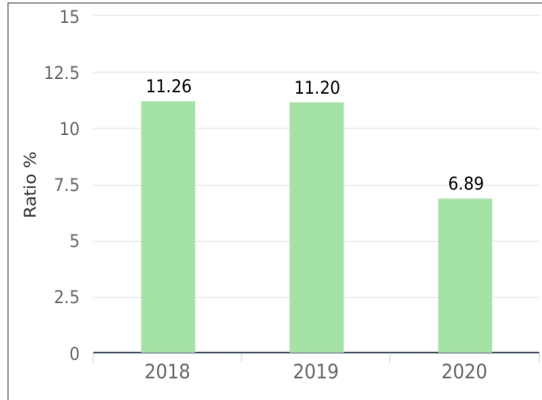
(1) - (2) Refer to Notes at Note 31a above.

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

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

Note 28(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 6.89%

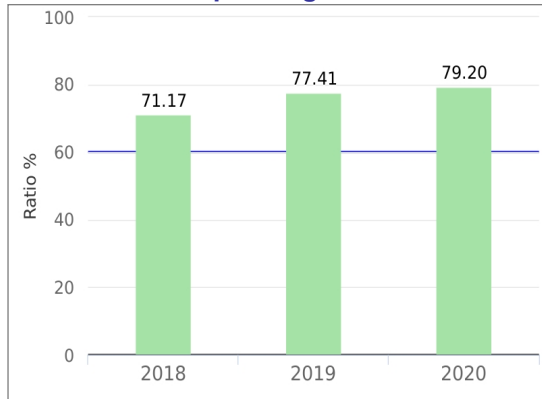
Whilst revenue from user charges, grants and investment revenue have fallen, the operating performance ratio is a strong positive result and remains above the industry benchmark of 0%.

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 79.20%

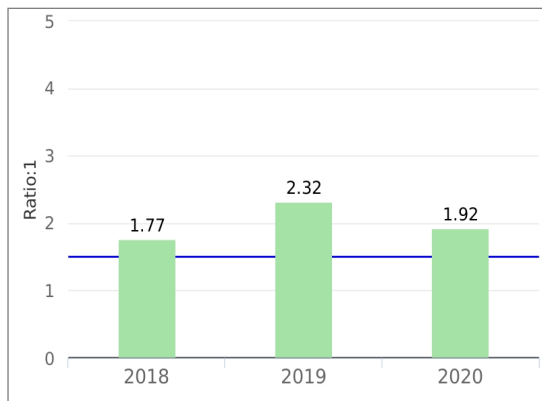
Remains at an acceptable ratio.

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 1.92x

Remains at an acceptable ratio.

Benchmark: — > 1.50x

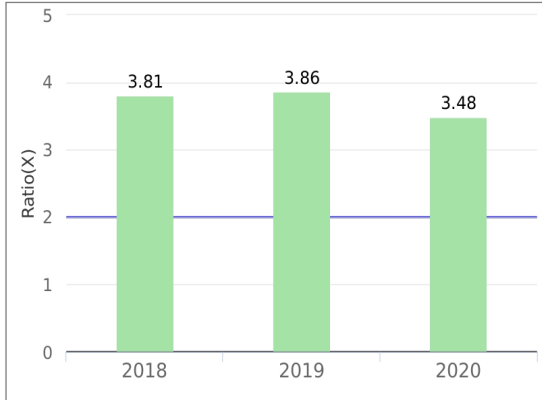
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark  
Ratio is outside benchmark

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

Note 28(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 3.48x

Remains at an acceptable ratio.

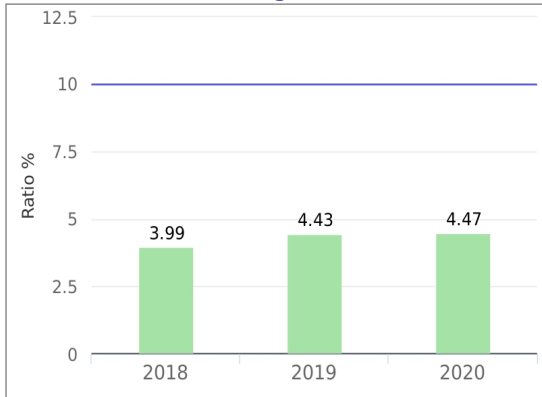
Benchmark: — > 2.00x

Ratio achieves benchmark

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

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 4.47%

Remains at an acceptable ratio.

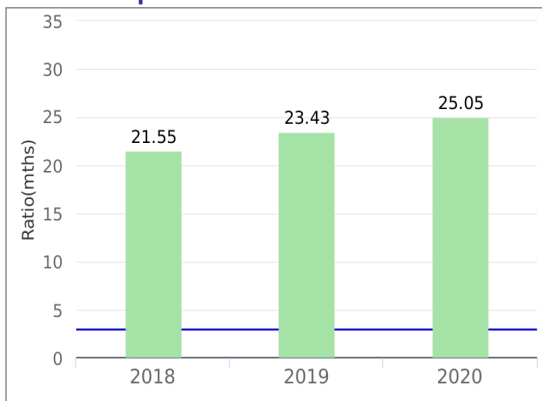
Benchmark: — < 10.00%

Ratio achieves benchmark

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

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 25.05 mths

Remains at an acceptable ratio.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 29. Council information and contact details

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**Principal place of business:**

Civic & Cultural Centre Tumbulgum Road  
Murwillumbah NSW 2484

**Contact details**

**Mailing Address:**

PO Box 816  
Murwillumbah NSW 2484

**Opening hours:**

9:00am - 4:00pm  
Monday to Friday  
Closed Public Holidays

**Telephone:** 1300 292 872

**Facsimile:** 02 6670 2149

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

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

**Officers**

**General Manager**  
Troy Green

**Responsible Accounting Officer**

Michael Chorlton

**Auditor**

Audit Office of New South Wales

**Elected members**

**Mayor**

Chris Cherry

**Councillors**

Pryce Allsop  
Reece Byrnes  
Chris Cherry  
Ron Cooper  
James Owen  
Warren Polglase

**Other information**

**ABN:** 90 178 732 496



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Tweed Shire Council

To the Councillors of Tweed Shire Council

### Opinion

I have audited the accompanying financial statements of Tweed Shire 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.



## **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:

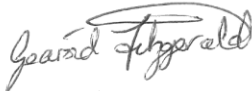
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://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 22 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

27 November 2020  
SYDNEY



Ms Chris Cherry  
Mayor  
Tweed Shire Council  
PO Box 816  
MURWILLUMBAH NSW 2484

Contact: Gearoid Fitzgerald  
Phone no: 9275 7392  
Our ref: D2028132/1795

27 November 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Tweed Shire Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

## INCOME STATEMENT

### Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	118.4	112.1	5.6
Grants and contributions revenue	47.0	51.3	8.4
Employee benefits and on-costs	59.9	56.6	5.8

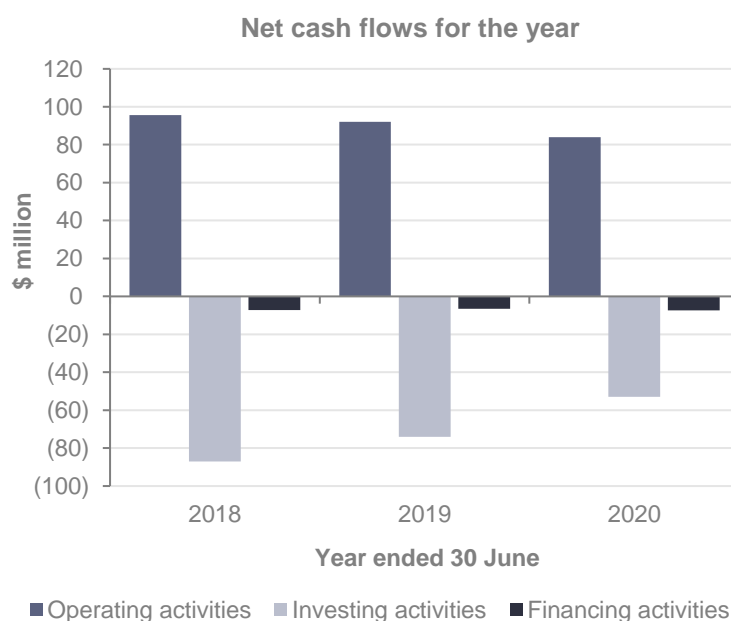
Materials and contracts	51.3	49.2	4.3
Operating result from continuing operations	33.1	40.3	17.9
Net operating result before capital grants and contributions	5.8	15.4	62.3

The Council's operating result from continuing operations (\$33.1 million including depreciation and amortisation expense of \$47.2 million) was \$7.2 million lower than the 2018–19 result. The decrease is largely attributable to the following:

- Grants and contributions revenue (\$47.0 million) decreased by \$4.3m (8.4 per cent) primarily due to a reduction in transport operating and capital grants.
- Interest and investment income (\$8.3 million) by \$2.0 million (19.4 per cent)
- Rates and annual charges revenue (\$118.4 million) increased by \$6.3m (5.6 per cent) in 2019–20 primarily due to a revised waste management plan.
- Materials and contracts expense (\$51.3 million) increased by \$2.1 million (4.3 per cent) primarily due to increased consumption of raw materials and consumables.
- Employee benefits and on-costs (\$59.9 million) increased by \$3.3 million (5.8 per cent) in 2019–20 due to a combination of higher head count within Council compared to 2018-19 as well as wage inflation.

## STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by \$8.0 million. This is largely due to decreased grants and contributions received and a reduction in user charges and fee income.
- Net cash used in investing activities decreased by \$21.1 million. The majority of the decrease relates to a reduction in net investments in securities compared to the prior year.
- Net cash used in financing activities remained relatively static on the prior year increasing by \$0.7 million.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	264.3	254.3	• Externally restricted cash and investments has increased by \$10.0 million primarily relating to water and sewer asset replacement reserves.
Internal restrictions	119.2	99.2	
Unrestricted	10.8	10.9	• The level of internally restricted cash and investments has increased by \$20.0 million primarily as a result of the incorporation of Tweed Holiday Parks' operations within Council rather than through a subsidiary entity. Council have now classified the cash and investments related to Tweed Holiday Parks as internally restricted.
<b>Cash and investments</b>	<b>394.3</b>	<b>364.4</b>	

## PERFORMANCE

### Performance measures

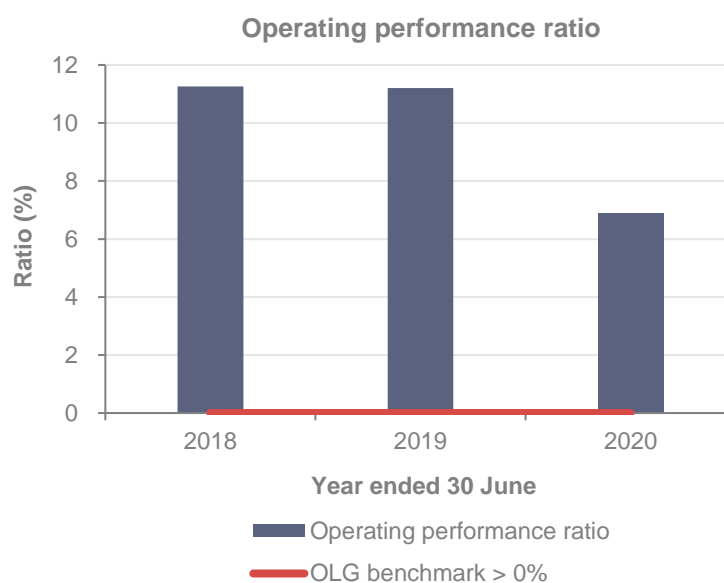
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### Operating performance ratio

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

The Council exceeded the OLG benchmark for the current and comparative reporting periods.

However, a decrease in Council's 2019–20 operating result (before all capital items) led to a lower operating performance ratio compared to prior years.

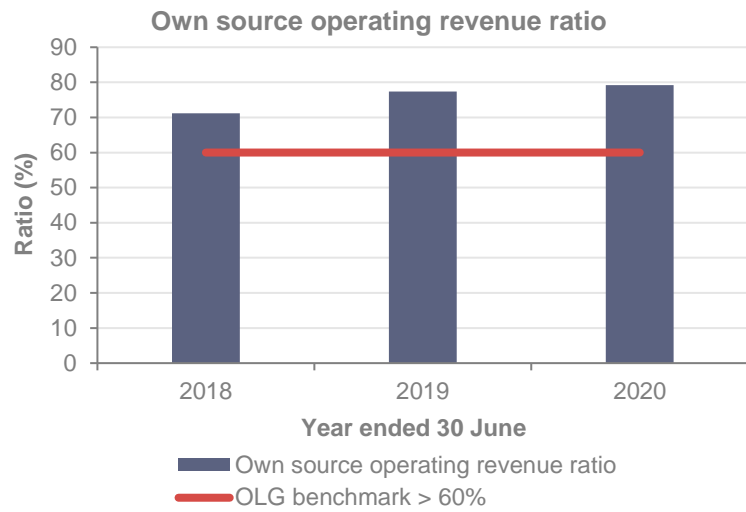


### Own source operating revenue ratio

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 and comparative reporting periods.

The ratio has seen slight improvement in 2019-20 due to lower grant funding receipts.

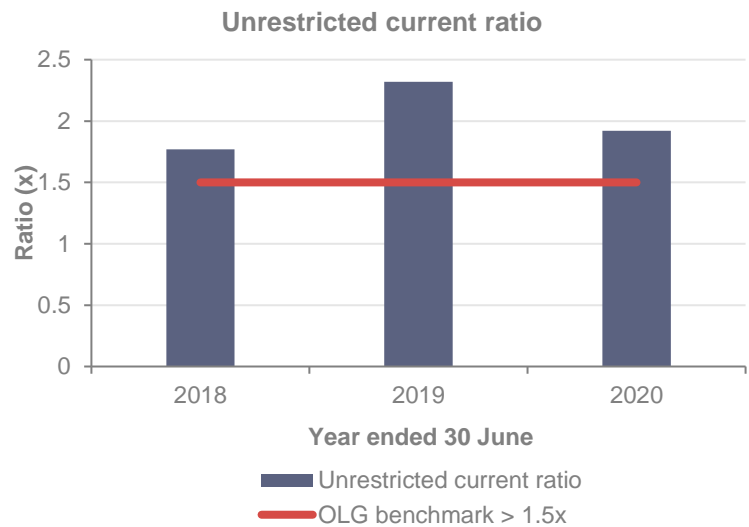


### Unrestricted current ratio

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 and comparative reporting periods.

Council's current liabilities (less specific purpose liabilities) have increased in the current year, resulting in a decrease in the ratio at 30 June 2020. *This has partially been driven by a change to the Accounting Standards that require the recognition of contract liabilities and lease liabilities.*

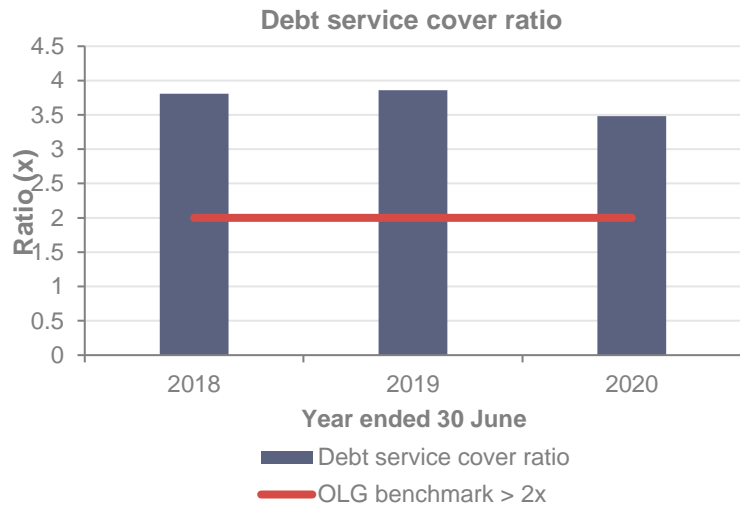


### Debt service cover ratio

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 and comparative reporting periods.

Debt service levels have decreased from 2018-19 due to a lower operating result in the current year.

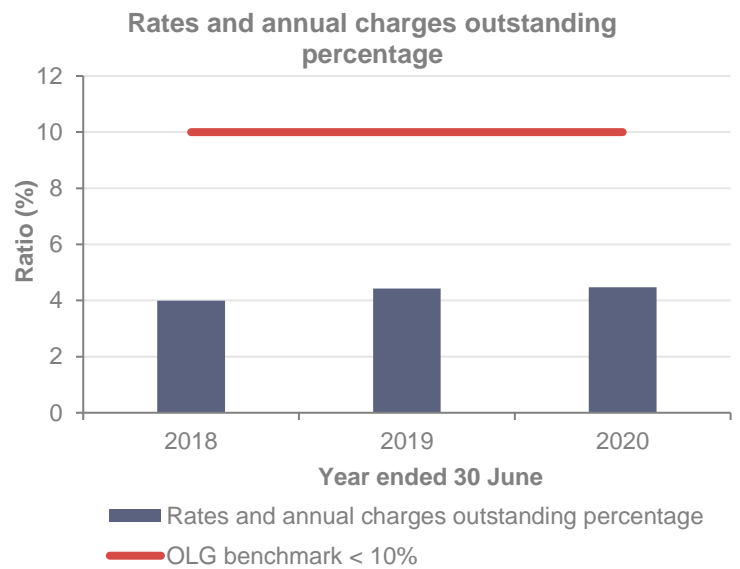


### Rates and annual charges outstanding per centage

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

The Council met the OLG benchmark for the current and comparative reporting periods.

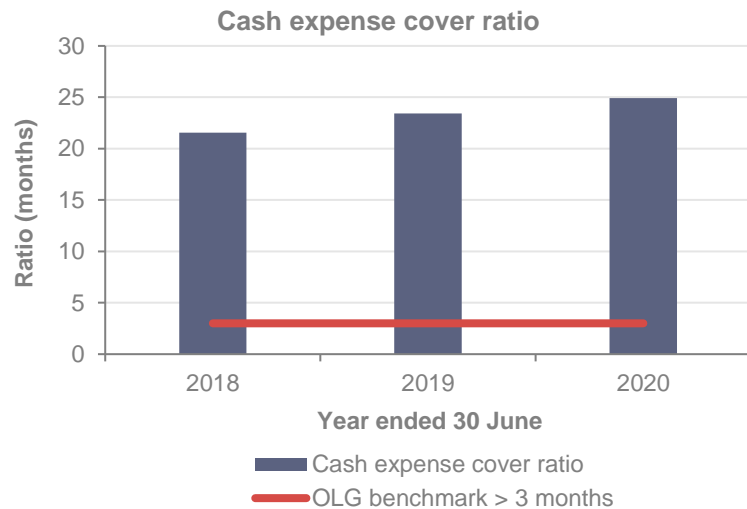
The ratio has remained consistent with 2018-19.



## 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 and comparative reporting periods.



## Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2019–20 year was \$27.3 million (2018–19 - \$29.9 million). Renewal expenditure continues to be below the rate at which these assets are depreciating.

## 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 \$2.9 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

#### AASB 16 'Leases'

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

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

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



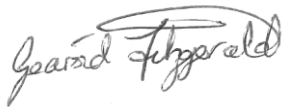
The Council recognised right-of-use assets of \$0.5 million and lease liabilities of \$0.5 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 13.

### **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: Mr Troy Green, General Manager  
Mr Colin Wight, Chair of the Audit, Risk and Improvement Committee

# Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Living and loving the Tweed*



## 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).

## Tweed Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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#### 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 19 November 2020.**



Chris Cherry

**Mayor**

19 November 2020



Reece Byrnes

**Councillor**

19 November 2020



Troy Green

**General Manager**

19 November 2020



Michael Chorlton

**Responsible Accounting Officer**

19 November 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	6,200	6,017
User charges	24,755	24,156
Interest	1,714	1,667
Grants and contributions provided for non-capital purposes	388	424
Other income	197	168
<b>Total income from continuing operations</b>	<b>33,254</b>	<b>32,432</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	5,289	5,082
Borrowing costs	4,154	4,243
Materials and contracts	10,079	9,504
Depreciation, amortisation and impairment	7,660	7,549
Loss on sale of assets	2,892	3,971
Calculated taxation equivalents	1,060	942
Debt guarantee fee (if applicable)	288	296
Other expenses	1,377	1,356
<b>Total expenses from continuing operations</b>	<b>32,799</b>	<b>32,943</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>455</b>	<b>(511)</b>
Grants and contributions provided for capital purposes	3,115	3,369
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,570</b>	<b>2,858</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,570</b>	<b>2,858</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(125)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,445</b>	<b>2,858</b>
<b>Plus accumulated surplus</b>	<b>216,682</b>	<b>212,695</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	1,060	942
– Debt guarantee fees	288	296
– Corporate taxation equivalent	125	–
<b>Less:</b>		
– Tax equivalent dividend paid	(110)	(109)
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	3,445	2,858
Less: capital grants and contributions (excluding developer contributions)	(201)	(457)
<b>Surplus for dividend calculation purposes</b>	<b>3,244</b>	<b>2,401</b>
<b>Potential dividend calculated from surplus</b>	<b>1,622</b>	<b>1,201</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	30,442	29,614
Liquid trade waste charges	3,109	3,069
Fees	665	572
Interest	2,211	2,899
Grants and contributions provided for non-capital purposes	602	571
Other income	34	9
<b>Total income from continuing operations</b>	<b>37,063</b>	<b>36,734</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	7,502	7,213
Borrowing costs	2,065	2,259
Materials and contracts	10,378	9,197
Depreciation, amortisation and impairment	11,959	11,773
Loss on sale of assets	1,555	467
Calculated taxation equivalents	1,115	1,116
Debt guarantee fee (if applicable)	108	123
Other expenses	2,236	2,200
<b>Total expenses from continuing operations</b>	<b>36,918</b>	<b>34,348</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>145</b>	<b>2,386</b>
Grants and contributions provided for capital purposes	3,426	3,132
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,571</b>	<b>5,518</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,571</b>	<b>5,518</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(40)	(656)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,531</b>	<b>4,862</b>
<b>Plus accumulated surplus</b>	256,824	250,176
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	1,115	1,116
– Debt guarantee fees	108	123
– Corporate taxation equivalent	40	656
<b>Less:</b>		
– Tax equivalent dividend paid	(105)	(109)
<b>Return on capital %</b>	0.4%	0.8%
<b>Subsidy from Council</b>	–	–
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	3,531	4,862
Less: capital grants and contributions (excluding developer contributions)	(1,270)	(1,698)
<b>Surplus for dividend calculation purposes</b>	<b>2,261</b>	<b>3,164</b>
<b>Potential dividend calculated from surplus</b>	<b>1,131</b>	<b>1,582</b>

## Income Statement – Holiday Parks

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
Fees	8,224	9,912
Interest	224	298
Other income	594	400
<b>Total income from continuing operations</b>	<b>9,042</b>	<b>10,610</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	561	492
Materials and contracts	2,696	2,965
Depreciation, amortisation and impairment	467	440
Loss on sale of assets	–	297
Calculated taxation equivalents	581	582
Other expenses	4,010	4,156
<b>Total expenses from continuing operations</b>	<b>8,315</b>	<b>8,932</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>727</b>	<b>1,678</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>727</b>	<b>1,678</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>727</b>	<b>1,678</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(200)	(461)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>527</b>	<b>1,217</b>
<b>Plus accumulated surplus</b>	<b>32,328</b>	<b>31,328</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	581	582
– Corporate taxation equivalent	200	461
<b>Less:</b>		
– Dividend paid	(1,224)	(1,260)
<b>Return on capital %</b>	<b>1.4%</b>	<b>3.2%</b>

## Income Statement – Commercial Waste

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>Income from continuing operations</b>		
Access charges	3,240	2,915
User charges	5,039	3,259
Other income	6	377
<b>Total income from continuing operations</b>	<b>8,285</b>	<b>6,551</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	533	392
Borrowing costs	67	210
Materials and contracts	4,307	2,475
Depreciation, amortisation and impairment	77	98
Loss on sale of assets	–	19
Calculated taxation equivalents	44	58
Other expenses	373	158
<b>Total expenses from continuing operations</b>	<b>5,401</b>	<b>3,410</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,884</b>	<b>3,141</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,884</b>	<b>3,141</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,884</b>	<b>3,141</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(793)	(864)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,091</b>	<b>2,277</b>
<b>Plus accumulated surplus</b>	<b>22,683</b>	<b>19,484</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	44	58
– Corporate taxation equivalent	793	864
<b>Return on capital %</b>	<b>55.7%</b>	<b>57.2%</b>



## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	40,000	27,000
Receivables	3,740	3,581
Other	35	37
<b>Total current assets</b>	<b>43,775</b>	<b>30,618</b>
<b>Non-current assets</b>		
Investments	31,000	40,000
Infrastructure, property, plant and equipment	570,333	568,428
Intangible assets	22	15
<b>Total non-current assets</b>	<b>601,355</b>	<b>608,443</b>
<b>TOTAL ASSETS</b>	<b>645,130</b>	<b>639,061</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	2,438	4,184
Payables	923	454
Borrowings	1,794	1,640
<b>Total current liabilities</b>	<b>5,155</b>	<b>6,278</b>
<b>Non-current liabilities</b>		
Borrowings	55,764	57,558
<b>Total non-current liabilities</b>	<b>55,764</b>	<b>57,558</b>
<b>TOTAL LIABILITIES</b>	<b>60,919</b>	<b>63,836</b>
<b>NET ASSETS</b>	<b>584,211</b>	<b>575,225</b>
<b>EQUITY</b>		
Accumulated surplus	221,490	216,682
Revaluation reserves	362,721	358,543
<b>TOTAL EQUITY</b>	<b>584,211</b>	<b>575,225</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,217	1,485
Investments	56,000	62,000
Receivables	2,667	2,921
Other	29	75
<b>Total current assets</b>	<b>61,913</b>	<b>66,481</b>
<b>Non-current assets</b>		
Investments	51,000	37,000
Infrastructure, property, plant and equipment	602,573	604,706
Intangible assets	27	–
<b>Total non-current assets</b>	<b>653,600</b>	<b>641,706</b>
<b>TOTAL ASSETS</b>	<b>715,513</b>	<b>708,187</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	492	400
Borrowings	1,586	2,830
<b>Total current liabilities</b>	<b>2,078</b>	<b>3,230</b>
<b>Non-current liabilities</b>		
Borrowings	20,053	21,639
<b>Total non-current liabilities</b>	<b>20,053</b>	<b>21,639</b>
<b>TOTAL LIABILITIES</b>	<b>22,131</b>	<b>24,869</b>
<b>NET ASSETS</b>	<b>693,382</b>	<b>683,318</b>
<b>EQUITY</b>		
Accumulated surplus	261,513	256,824
Revaluation reserves	431,869	426,494
<b>TOTAL EQUITY</b>	<b>693,382</b>	<b>683,318</b>

## Statement of Financial Position – Holiday Parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 <sup>1</sup> Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,688	5,647
Investments	7,066	8,859
Receivables	82	96
Inventories	–	12
Other	70	67
<b>Total current assets</b>	<b>14,906</b>	<b>14,681</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	53,286	53,232
<b>Total non-current assets</b>	<b>53,286</b>	<b>53,232</b>
<b>TOTAL ASSETS</b>	<b>68,192</b>	<b>67,913</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	4,810	4,615
<b>Total current liabilities</b>	<b>4,810</b>	<b>4,615</b>
<b>TOTAL LIABILITIES</b>	<b>4,810</b>	<b>4,615</b>
<b>NET ASSETS</b>	<b>63,382</b>	<b>63,298</b>
<b>EQUITY</b>		
Accumulated surplus	32,412	32,328
Revaluation reserves	30,970	30,970
<b>TOTAL EQUITY</b>	<b>63,382</b>	<b>63,298</b>

(1) See prior period error note for details

## Statement of Financial Position – Commercial Waste

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	584	818
Investments	23,393	20,035
<b>Total current assets</b>	<b>23,977</b>	<b>20,853</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	5,298	5,858
<b>Total non-current assets</b>	<b>5,298</b>	<b>5,858</b>
<b>TOTAL ASSETS</b>	<b>29,275</b>	<b>26,711</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	202	123
<b>Total current liabilities</b>	<b>202</b>	<b>123</b>
<b>Non-current liabilities</b>		
Provisions	1,445	1,379
<b>Total non-current liabilities</b>	<b>1,445</b>	<b>1,379</b>
<b>TOTAL LIABILITIES</b>	<b>1,647</b>	<b>1,502</b>
<b>NET ASSETS</b>	<b>27,628</b>	<b>25,209</b>
<b>EQUITY</b>		
Accumulated surplus	25,611	22,683
Revaluation reserves	2,017	2,526
<b>TOTAL EQUITY</b>	<b>27,628</b>	<b>25,209</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 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. Tweed Water  
Supply of water
- b. Tweed Sewerage  
Sewerage Services
- c. Tweed Holiday Parks  
Holiday/Caravan parks
- d. Commercial Waste  
Non-domestic solid waste collection and disposal

##### Category 2

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

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

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

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Nil

#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

#### Operating result before capital income + interest expense

#### Written down value of I,PP&E as at 30 June

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

#### (iv) Dividends

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

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

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

- 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 Department of Industry – Water.



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Tweed Shire Council**

To the Councillors of Tweed Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Tweed Shire 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
- Holiday Parks
- Commercial Waste.

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:

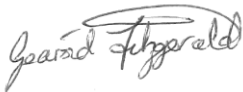
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://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

27 November 2020  
SYDNEY

# Tweed Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*Living and loving the Tweed*



## Special Schedules

for the year ended 30 June 2020

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#### **Special Schedules**

Permissible income for general rates

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	63,741	61,872
Plus or minus adjustments <sup>2</sup>	b	250	194
<b>Notional general income</b>	c = a + b	<b>63,991</b>	<b>62,066</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x c	1,664	1,676
<b>Sub-total</b>	k = (c + i)	<b>65,655</b>	<b>63,742</b>
Plus (or minus) last year's carry forward total	l	1	—
<b>Sub-total</b>	n = l	<b>1</b>	<b>—</b>
<b>Total permissible income</b>	o = k + n	<b>65,656</b>	<b>63,742</b>
Less notional general income yield	p	65,652	63,741
<b>Catch-up or (excess) result</b>	q = o - p	<b>4</b>	<b>1</b>
<b>Carry forward to next year <sup>3</sup></b>	t	<b>4</b>	<b>1</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) 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**  
**Tweed Shire Council**

To the Councillors of Tweed Shire Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Tweed Shire 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:

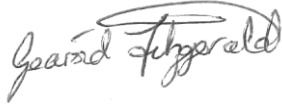
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://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.

A handwritten signature in cursive script that reads "Gearoid Fitzgerald". The signature is written in black ink and is positioned above the printed name and title.

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

27 November 2020  
SYDNEY



## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>(a) Report on Infrastructure Assets</b>													
<b>Buildings</b>	Other	–	–	–	–	(1)	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Civic Buildings/Admin	497	497	378	298	30,910	42,535	17.0%	41.0%	26.0%	15.0%	1.0%	
	Community	311	311	154	241	15,241	20,352	35.0%	25.0%	29.0%	8.0%	3.0%	
	Cultural	33	33	36	171	25,320	32,566	36.0%	57.0%	5.0%	2.0%	0.0%	
	Emergency	108	108	46	23	2,566	3,828	10.0%	23.0%	50.0%	14.0%	3.0%	
	Operational	302	302	195	209	31,636	40,909	12.0%	46.0%	28.0%	8.0%	6.0%	
	Public Toilets	93	93	66	154	6,072	7,852	31.0%	25.0%	31.0%	9.0%	4.0%	
	Recreation	287	287	285	257	26,805	35,298	8.0%	45.0%	37.0%	10.0%	0.0%	
	Residential	69	69	38	61	3,052	3,786	64.0%	0.0%	14.0%	22.0%	0.0%	
	<b>Sub-total</b>	<b>1,700</b>	<b>1,700</b>	<b>1,198</b>	<b>1,414</b>	<b>141,601</b>	<b>187,126</b>	<b>20.9%</b>	<b>42.0%</b>	<b>25.6%</b>	<b>9.4%</b>	<b>2.1%</b>	
<b>Other structures</b>	Other structures	132	132	108	11	316	695	49.0%	3.0%	4.0%	9.0%	35.0%	
	<b>Sub-total</b>	<b>132</b>	<b>132</b>	<b>108</b>	<b>11</b>	<b>316</b>	<b>695</b>	<b>49.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>9.0%</b>	<b>35.0%</b>	
<b>Roads</b>	Sealed roads	767	1,667	1,667	3,951	532,678	640,960	70.9%	22.2%	6.4%	0.5%	0.0%	
	Unsealed roads	–	18	18	484	6,122	8,402	68.7%	27.4%	3.9%	0.0%	0.0%	
	Bridges	–	70	70	356	177,718	201,933	93.1%	6.8%	0.0%	0.0%	0.0%	
	Footpaths	55	584	584	697	24,516	43,133	4.2%	38.2%	57.1%	0.5%	0.0%	
	Kerb and gutter	782	297	297	129	52,822	63,835	71.8%	14.0%	8.9%	4.5%	0.7%	
	Street furniture	16	10	10	200	13,764	14,338	94.2%	3.9%	1.5%	0.4%	0.1%	
	Car parks	87	39	39	11	8,950	8,636	75.1%	9.4%	11.0%	4.1%	0.5%	
	Bulk earthworks	–	–	–	–	163,107	164,971	100.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>1,707</b>	<b>2,685</b>	<b>2,685</b>	<b>5,828</b>	<b>979,677</b>	<b>1,146,208</b>	<b>76.8%</b>	<b>16.2%</b>	<b>6.3%</b>	<b>0.6%</b>	<b>0.0%</b>	

## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Water supply network	Dams/weirs	73	73	511	316	67,336	77,784	16.0%	81.0%	3.0%	0.0%	0.0%
	Mains	1,652	1,652	2,744	2,445	313,436	372,366	75.0%	18.0%	5.0%	1.0%	1.0%
	Pumping station/s	549	549	1,104	1,033	12,718	24,504	13.0%	44.0%	33.0%	9.0%	1.0%
	Reservoirs	605	605	451	499	36,059	49,456	9.0%	40.0%	39.0%	12.0%	0.0%
	Treatment	282	282	2,668	2,618	77,124	102,840	55.0%	39.0%	5.0%	1.0%	0.0%
	Other	–	–	–	–	727	–	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>3,161</b>	<b>3,161</b>	<b>7,478</b>	<b>6,911</b>	<b>507,400</b>	<b>626,950</b>	<b>56.8%</b>	<b>32.0%</b>	<b>8.5%</b>	<b>2.1%</b>	<b>0.6%</b>
Sewerage network	Mains	7,300	7,300	2,481	2,810	325,072	399,623	66.0%	19.0%	6.0%	2.0%	7.0%
	Pumping station/s	440	440	4,019	3,801	56,417	91,884	18.0%	47.0%	32.0%	3.0%	0.0%
	Treatment	607	607	4,777	4,461	155,163	224,705	24.0%	42.0%	31.0%	3.0%	0.0%
	<b>Sub-total</b>	<b>8,347</b>	<b>8,347</b>	<b>11,277</b>	<b>11,072</b>	<b>536,652</b>	<b>716,212</b>	<b>46.7%</b>	<b>29.8%</b>	<b>17.2%</b>	<b>2.4%</b>	<b>3.9%</b>
Stormwater drainage	Stormwater drainage	17,314	17,314	978	1,206	155,596	243,387	13.0%	24.2%	49.8%	1.7%	11.3%
	<b>Sub-total</b>	<b>17,314</b>	<b>17,314</b>	<b>978</b>	<b>1,206</b>	<b>155,596</b>	<b>243,387</b>	<b>13.0%</b>	<b>24.2%</b>	<b>49.8%</b>	<b>1.7%</b>	<b>11.3%</b>
Open space / recreational assets	Swimming pools	347	347	122	105	2,140	5,180	0.0%	85.0%	1.0%	14.0%	0.0%
	Recreation other structures	622	622	612	599	29,823	46,070	74.0%	8.0%	15.0%	2.0%	1.0%
	<b>Sub-total</b>	<b>969</b>	<b>969</b>	<b>734</b>	<b>704</b>	<b>31,963</b>	<b>51,250</b>	<b>66.5%</b>	<b>15.8%</b>	<b>13.6%</b>	<b>3.2%</b>	<b>0.9%</b>
Other infrastructure assets	Other	1,022	1,022	240	222	13,300	21,021	61.0%	5.0%	23.0%	5.0%	6.0%
	<b>Sub-total</b>	<b>1,022</b>	<b>1,022</b>	<b>240</b>	<b>222</b>	<b>13,300</b>	<b>21,021</b>	<b>61.0%</b>	<b>5.0%</b>	<b>23.0%</b>	<b>5.0%</b>	<b>6.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>34,352</b>	<b>35,330</b>	<b>24,698</b>	<b>27,368</b>	<b>2,366,505</b>	<b>2,992,849</b>	<b>56.4%</b>	<b>24.9%</b>	<b>14.4%</b>	<b>2.1%</b>	<b>2.2%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>20,838</b>	<b>48.46%</b>	51.16%	67.81%	>=100.00%
Depreciation, amortisation and impairment	<b>42,999</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>34,352</b>	<b>1.45%</b>	1.63%	1.54%	<2.00%
Net carrying amount of infrastructure assets	<b>2,366,505</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>27,368</b>	<b>110.81%</b>	91.37%	99.29%	>100.00%
Required asset maintenance	<b>24,698</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>35,330</b>	<b>1.18%</b>	1.27%	1.15%	
Gross replacement cost	<b>2,992,849</b>				

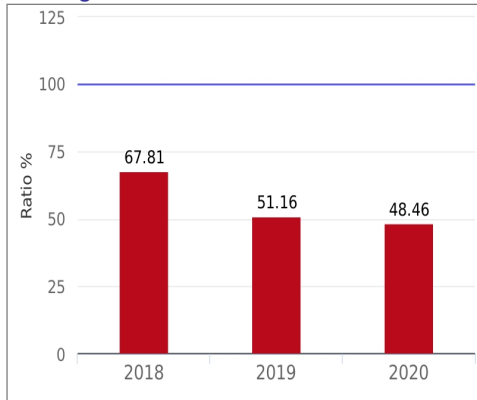
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)  
as at 30 June 2020

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

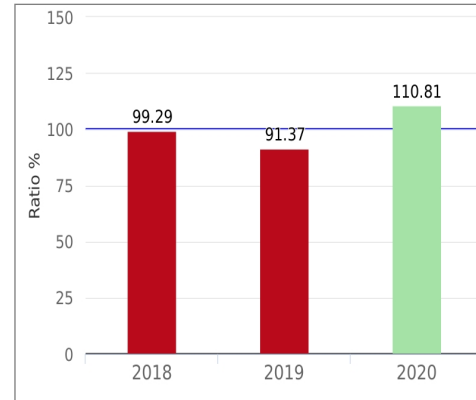
**Commentary on result**

19/20 ratio 48.46%

Renewal of infrastructure assets typically occurs in a non-linear pattern, particularly for water and sewerage infrastructure. Whilst funding is reserved for future renewal expenditure, the expenditure itself does not occur evenly. Fluctuations in this ratio are expected.

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

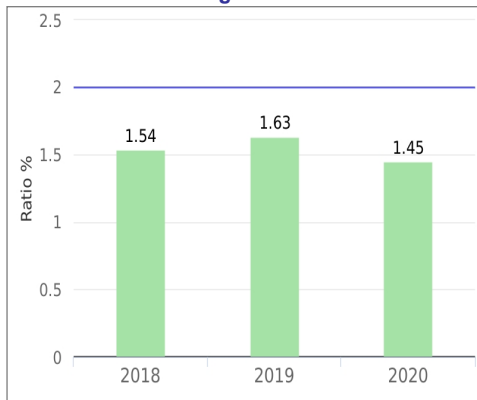
**Commentary on result**

19/20 ratio 110.81%

Substantial expenditure on roads and stormwater maintenance has improved this ratio.

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

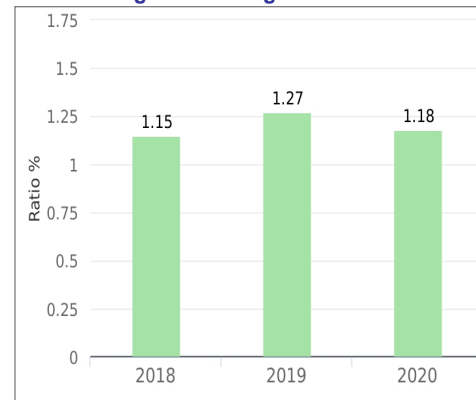
**Commentary on result**

19/20 ratio 1.45%

This ratio remains strong.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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.

**Commentary on result**

19/20 ratio 1.18%

Remains at an acceptable level.

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>67.67%</b>	77.27%	<b>28.33%</b>	14.73%	<b>22.73%</b>	22.86%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.73%</b>	2.29%	<b>0.62%</b>	0.59%	<b>1.56%</b>	1.14%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>157.92%</b>	100.92%	<b>92.42%</b>	88.58%	<b>98.18%</b>	86.81%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>1.44%</b>	1.75%	<b>0.50%</b>	0.49%	<b>1.17%</b>	0.87%	

(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.