

# Clarence Valley Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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# Clarence Valley Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## General Purpose Financial Statements

for the year ended 30 June 2019

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### Overview

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

2 Prince St  
GRAFTON NSW 2460

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

# Clarence Valley Council

## General Purpose Financial Statements

for the year ended 30 June 2019

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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 22 October 2019.



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Jim Simmons  
Mayor  
22 October 2019



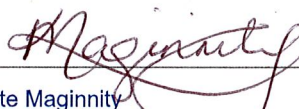
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Jason Kingsley  
Councillor  
22 October 2019



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Ashley Lindsay  
General Manager  
22 October 2019



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Kate Maginnity  
Responsible Accounting Officer  
22 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018 <sup>1,2</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
57,566	Rates and annual charges	3a	59,436	55,463
37,161	User charges and fees	3b	38,569	34,874
2,997	Interest and investment revenue	3c	3,852	3,194
1,663	Other revenues	3d	3,372	2,638
24,067	Grants and contributions provided for operating purposes	3e,3f	27,416	27,990
11,273	Grants and contributions provided for capital purposes	3e,3f	12,817	16,855
<u>134,727</u>	<b>Total income from continuing operations</b>		<u>145,462</u>	<u>141,014</u>
<b>Expenses from continuing operations</b>				
39,075	Employee benefits and on-costs	4a	37,906	38,561
7,654	Borrowing costs	4b	7,869	8,325
29,244	Materials and contracts	4c	32,876	30,849
42,717	Depreciation and amortisation	4d	42,306	40,852
13,280	Other expenses	4e	13,109	12,858
–	Net losses from the disposal of assets	5	6,926	4,106
–	Net share of interests in joint ventures and associates using the equity method	16	42	37
<u>131,970</u>	<b>Total expenses from continuing operations</b>		<u>141,034</u>	<u>135,588</u>
<u>2,757</u>	<b>Operating result from continuing operations</b>		<u>4,428</u>	<u>5,426</u>
<u>2,757</u>	<b>Net operating result for the year</b>		<u>4,428</u>	<u>5,426</u>
2,757	Net operating result attributable to council		4,428	5,426
<u>(8,516)</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u>(8,389)</u>	<u>(11,429)</u>

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

(2) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	Restated 2018 <sup>1,2</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,428</b>	<b>5,426</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	9,474	(19,799)
Impairment (loss) reversal relating to IPP&E	10	245	1,560
Other comprehensive income – joint ventures and associates	16	39	34
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>9,758</b>	<b>(18,205)</b>
<b>Total other comprehensive income for the year</b>		<b>9,758</b>	<b>(18,205)</b>
<b>Total comprehensive income for the year</b>		<b>14,186</b>	<b>(12,779)</b>
Total comprehensive income attributable to Council		14,186	(12,779)

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

(2) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

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

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 <sup>1,2</sup>	Restated 1 July 2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalent assets	6(a)	12,320	16,756	12,770
Investments	6(b)	61,007	35,000	61,000
Receivables	7	23,081	18,606	15,555
Inventories	8a	1,507	1,372	1,276
Other	8b	87	263	320
Current assets classified as 'held for sale'	9i	930	1,073	–
<b>Total current assets</b>		<b>98,932</b>	<b>73,070</b>	<b>90,921</b>
<b>Non-current assets</b>				
Investments	6(b)	47,604	60,006	28,015
Receivables	7	899	761	765
Inventories	8a	156	156	156
Infrastructure, property, plant and equipment	10	1,964,114	1,965,077	1,996,551
Intangible assets	11	336	238	319
Investments accounted for using the equity method	16	36	39	42
<b>Total non-current assets</b>		<b>2,013,145</b>	<b>2,026,277</b>	<b>2,025,848</b>
<b>TOTAL ASSETS</b>		<b>2,112,077</b>	<b>2,099,347</b>	<b>2,116,769</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	12	12,311	11,571	11,427
Income received in advance	12	2,098	1,831	1,604
Borrowings	12	7,040	6,590	6,194
Provisions	13	12,330	11,792	12,088
<b>Total current liabilities</b>		<b>33,779</b>	<b>31,784</b>	<b>31,313</b>
<b>Non-current liabilities</b>				
Borrowings	12	104,135	111,169	117,745
Provisions	13	12,203	8,620	7,158
<b>Total non-current liabilities</b>		<b>116,338</b>	<b>119,789</b>	<b>124,903</b>
<b>TOTAL LIABILITIES</b>		<b>150,117</b>	<b>151,573</b>	<b>156,216</b>
<b>Net assets</b>		<b>1,961,960</b>	<b>1,947,774</b>	<b>1,960,553</b>
<b>EQUITY</b>				
Accumulated surplus	14a	831,458	826,991	821,531
Revaluation reserves	14a	1,130,502	1,120,783	1,139,022
<b>Council equity interest</b>		<b>1,961,960</b>	<b>1,947,774</b>	<b>1,960,553</b>
<b>Total equity</b>		<b>1,961,960</b>	<b>1,947,774</b>	<b>1,960,553</b>

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

(2) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

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

## Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019			2018 <sup>1,2</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve Restated	Total equity Restated
<b>\$ '000</b>							
Opening balance		840,198	1,121,244	1,961,442	834,876	1,139,022	1,973,898
Correction of prior period errors	14b	(13,207)	(461)	(13,668)	(13,345)	–	(13,345)
<b>Restated opening balance</b>		<b>826,991</b>	<b>1,120,783</b>	<b>1,947,774</b>	<b>821,531</b>	<b>1,139,022</b>	<b>1,960,553</b>
Net operating result for the year		4,428	–	4,428	5,288	–	5,288
Correction of prior period errors	14b	–	–	–	138	–	138
<b>Restated net operating result for the period</b>		<b>4,428</b>	<b>–</b>	<b>4,428</b>	<b>5,426</b>	<b>–</b>	<b>5,426</b>
<b>Other comprehensive income</b>							
– Correction of prior period errors	14b	–	–	–	–	(461)	(461)
– Gain (loss) on revaluation of IPP&E	10	–	9,474	9,474	–	(19,338)	(19,338)
– Impairment (loss) reversal relating to IPP&E	10	–	245	245	–	1,560	1,560
– Joint ventures and associates	16	39	–	39	34	–	34
<b>Other comprehensive income</b>		<b>39</b>	<b>9,719</b>	<b>9,758</b>	<b>34</b>	<b>(18,239)</b>	<b>(18,205)</b>
<b>Total comprehensive income</b>		<b>4,467</b>	<b>9,719</b>	<b>14,186</b>	<b>5,460</b>	<b>(18,239)</b>	<b>(12,779)</b>
<b>Equity – balance at end of the reporting period</b>		<b>831,458</b>	<b>1,130,502</b>	<b>1,961,960</b>	<b>826,991</b>	<b>1,120,783</b>	<b>1,947,774</b>

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

(2) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

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



## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
57,351	Rates and annual charges		58,883	54,312
37,476	User charges and fees		38,986	36,494
2,996	Investment and interest revenue received		3,452	3,157
33,313	Grants and contributions		37,376	41,340
–	Bonds, deposits and retention amounts received		184	1
2,309	Other		3,053	5,347
<u>Payments</u>				
(37,158)	Employee benefits and on-costs		(37,513)	(38,986)
(24,005)	Materials and contracts		(35,842)	(33,913)
(7,711)	Borrowing costs		(7,664)	(8,108)
(13,319)	Other		(10,197)	(11,535)
<b>51,252</b>	<b>Net cash provided (or used in) operating activities</b>	15b	<b>50,718</b>	<b>48,109</b>
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
2,624	Sale of investment securities		41,000	66,010
–	Sale of real estate assets		76	76
1,703	Sale of infrastructure, property, plant and equipment		1,433	4,873
62	Deferred debtors receipts		66	37
<u>Payments</u>				
–	Purchase of investment securities		(54,518)	(71,998)
(36,422)	Purchase of infrastructure, property, plant and equipment		(36,398)	(36,927)
–	Purchase of intangible assets		(222)	–
(32)	Deferred debtors and advances made		–	–
<b>(32,065)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(48,563)</b>	<b>(37,929)</b>
<b>Cash flows from financing activities</b>				
<u>Payments</u>				
(6,590)	Repayment of borrowings and advances		(6,591)	(6,194)
<b>(6,590)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(6,591)</b>	<b>(6,194)</b>
<b>12,597</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,436)</b>	<b>3,986</b>
8,657	Plus: cash and cash equivalents – beginning of year	15a	16,756	12,770
<b>21,254</b>	<b>Cash and cash equivalents – end of the year</b>	15a	<b>12,320</b>	<b>16,756</b>
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	108,611	95,006
<b>21,254</b>	<b>Total cash, cash equivalents and investments</b>		<b>120,931</b>	<b>111,762</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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

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

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

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 20 – Material budget variations

and are clearly marked.

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

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

#### (b) Historical cost convention

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

#### (c) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13.

#### 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 – refer Note 7.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and 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.

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

- General purpose operations
- Water Supply
- Sewerage service
- Clarence Care & Support
- Clarence Regional Library
- Clarence Coast Reserve Trust

##### (b) The Trust Fund

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

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

#### Goods and Services Tax (GST)

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

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

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

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

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

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

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. These standards may affect the timing of the recognition of some grants and donations. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

- AASB 16 *Leases*

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

Based upon Council's investigation and analysis, Council did not identify any leases which require adjustment to their current accounting treatment under AASB 16. Council, therefore considers the impact of adopting AASB 16 on the financial statements for the 2019-20 financial year to not be material due to the leases identified being immaterial, leases of intangible assets or Council is able to apply the short-term and low-value asset exemptions.

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018 <sup>1</sup>	2019	2018 <sup>1</sup>	2019	2018	2019	2018 <sup>1</sup>
	Restated		Restated		Restated		Restated		Restated	
<b>Functions or activities</b>										
Leadership	1,542	1,711	19,839	18,179	(18,297)	(16,468)	131	23	384,177	177,253
Infrastructure	60,635	58,163	75,266	73,887	(14,631)	(15,724)	5,893	8,503	1,533,868	1,732,584
Society	16,406	17,243	24,820	23,283	(8,414)	(6,040)	10,304	11,114	142,508	141,548
Environment	16,111	13,967	14,425	13,923	1,686	44	471	419	23,265	19,391
Economy	7,633	9,877	6,642	6,279	991	3,598	288	168	28,223	28,533
Share of losses in JV (using the equity method)	–	–	42	37	(42)	(37)	–	–	36	38
General purpose income	43,135	40,053	–	–	43,135	40,053	10,908	10,891	–	–
<b>Total functions and activities</b>	<b>145,462</b>	<b>141,014</b>	<b>141,034</b>	<b>135,588</b>	<b>4,428</b>	<b>5,426</b>	<b>27,995</b>	<b>31,118</b>	<b>2,112,077</b>	<b>2,099,347</b>

(1) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Leadership

- Continuous Improvement
- Accountability and Compliance
- Participation and Communication
- Resourcing and Support

#### Infrastructure

- Quality Built Environment and Places
- Efficient Transport and Access
- Effective Essential Services

#### Society

- Community Health and Welbeing
- Creative Culture and Recreation
- Good Community Relations
- Community Resilience

#### Environment

- Protecting the Land
- Maintaining Healthy Waterways
- Protecting Biodiversity

#### Economy

- Efficient and Careful Resource Use
- Healthy Economic Activity
- Meaningful Work and Employment

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	23,690	21,832
Farmland	3,172	2,923
Business	3,812	3,520
Less: pensioner rebates (mandatory)	(1,109)	(1,116)
<b>Rates levied to ratepayers</b>	<b>29,565</b>	<b>27,159</b>
Pensioner rate subsidies received	610	614
<b>Total ordinary rates</b>	<b>30,175</b>	<b>27,773</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	7,224	6,393
Water supply services	2,831	2,775
Sewerage services	17,575	17,240
Waste management services (non-domestic)	2,151	1,795
Less: pensioner rebates (mandatory)	(1,154)	(1,139)
<b>Annual charges levied</b>	<b>28,627</b>	<b>27,064</b>
Pensioner subsidies received:		
– Water	248	247
– Sewerage	181	180
– Domestic waste management	205	199
<b>Total annual charges</b>	<b>29,261</b>	<b>27,690</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>59,436</b>	<b>55,463</b>

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	12,917	11,979
Sewerage services	1,821	1,781
On-site septic management services	326	296
<b>Total specific user charges</b>	<b>15,064</b>	<b>14,056</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	401	238
Regulatory/ statutory fees	1,878	1,733
Section 10.7 certificates (EP&A Act)	135	145
Section 603 certificates	113	135
<b>Total fees and charges – statutory/regulatory</b>	<b>2,527</b>	<b>2,251</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	162	198
Caravan park	6,348	5,878
Cemeteries	622	595
Community centres	56	39
Leaseback fees – Council vehicles	309	355
Quarry revenues	1,234	333
RMS (formerly RTA) charges (state roads not controlled by Council)	3,972	3,715
Saleyards	294	259
Swimming centres	333	318
Art gallery	95	103
Community services	499	589
Other sewer fees	681	448
Other water fees	531	353
Other waste management	237	270
Regional landfill	4,964	4,474
Water tapping fees	263	262
Other	378	378
<b>Total fees and charges – other</b>	<b>20,978</b>	<b>18,567</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>38,569</b>	<b>34,874</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	281	254
– Cash and investments	3,477	2,941
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	87	(7)
<b>Amortisation of premiums and discounts</b>		
– Interest free (and interest reduced) loans provided	7	6
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>3,852</b>	<b>3,194</b>

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

Overdue rates and annual charges (general fund)	103	83
General Council cash and investments	964	827

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	254	182
– Section 64	266	205
Water fund operations	906	710
Sewerage fund operations	210	185
Domestic waste management operations	76	69
Clarence Coast Reserve Trust	63	67
Clarence Regional Library	25	18

**Restricted investments/funds – internal:**

Internally restricted assets	985	848
<b>Total interest and investment revenue</b>	<b>3,852</b>	<b>3,194</b>

**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(d) Other revenues</b>		
Rental income – other council properties	895	940
Fines	88	107
Legal fees recovery – rates and charges (extra charges)	39	208
Legal fees recovery – other	8	72
Commissions and agency fees	50	69
Container Deposit Scheme Sharing	409	–
Diesel rebate	266	297
Insurance claims recoveries	1,125	441
Sales – general	214	155
Commonwealth emissions reduction fund	99	96
Interest in associated entities (adjusted)	39	34
State waste rebate	89	89
Other	51	130
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>3,372</u></b>	<b><u>2,638</u></b>

**Accounting policy for other revenue**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	3,762	3,775	–	–
Financial assistance – local roads component	1,593	1,597	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	3,885	3,876	–	–
Financial assistance – local roads component	1,668	1,643	–	–
<b>Total general purpose</b>	<b>10,908</b>	<b>10,891</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Community care	6,245	5,498	–	–
Economic development	–	25	3,066	–
Employment and training programs	25	25	–	–
Environmental services	389	454	–	–
Floodplain management	210	106	28	89
Heritage and cultural	97	113	–	3,049
Library	179	222	–	–
LIRS subsidy	29	33	–	–
McLachlan park redevelopment	–	–	–	485
NSW rural fire services	622	642	339	742
Recreation and culture	–	–	9	165
Storm/flood damage	458	1,365	–	–
Street lighting	104	102	–	–
Transport (roads to recovery)	2,540	3,015	–	–
Transport (other roads and bridges funding)	–	–	2,572	2,515
Water transport	–	–	–	924
Other	102	99	73	559
<b>Total specific purpose</b>	<b>11,000</b>	<b>11,699</b>	<b>6,087</b>	<b>8,528</b>
<b>Total grants</b>	<b>21,908</b>	<b>22,590</b>	<b>6,087</b>	<b>8,528</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	19,585	17,328	1,792	1,994
– State funding	2,323	5,262	4,295	6,534
	<b>21,908</b>	<b>22,590</b>	<b>6,087</b>	<b>8,528</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	505	644
S 7.12 – fixed development consent levies		–	–	105	3,053
S 64 – water supply contributions		–	–	614	665
S 64 – sewerage service contributions		–	–	839	1,081
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>2,063</b>	<b>5,443</b>
<b>Total developer contributions</b>	24	<b>–</b>	<b>–</b>	<b>2,063</b>	<b>5,443</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Clarence regional library		265	261	–	–
Community services		260	125	–	2
Regional assessment service program		269	258	–	–
RMS contributions (regional roads, block grant)		3,778	3,905	755	827
Roads and bridges		–	–	529	1
Rural fire services		41	–	–	–
Water supplies (excl. section 64 contributions)		502	426	–	253
Work health and safety		240	205	–	–
Other		153	220	180	118
<b>Total other contributions – cash</b>		<b>5,508</b>	<b>5,400</b>	<b>1,464</b>	<b>1,201</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	2,857	1,550
Sewerage (excl. section 64 contributions)		–	–	115	66
Water supplies (excl. section 64 contributions)		–	–	231	67
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>3,203</b>	<b>1,683</b>
<b>Total other contributions</b>		<b>5,508</b>	<b>5,400</b>	<b>4,667</b>	<b>2,884</b>
<b>Total contributions</b>		<b>5,508</b>	<b>5,400</b>	<b>6,730</b>	<b>8,327</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>27,416</b>	<b>27,990</b>	<b>12,817</b>	<b>16,855</b>

**Accounting policy for grants and contributions**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,737	5,898
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,547	2,532
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(351)	(6,693)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>2,933</u>	<u>1,737</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	4,365	719
<b>Add:</b> capital grants recognised in the current period but not yet spent	454	3,974
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(2,250)	(328)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>2,569</u>	<u>4,365</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	17,354	11,888
<b>Add:</b> contributions recognised in the current period but not yet spent	2,749	5,562
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<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	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(504)	(96)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>19,599</u>	<u>17,354</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	29,356	29,823
Employee leave entitlements (ELE)	6,371	5,887
Superannuation	3,790	3,780
Workers' compensation insurance	685	741
Fringe benefit tax (FBT)	29	24
Payroll tax	315	317
Training costs (other than salaries and wages)	537	461
Other	231	233
<b>Total employee costs</b>	<b>41,314</b>	<b>41,266</b>
Less: capitalised costs	(3,408)	(2,705)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>37,906</b>	<b>38,561</b>
Number of 'full-time equivalent' employees (FTE) at year end	518	512

**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 18 for more information.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		7,630	8,060
Other debts		9	6
<b>Total interest bearing liability costs expensed</b>		<b>7,639</b>	<b>8,066</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	13	223	245
Interest applicable on interest free (and favourable) loans to Council		7	14
<b>Total other borrowing costs</b>		<b>230</b>	<b>259</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>7,869</u></b>	<b><u>8,325</u></b>

**Accounting policy for borrowing costs**

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	8,483	9,913
Contractor and consultancy costs	23,426	20,046
Auditors remuneration <sup>2</sup>	120	95
<b>Legal expenses:</b>		
– Legal expenses: planning and development	10	14
– Legal expenses: debt recovery	62	267
– Legal expenses: other	386	112
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	389	402
<b>Total materials and contracts</b>	<u>32,876</u>	<u>30,849</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>32,876</u>	<u>30,849</u>

**Accounting policy for operating leases**

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

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

Buildings	388	401
Other	1	1
	<u>389</u>	<u>402</u>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	112	86
<b>Remuneration for audit and other assurance services</b>	<u>112</u>	<u>86</u>
<b>Total Auditor-General remuneration</b>	<u>112</u>	<u>86</u>

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

Other audit and assurance services	8	9
<b>Remuneration for audit and other assurance services</b>	<u>8</u>	<u>9</u>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<u>8</u>	<u>9</u>
<b>Total Auditor remuneration</b>	<u>120</u>	<u>95</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018 <sup>1</sup> Restated
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,950	2,637
Office equipment		331	357
Furniture and fittings		156	143
<b>Infrastructure:</b>			
– Buildings – non-specialised		798	634
– Buildings – specialised		1,310	1,078
– Other structures		887	532
– Roads		13,406	14,012
– Bridges		2,078	1,374
– Footpaths		632	613
– Other road assets		628	594
– Stormwater drainage		2,775	2,743
– Water supply network		6,071	5,939
– Sewerage network		7,135	7,239
– Swimming pools		166	273
– Other open space/recreational assets		1,646	1,420
– Other infrastructure		1,543	1,491
<b>Other assets:</b>			
– Library books		275	120
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	10,13	261	137
– Quarry assets	10,13	11	17
Intangible assets	11	124	174
<b>Total gross depreciation and amortisation costs</b>		<b>43,183</b>	<b>41,527</b>
Less: capitalised costs		(877)	(675)
<b>Total depreciation and amortisation costs</b>		<b>42,306</b>	<b>40,852</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Roads		(245)	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>(245)</b>	<b>–</b>
Amounts taken through revaluation reserve		245	–
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b>42,306</b>	<b>40,852</b>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Impairment of non-financial assets**

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

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.

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.

(1) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	438	477
Bad and doubtful debts	1	14
Bank charges	233	232
Caravan park levies	304	301
Computer maintenance	753	715
Contributions/levies to other levels of government		
– Department of planning levy	124	63
– Emergency services levy (includes FRNSW, SES, and RFS levies)	952	993
– Waste levy	3,254	3,457
– Other contributions/levies	5	4
Councillor expenses – mayoral fee	38	38
Councillor expenses – councillors' fees	157	157
Councillors' expenses (incl. mayor) – other (excluding fees above)	11	24
Donations, contributions and assistance to other organisations (Section 356)	92	90
Electricity and heating	1,882	1,750
Flood prone land acquisition program (FPLAP) return of sale proceeds	123	230
GST margin scheme refund to ATO	–	145
Insurance	1,794	1,733
Postage	199	213
Printing and stationery	260	297
Quarry expenses	653	184
Street lighting	749	584
Subscriptions and publications	382	354
Telephone and communications	359	361
Valuation fees	201	195
Other	145	247
<b>Total other expenses</b>	<b>13,109</b>	<b>12,858</b>
<b>TOTAL OTHER EXPENSES</b>	<b>13,109</b>	<b>12,858</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for other expenses**

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

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

\$ '000	Notes	2019	2018 <sup>1</sup> Restated
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		340	2,400
Less: carrying amount of property assets sold/written off		(176)	(1,376)
<b>Net gain/(loss) on disposal</b>		<b>164</b>	<b>1,024</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		969	1,567
Less: carrying amount of plant and equipment assets sold/written off		(949)	(1,174)
<b>Net gain/(loss) on disposal</b>		<b>20</b>	<b>393</b>
<b>Infrastructure</b>			
	10		
Proceeds from disposal – infrastructure		–	906
Less: carrying amount of infrastructure assets sold/written off		(7,122)	(6,438)
<b>Net gain/(loss) on disposal</b>		<b>(7,122)</b>	<b>(5,532)</b>
<b>Real estate assets held for sale</b>			
	8		
Proceeds from disposal – real estate assets		76	76
Less: carrying amount of real estate assets sold/written off		(45)	(77)
<b>Net gain/(loss) on disposal</b>		<b>31</b>	<b>(1)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		41,000	66,010
Less: carrying amount of investments sold/redeemed/matured		(41,000)	(66,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>10</b>
<b>Non-current assets classified as ‘held for sale’</b>			
	9		
Proceeds from disposal – non-current assets ‘held for sale’		124	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(143)	–
<b>Net gain/(loss) on disposal</b>		<b>(19)</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(6,926)</b>	<b>(4,106)</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.

(1) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	909	7,547
Cash-equivalent assets		
– Deposits at call	9,407	8,260
– Managed funds	1,971	917
– Short-term deposits	33	32
<b>Total cash and cash equivalents</b>	<b>12,320</b>	<b>16,756</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 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	1,007	6,604	–	3,006
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	60,000	41,000	35,000	57,000
<b>Total Investments</b>	<b>61,007</b>	<b>47,604</b>	<b>35,000</b>	<b>60,006</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>73,327</b>	<b>47,604</b>	<b>51,756</b>	<b>60,006</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	1,007	6,604	–	3,006
<b>Total</b>	<b>1,007</b>	<b>6,604</b>	<b>–</b>	<b>3,006</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	60,000	41,000	35,000	57,000
<b>Total</b>	<b>60,000</b>	<b>41,000</b>	<b>35,000</b>	<b>57,000</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### Accounting policy for investments

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

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

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

##### Financial assets

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

##### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables 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 as 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.

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

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

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

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

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

#### **Recognition and de-recognition**

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

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

#### **Impairment of available for sale investments**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	73,327	47,604	51,756	60,006
<b>attributable to:</b>				
External restrictions	34,484	34,284	12,377	48,476
Internal restrictions	37,794	13,320	38,002	11,530
Unrestricted	1,049	–	1,377	–
	<u>73,327</u>	<u>47,604</u>	<u>51,756</u>	<u>60,006</u>

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – included in liabilities**

Deposits, bonds and retentions	1,807	1,623
Easements payable – water	–	12
Held as custodian	778	787
Clarence Care & Support (CCS) – grants	1,495	1,304
<b>External restrictions – included in liabilities</b>	<u>4,080</u>	<u>3,726</u>

**External restrictions – other**

Developer contributions – general	9,324	8,762
Developer contributions – water fund	4,095	3,411
Developer contributions – sewer fund	6,180	5,181
Specific purpose unexpended grants	4,673	5,460
Specific purpose unexpended grants – CCRT	24	21
Specific purpose unexpended grants – CCS	805	621
Water supplies	27,399	23,803
Sewerage services	7,121	4,385
Domestic waste management	1,058	1,265
Clarence coast reserve trust (CCRT)	2,684	3,151
Clarence regional library	1,048	780
Other	277	287
<b>External restrictions – other</b>	<u>64,688</u>	<u>57,127</u>

**Total external restrictions**

	<u>68,768</u>	<u>60,853</u>
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**Internal restrictions**

Building Asset renewals	1,101	1,010
Cemetery reserves	25	94
Coastal and estuary management	283	68
Commercial waste service reserve	823	662
Community cultural and heritage programs	35	39
Community development reserves	–	20
Clarence Care & Support reserves	3,336	3,806
Council s7.11 development funds	30	51
Election cost reserve	150	75
Emergency services reserves	635	492
Employee leave entitlements	3,159	2,711
Environmental and noxious weeds projects	553	302
Fleet plant reserve	11,839	13,246
Floodplain management reserves	522	574

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## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Hargraves villas reserves	–	84
Infrastructure assets renewals reserve	3,703	5,338
Insurance reserves	976	804
Maclean and district improvements	614	586
Miscellaneous administrative reserves	18	52
Mobile and public library projects	33	77
Other parks improvements	503	504
Public pool improvements	493	317
Public toilet refurbishment program	344	116
Quarries operations and rehabilitation	1,089	609
Regional airport infrastructure	–	65
Regional development and tourism projects	31	20
Regional landfill reserves	6,275	5,042
Roads reserves	1,657	1,195
Saleyards asset replacement	234	260
Software implementation reserves	483	362
Sporting facilities improvements	993	416
Strategic building reserve	1,354	1,335
Strategic development programs	140	89
Unspent financial assistance grant	5,553	5,519
Unspent general loans	89	262
Unspent general loans floodplain infrastructure and natural resources	27	–
Waste management reserves	4,014	3,330
<b>Total internal restrictions</b>	<b>51,114</b>	<b>49,532</b>
<b>TOTAL RESTRICTIONS</b>	<b>119,882</b>	<b>110,385</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	2,887	810	2,512	632
Interest and extra charges	435	–	380	–
User charges and fees	7,621	–	5,945	–
Accrued revenues				
– Interest on investments	1,525	–	1,274	–
Amounts due from other councils	169	–	168	–
Deferred debtors	14	89	33	129
Government grants and subsidies	7,444	–	7,519	–
Net GST receivable	785	–	145	–
Government departments (other than grants)	1,436	–	200	–
Other debtors	774	–	464	–
<b>Total</b>	<b>23,090</b>	<b>899</b>	<b>18,640</b>	<b>761</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(4)	–	(4)	–
Other debtors	(5)	–	(30)	–
<b>Total provision for impairment – receivables</b>	<b>(9)</b>	<b>–</b>	<b>(34)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>23,081</b>	<b>899</b>	<b>18,606</b>	<b>761</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	120	34	105	27
– Other	5,077	–	4,128	–
<b>Sewerage services</b>				
– Rates and availability charges	774	217	676	170
– Other	1,138	–	835	–
<b>Domestic waste management</b>				
Other	468	116	379	84
Clarence Coast Reserve Trust	1,639	–	271	–
Clarence Care & Support	455	–	376	–
Clarence Regional Library	1	–	86	–
<b>Total external restrictions</b>	<b>9,672</b>	<b>367</b>	<b>6,856</b>	<b>281</b>
<b>Internally restricted receivables</b>				
– Cemetery reserves	47	–	–	–
– Clarence Care & Support reserves	86	–	93	–
– Commercial waste service reserve	245	–	–	–
– Fleet plant reserve	538	–	428	–
– Maclean and district improvements	537	–	–	–
– Regional landfill	1,036	–	959	–
– Road reserves	288	–	850	–
– Saleyards asset replacement	41	–	–	–
– Waste management reserve	98	–	154	–
<b>Internally restricted receivables</b>	<b>2,916</b>	<b>–</b>	<b>2,484</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>10,493</b>	<b>532</b>	<b>9,266</b>	<b>480</b>
<b>TOTAL NET RECEIVABLES</b>	<b>23,081</b>	<b>899</b>	<b>18,606</b>	<b>761</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	34	23
+ new provisions recognised during the year	–	24
– amounts already provided for and written off this year	(25)	(2)
– amounts provided for but recovered during the year	–	(11)
<b>Balance at the end of the period</b>	<b>9</b>	<b>34</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****Accounting policy under AASB 9 applicable from 1 July 2018**

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	90	156	135	156
Stores and materials	1,417	–	1,237	–
<b>Total inventories at cost</b>	<b>1,507</b>	<b>156</b>	<b>1,372</b>	<b>156</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,507</u></b>	<b><u>156</u></b>	<b><u>1,372</u></b>	<b><u>156</u></b>

### (b) Other assets

Prepayments	87	–	263	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>87</u></b>	<b><u>–</u></b>	<b><u>263</u></b>	<b><u>–</u></b>

### Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Water</b>				
Prepayments	2	–	2	3
<b>Total water</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>3</b>
<b>Sewerage</b>				
Prepayments	2	–	2	–
<b>Total sewerage</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>–</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	<b>4</b>	<b>–</b>	<b>4</b>	<b>3</b>
<b>Total internally restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>1,590</b>	<b>156</b>	<b>1,631</b>	<b>153</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>1,594</u></b>	<b><u>156</u></b>	<b><u>1,635</u></b>	<b><u>156</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

## (i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		90	156	135	156
<b>Total real estate for resale</b>		<b>90</b>	<b>156</b>	<b>135</b>	<b>156</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		90	156	135	156
<b>Total costs</b>		<b>90</b>	<b>156</b>	<b>135</b>	<b>156</b>
<b>Total real estate for resale</b>		<b>90</b>	<b>156</b>	<b>135</b>	<b>156</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		135	156	212	156
– WDV of sales (expense)	5	(45)	–	(77)	–
<b>Total real estate for resale</b>		<b>90</b>	<b>156</b>	<b>135</b>	<b>156</b>

## (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2019	2018
Real estate for resale	20	90
	<b>20</b>	<b>90</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 are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Inventory held for distribution**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Non-current assets classified as held for sale

## (i) Non-current assets and disposal group assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Non-current assets 'held for sale'</b>				
Land	342	–	485	–
Buildings	588	–	588	–
<b>Total non-current assets 'held for sale'</b>	<b>930</b>	<b>–</b>	<b>1,073</b>	<b>–</b>
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>930</u></b>	<b><u>–</u></b>	<b><u>1,073</u></b>	<b><u>–</u></b>

## (ii) Details of assets and disposal groups

Council has resolved to sell the following parcel of land & building assets as part of its property rationalisation strategy:

- Previous Clarence Valley Tourist Information Centre, Spring Street, South Grafton

Council has engaged the services of a licenced real estate agent.

## (iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	2019	2018
	Assets 'held for sale'	Assets 'held for sale'
<b>Opening balance</b>	1,073	–
Less: carrying value of assets/operations sold	(143)	–
<b>Balance still unsold after 12 months:</b>	<b>930</b>	<b>–</b>
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	–	1,073
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b><u>930</u></b>	<b><u>1,073</u></b>

**Accounting policy for non-current assets classified as held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

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

### Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018 <sup>2</sup>			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12,362	–	12,362	8,823	4,809	–	–	–	(8,903)	–	17,091	–	17,091
Plant and equipment	40,434	(20,846)	19,588	7,331	109	(939)	(2,950)	–	–	–	44,903	(21,764)	23,139
Office equipment	3,699	(2,885)	814	255	11	(1)	(331)	–	–	–	3,958	(3,210)	748
Furniture and fittings	3,946	(2,552)	1,394	4	50	(5)	(156)	–	–	–	3,983	(2,696)	1,287
<b>Land:</b>													
– Crown land	19,883	–	19,883	–	–	–	–	–	–	–	19,883	–	19,883
– Operational land	40,530	–	40,530	–	–	(176)	–	–	–	–	40,354	–	40,354
– Community land	7,396	–	7,396	–	160	–	–	–	–	–	7,556	–	7,556
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	20	–	20
<b>Infrastructure:</b>													
– Buildings – non-specialised	58,200	(18,696)	39,504	123	81	(14)	(798)	–	–	–	58,371	(19,475)	38,896
– Buildings – specialised	112,680	(32,191)	80,489	453	233	(76)	(1,310)	–	871	–	113,987	(33,327)	80,660
– Other structures	24,526	(6,469)	18,057	–	28	(239)	(887)	–	2,579	–	26,895	(7,357)	19,538
– Roads	599,261	(169,390)	429,871	1,464	1,882	(2,440)	(13,406)	245	2,669	–	601,446	(181,161)	420,285
– Bridges	148,965	(41,446)	107,519	1,330	120	(34)	(2,078)	–	2,480	–	151,437	(42,100)	109,337
– Footpaths	30,012	(9,490)	20,522	76	402	(89)	(632)	–	1	–	30,303	(10,023)	20,280
– Other road assets	32,680	(6,122)	26,558	442	1,618	(199)	(628)	–	–	–	34,381	(6,590)	27,791
– Bulk earthworks (non-depreciable)	188,558	–	188,558	1,036	–	–	–	–	–	–	189,594	–	189,594
– Stormwater drainage	216,314	(64,440)	151,874	714	1,203	(67)	(2,775)	–	–	–	218,045	(67,096)	150,949
– Water supply network	477,727	(128,210)	349,517	835	406	(2,473)	(6,071)	–	19	5,457	482,993	(135,303)	347,690
– Sewerage network	361,914	(102,366)	259,548	476	201	(1,378)	(7,135)	–	–	4,017	366,665	(110,936)	255,729
– Swimming pools	9,712	(4,025)	5,687	56	17	–	(166)	–	34	–	9,810	(4,182)	5,628
– Other open space/recreational assets	49,715	(18,195)	31,520	795	852	(114)	(1,646)	–	175	–	51,183	(19,601)	31,582
– Other infrastructure	183,566	(37,618)	145,948	231	148	–	(1,543)	–	75	–	184,020	(39,161)	144,859
<b>Other assets:</b>													
– Library books	5,782	(5,165)	617	298	–	(3)	(275)	–	–	–	6,077	(5,440)	637
– Other	3,815	–	3,815	–	86	–	–	–	–	–	3,901	–	3,901
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip assets	5,827	(2,730)	3,097	2,838	259	–	(261)	–	–	–	8,924	(2,991)	5,933
– Quarry assets	493	(104)	389	369	–	–	(11)	–	–	–	862	(115)	747
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,638,017</b>	<b>(672,940)</b>	<b>1,965,077</b>	<b>27,949</b>	<b>12,675</b>	<b>(8,247)</b>	<b>(43,059)</b>	<b>245</b>	<b>–</b>	<b>9,474</b>	<b>2,676,642</b>	<b>(712,528)</b>	<b>1,964,114</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets). (2) See Note 14(b) for details regarding restatement as a result of Prior Period Error.



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

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

\$ '000	as at 30/6/2017 <sup>2</sup>			Asset movements during the reporting period									as at 30/6/2018 <sup>2</sup>			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Tfns from/(to) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	18,271	–	18,271	6,987	3,106	–	–	–	(14,847)	(1,155)	–	–	–	12,362	–	12,362
Plant and equipment	38,451	(20,838)	17,613	5,779	–	(1,167)	(2,637)	–	–	–	–	–	–	40,434	(20,846)	19,588
Office equipment	3,433	(2,571)	862	274	35	–	(357)	–	–	–	–	–	–	3,699	(2,885)	814
Furniture and fittings	3,491	(2,428)	1,063	56	421	(3)	(143)	–	–	–	–	–	–	3,946	(2,552)	1,394
<b>Land:</b>																
– Operational land	40,547	–	40,547	–	–	(1,348)	–	–	10,440	–	(485)	(7,565)	–	40,530	–	40,530
– Community land	26,248	–	26,248	–	–	(28)	–	–	–	–	–	–	–	7,396	–	7,396
– Crown land	–	–	–	–	–	–	–	–	–	–	–	–	–	19,883	–	19,883
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	–	20	–	20
<b>Infrastructure:</b>																
– Buildings – non-specialised	55,810	(10,074)	45,736	359	3,023	(928)	(634)	–	60	–	(588)	(7,524)	–	58,200	(18,696)	39,504
– Buildings – specialised	107,160	(17,262)	89,898	37	1,660	(931)	(1,078)	–	2,100	–	–	(11,197)	–	112,680	(32,191)	80,489
– Other structures	18,450	(6,235)	12,215	203	5,235	(240)	(532)	–	179	–	–	–	997	24,526	(6,469)	18,057
– Roads	588,511	(127,649)	460,862	3,468	1,346	(2,930)	(14,012)	1,428	638	–	–	(20,929)	–	599,261	(169,390)	429,871
– Bridges	146,675	(41,433)	105,242	313	–	(201)	(1,374)	132	–	–	–	–	3,407	148,965	(41,446)	107,519
– Footpaths	30,247	(9,015)	21,232	24	201	(9)	(613)	–	–	–	–	(313)	–	30,012	(9,490)	20,522
– Other road assets	29,565	(4,819)	24,746	904	28	–	(594)	–	–	–	–	–	1,474	32,680	(6,122)	26,558
– Bulk earthworks (non-depreciable)	185,910	–	185,910	775	9	–	–	–	–	–	–	–	1,864	188,558	–	188,558
– Stormwater drainage	209,990	(58,996)	150,994	430	611	(29)	(2,743)	–	161	–	–	–	2,450	216,314	(64,440)	151,874
– Water supply network	464,471	(119,677)	344,794	1,115	331	(890)	(5,939)	–	42	–	–	–	10,064	477,727	(128,210)	349,517
– Sewerage network	349,876	(91,909)	257,967	115	131	(115)	(7,239)	–	784	–	–	–	7,905	361,914	(102,366)	259,548
– Swimming pools	9,429	(4,404)	5,025	–	–	–	(273)	–	17	–	–	–	918	9,712	(4,025)	5,687
– Other open space/recreational assets	46,597	(13,950)	32,647	353	396	(148)	(1,420)	–	126	–	–	(434)	–	49,715	(18,195)	31,520
– Other infrastructure	177,170	(27,627)	149,543	13	114	(17)	(1,491)	–	300	–	–	(2,514)	–	183,566	(37,618)	145,948
<b>Other assets:</b>																
– Library books	5,563	(5,046)	517	224	–	(4)	(120)	–	–	–	–	–	–	5,782	(5,165)	617
– Other	2,172	–	2,172	–	45	–	–	–	–	–	–	–	1,598	3,815	–	3,815
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>																
– Tip assets	4,391	(2,592)	1,799	–	1,435	–	(137)	–	–	–	–	–	–	5,827	(2,730)	3,097
– Quarry assets	715	(87)	628	–	(222)	–	(17)	–	–	–	–	–	–	493	(104)	389
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,563,163</b>	<b>(566,612)</b>	<b>1,996,551</b>	<b>21,429</b>	<b>17,905</b>	<b>(8,988)</b>	<b>(41,353)</b>	<b>1,560</b>	<b>–</b>	<b>(1,155)</b>	<b>(1,073)</b>	<b>(50,476)</b>	<b>30,677</b>	<b>2,638,017</b>	<b>(672,940)</b>	<b>1,965,077</b>

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets). (2) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for infrastructure, property, plant and equipment**

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

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Buildings</b>	Years
Office equipment	5 to 10	Buildings: specialised	37 to 284
Office furniture	10 to 30	Buildings: non specialised	59 to 158
Computer equipment	5		
Vehicles	5 yrs/ 150,000km	<b>Other infrastructure assets</b>	Years
Heavy plant/road making equipment	5 to 15	Bulk earthworks	Infinite
Other plant and equipment	5 to 15	Floodplain assets	19 to 174
<b>Water and sewer assets</b>	Years	<b>Stormwater assets</b>	Years
Dams and reservoirs	10 to 200	Pits	63 to 90
Water reticulation pipes: PVC	74 to 120	Culverts	62 to 90
Water reticulation pipes: other	20 to 160	Pipes	63 to 88
Water pumps and telemetry	5 to 30		
Regional water supply pipes	30 to 200	<b>Other Structures</b>	Years
Sewerage treatment plant	11 to 200	Lighting	19 to 28
Sewer reticulation pipes: PVC	70 to 210	Fences	11 to 42
Sewer reticulation pipes: other	50 to 210	Airport Structures	21 to 45
Sewer pumps and telemetry	5 to 30	Saleyards	23 to 92
Sewer pressure units	5 to 50		
<b>Transportation assets</b>	Years	<b>Swimming Pools</b>	Years
Sealed roads: surface	12 to 135	Chlorination plant	17
Sealed roads: structure	84 to 200	Surfaces	100 to 128
Unsealed roads	22 to 85	Facilities	77 to 109
Bridge: concrete	107 to 165	Structures (Pool & shade)	11 to 118
Bridge: other	53 to 78		
Kerb and gutter	72 to 110	<b>Other open space/recreational assets</b>	Years
Traffic facilities	20 to 134	Barbeques	16 to 26
Guard rail	59 to 75	Playground equipment	16 to 26
Roadside furniture	16 to 27	Shelters	26 to 52
Bus shelters	34 to 63		
Street lights	35 to 42		
Car parks	70 to 133		

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

#### **Land under roads**

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

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

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

#### **Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

#### **Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and legislation changed, Council will not recognise rural fire service assets including plant and vehicles.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	3,003	2,910
Accumulated amortisation	(2,765)	(2,591)
<b>Net book value – opening balance</b>	<b>238</b>	<b>319</b>
<b>Movements for the year</b>		
– Purchases	222	93
– Amortisation charges	(124)	(174)
<b>Closing values at 30 June</b>		
Gross book value	3,225	3,003
Accumulated amortisation	(2,889)	(2,765)
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>336</u></b>	<b><u>238</u></b>
<b>The net book value of intangible assets represents:</b>		
– Software	336	238
	<b><u>336</u></b>	<b><u>238</u></b>

**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 service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,654	–	4,338	–
Goods and services – capital expenditure	863	–	718	–
Accrued expenses:				
– Borrowings	545	–	570	–
– Salaries and wages	11	–	1	–
Security bonds, deposits and retentions	1,807	–	1,623	–
Government departments	3,666	–	3,532	–
Employee time in lieu and RDO	461	–	464	–
Other	304	–	325	–
<b>Total payables</b>	<b>12,311</b>	<b>–</b>	<b>11,571</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	2,098	–	1,831	–
<b>Total income received in advance</b>	<b>2,098</b>	<b>–</b>	<b>1,831</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	7,040	104,135	6,590	111,169
<b>Total borrowings</b>	<b>7,040</b>	<b>104,135</b>	<b>6,590</b>	<b>111,169</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>21,449</u></b>	<b><u>104,135</u></b>	<b><u>19,992</u></b>	<b><u>111,169</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 19.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	1,669	21,436	1,415	22,446
Sewer	4,000	64,752	3,777	68,252
Domestic waste management	1,005	5,446	902	5,953
Clarence Care & Support	1,612	–	1,376	–
Security bonds, deposits and retentions	1,807	–	1,623	–
Clarence Regional Library	3	–	3	–
Clarence Coast Reserve Trust	681	–	552	–
Payables and borrowings relating to externally restricted assets	10,777	91,634	9,648	96,651
<b>Total payables and borrowings relating to restricted assets</b>	<b>10,777</b>	<b>91,634</b>	<b>9,648</b>	<b>96,651</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>10,672</b>	<b>12,501</b>	<b>10,344</b>	<b>14,518</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>21,449</u></b>	<b><u>104,135</u></b>	<b><u>19,992</u></b>	<b><u>111,169</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	1,506	1,600
<b>Total payables and borrowings</b>	<b>1,506</b>	<b>1,600</b>

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

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	117,759	(6,584)	–	–	–	111,175
<b>TOTAL</b>	<b>117,759</b>	<b>(6,584)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>111,175</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	123,939	(6,180)	–	–	–	117,759
<b>TOTAL</b>	<b>123,939</b>	<b>(6,180)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>117,759</b>

\$ '000	2019	2018
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	150	150
<b>Total financing arrangements</b>	<b>650</b>	<b>650</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	150	150
<b>Total undrawn financing arrangements</b>	<b>650</b>	<b>650</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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Payables and borrowings (continued)

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#### **Accounting policy for payables and borrowings**

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

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

#### **Payables**

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

#### **Borrowings**

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

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

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

#### **Finance leases**

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the assets useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	3,361	–	3,157	–
Long service leave	8,969	301	8,635	407
<b>Sub-total – aggregate employee benefits</b>	<b>12,330</b>	<b>301</b>	<b>11,792</b>	<b>407</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	11,902	–	8,213
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>11,902</b>	<b>–</b>	<b>8,213</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>12,330</u></b>	<b><u>12,203</u></b>	<b><u>11,792</u></b>	<b><u>8,620</u></b>

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

<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>12,330</b>	<b>12,203</b>	<b>11,792</b>	<b>8,620</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>12,330</u></b>	<b><u>12,203</u></b>	<b><u>11,792</u></b>	<b><u>8,620</u></b>

\$ '000	2019	2018
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**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	9,097	8,011
	<b>9,097</b>	<b>8,011</b>

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

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	8,213	8,213
Additional provisions	(501)	(501)
Remeasurement effects	3,967	3,967
Unwinding of discount	223	223
<b>Total other provisions at end of period</b>	<b>11,902</b>	<b>11,902</b>
<b>2018</b>		
At beginning of year	6,754	6,754
Additional provisions	2,632	2,632
Remeasurement effects	(1,418)	(1,418)
Unwinding of discount	245	245
<b>Total other provisions at end of period</b>	<b>8,213</b>	<b>8,213</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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#### **Nature and purpose of non-employee benefit provisions**

##### **Asset remediation**

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

##### **Accounting policy for provisions**

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

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

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

#### **Employee benefits**

##### **Short-term obligations**

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

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

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

##### **On-costs**

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

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

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

#### **Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries**

##### **Restoration**

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

#### **Rehabilitation**

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

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

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

## (a) Nature and purpose of reserves

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

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

## (b) Correction of errors relating to a previous reporting period

**Nature of prior-period error**

Council has brought to account the disposal of a section of the Regional Water Supply watermain that was not transacted in the relevant financial year in which the disposal occurred.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

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

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Water supply network	358,139	(13,345)	344,794
<b>Infrastructure, property, plant and equipment</b>	<b>2,009,896</b>	<b>(13,345)</b>	<b>1,996,551</b>
<b>Total assets</b>	<b>2,130,114</b>	<b>(13,345)</b>	<b>2,116,769</b>
<b>Total liabilities</b>	<b>156,216</b>	<b>–</b>	<b>156,216</b>
Accumulated surplus	834,876	(13,345)	821,531
<b>Total equity</b>	<b>1,973,898</b>	<b>(13,345)</b>	<b>1,960,553</b>

**Adjustments to the comparative figures for the year ended 30 June 2018****Statement of Financial Position**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Water supply network	363,185	(13,668)	349,517
<b>Infrastructure, property, plant and equipment</b>	<b>1,978,745</b>	<b>(13,668)</b>	<b>1,965,077</b>
<b>Total assets</b>	<b>2,113,015</b>	<b>(13,668)</b>	<b>2,099,347</b>
<b>Total liabilities</b>	<b>151,573</b>	<b>–</b>	<b>151,573</b>
Accumulated surplus	840,198	(13,207)	826,991
Revaluation reserves	1,121,244	(461)	1,120,783
<b>Total equity</b>	<b>1,961,442</b>	<b>(13,668)</b>	<b>1,947,774</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

## Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Total income from continuing operations</b>	<b>141,014</b>	<b>–</b>	<b>141,014</b>
Depreciation and amortisation	40,990	(138)	40,852
<b>Total expenses from continuing operations</b>	<b>135,726</b>	<b>(138)</b>	<b>135,588</b>
<b>Net operating result for the year</b>	<b>5,288</b>	<b>138</b>	<b>5,426</b>

## Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Net operating result for the year</b>	<b>5,288</b>	<b>138</b>	<b>5,426</b>
Gain (loss) on revaluation of IPP&E	(19,338)	(461)	(19,799)
<b>Other comprehensive income</b>	<b>(17,744)</b>	<b>(461)</b>	<b>(18,205)</b>
<b>Total comprehensive income for the year</b>	<b>(12,456)</b>	<b>(323)</b>	<b>(12,779)</b>

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

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

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

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

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

**Classification of financial assets**

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

– measured at amortised cost

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

– fair value through profit or loss

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has not resulted in the earlier recognition of credit loss (bad debt provisions) as a through an analysis of Council's doubtful debts, the historical trend of bad debts written off, and current debts greater than 90 days, Council has determined that any expected credit losses will be immaterial.

**Transition adjustments**

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

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Trade and other receivables	Loans and receivables	Amortised cost	19,367	–	–	19,367
Cash and cash equivalents	Loans and receivables	Amortised cost	16,756	–	–	16,756
Term Deposits	Held to maturity	Amortised cost	92,000	–	–	92,000
NCD's, FRN's (with maturities > 3 months)	FVTPL	FVTPL	3,006	–	–	3,006
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>131,129</b>	–	–	<b>131,129</b>
<b>Financial liabilities</b>						
Trade/other payables	Other financial liabilities	Other financial liabilities	11,571	–	–	11,571
Secured bank loans	Other financial liabilities	Other financial liabilities	117,759	–	–	117,759
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>129,330</b>	–	–	<b>129,330</b>

**Notes to the table above****Reclassification from 'held to maturity' to 'amortised cost'**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	12,320	16,756
<b>Balance as per the Statement of Cash Flows</b>		<b>12,320</b>	<b>16,756</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		4,428	5,426
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		42,306	40,852
Net losses/(gains) on disposal of assets		6,926	4,106
Non-cash capital grants and contributions		(3,204)	(1,683)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(87)	7
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(7)	(6)
– Interest exp. on interest-free loans received by Council (previously fair valued)		7	14
Unwinding of discount rates on reinstatement provisions		223	245
Share of net (profits)/losses of associates/joint ventures using the equity method		42	37
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(4,647)	(3,089)
Increase/(decrease) in provision for impairment of receivables		(25)	11
Decrease/(increase) in inventories		(180)	(173)
Decrease/(increase) in other current assets		176	57
Increase/(decrease) in payables		316	105
Increase/(decrease) in accrued interest payable		(25)	(42)
Increase/(decrease) in other accrued expenses payable		10	1
Increase/(decrease) in other liabilities and accruals		561	1,320
Increase/(decrease) in provision for employee benefits		432	(293)
Increase/(decrease) in other provisions		3,466	1,214
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>50,718</b>	<b>48,109</b>
<b>(c) Non-cash investing and financing activities</b>			
Other non-cash items		3,204	1,683
<b>Total non-cash investing and financing activities</b>		<b>3,204</b>	<b>1,683</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	(42)	(37)	36	39
<b>Total</b>	<b>(42)</b>	<b>(37)</b>	<b>36</b>	<b>39</b>

## Joint arrangements

## (i) Joint ventures

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

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
			NEWLOG	Joint venture
<b>Total carrying amounts – material joint ventures</b>			<b>36</b>	<b>39</b>

## (b) Details

	Principal activity	Place of business
NEWLOG	Monitor and weigh heavy vehicles	Ballina

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
NEWLOG	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

## (d) Summarised financial information for joint ventures

\$ '000	NEWLOG	
	2019	2018
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	229	207
Other current assets	57	60
<b>Non-current assets</b>	67	90
<b>Current liabilities</b>		
Other current liabilities	246	228
<b>Net assets</b>	<b>107</b>	<b>129</b>

## Reconciliation of the carrying amount

Opening net assets (1 July)	129	150
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities (continued)

\$ '000	NEWLOG	
	2019	2018
Profit/(loss) for the period	(291)	(256)
Contributions	269	235
<b>Closing net assets</b>	<b>107</b>	<b>129</b>
<b>Council's share of net assets (%)</b>	<b>34.0%</b>	<b>30.0%</b>
<b>Council's share of net assets (\$)</b>	<b>36</b>	<b>39</b>
<b>Statement of comprehensive income</b>		
Income	259	249
Interest income	5	6
Depreciation and amortisation	(23)	(23)
Other expenses	(532)	(488)
<b>Profit/(loss) from continuing operations</b>	<b>(291)</b>	<b>(256)</b>
<b>Profit/(loss) for the period</b>	<b>(291)</b>	<b>(256)</b>
<b>Total comprehensive income</b>	<b>(291)</b>	<b>(256)</b>
<b>Share of income – Council (%)</b>	<b>14.4%</b>	<b>14.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(42)</b>	<b>(37)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(42)</b>	<b>(37)</b>
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	(247)	(230)
Cash flows from financing activities	269	234
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>22</b>	<b>4</b>

**(e) The nature and extent of significant restrictions relating to joint ventures**

Member Councils have delegated (under s377 of the Local Government Act 1993 (NSW)) the relevant functions to NEWLOG officers, who are employees of Ballina Shire Council the "Administrative" Council).

**Accounting policy for joint arrangements**

The Council has determined that it only has joint ventures.

**Joint ventures:**

Interests in joint ventures 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 joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments

\$ '000	2019	2018
<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	1,806	492
Plant and equipment	2,123	1,083
Sewerage services infrastructure	912	1,741
Water supply infrastructure	2,794	1,612
Road infrastructure	264	1,485
Water transport	–	6
Other	1,292	287
<b>Total commitments</b>	<b>9,191</b>	<b>6,706</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	9,191	6,706
<b>Total payable</b>	<b>9,191</b>	<b>6,706</b>
<b>Sources for funding of capital commitments:</b>		
Future grants and contributions	1,468	1,655
Externally restricted reserves	5,046	3,589
Internally restricted reserves	2,677	1,462
<b>Total sources of funding</b>	<b>9,191</b>	<b>6,706</b>

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

Within the next year	362	338
Later than one year and not later than 5 years	663	530
<b>Total non-cancellable operating lease commitments</b>	<b>1,025</b>	<b>868</b>

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

Buildings - 49 Queen Street, 42 Victoria Street and 28 Bruce Street, Grafton.

Lease terms are for three years, five years and three years respectively with lease payments reviewed annually.

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

**Conditions relating to finance and operating leases:**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Contingencies and other assets/liabilities not recognised

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

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

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

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

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

*Description of the funding arrangements*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$792,467.57. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$505,800.00. Council's expected contribution to the plan for the next annual reporting period is \$943,371.60.

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

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

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

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

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

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

\* Plus promotional increases

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other guarantees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

##### (iii) Roads with possible asbestos contaminated gravel

In late 2009 Council became aware that gravel from Taylors Quarry (Council owned) was contaminated with asbestos. This material had been used on Council roads in the Ewingar area, primarily for gravel re-sheeting works. In December 2009 Council, based on the information available at the time sealed (with a bituminous seal) those roads where Council had used the gravel in the prior 12 month period based on the belief that this gravel held the highest concentration of serpentine material.

The National Occupational Health and Safety Commission (NOHSC) have set the exposure standards for occupational and non-occupational airborne asbestos fibre levels. These levels are set at 0.1 fibres/ml as the occupational level and 0.01 fibres/ml as the non-occupational level.

Council tested five sites where contaminated gravel was known to exist. These sites were selected as Council wished to assess the level of airborne asbestos that would be generated from sites where the gravel had been typically used. The results from this testing indicated four sites had airborne asbestos levels at less than 0.01 fibres/ml while one result was at 0.01 fibres/ml. Under certain provisions of the Work Health and Safety Act 2011, relevant Council staff who have received training in working with naturally occurring asbestos are allowed to work with the asbestos contaminated gravel. Council is required to and maintains an asbestos management plan.

Council has 38km of unsealed rural roads which may contain asbestos.

Council has undertaken modelling of the impacts of dust generated from the roads which indicates minimal potential impact to public health. This modelling and subsequent report has been reviewed and accepted by the Office of Environment and Heritage and NSW Health. The recommendation of the report however is to take a fully conservative approach and seal the roads concerned.

Council has completed estimates to seal the roads containing asbestos contaminated gravel.

In preparing the estimate Council has allowed for the importation of gravel on a number of roads prior to sealing to allow sealing to be undertaken on an adequately prepared base to achieve some longevity from the sealing works.

Council has also allowed to seal uncontaminated road segments between contaminated areas where these road lengths are relatively small. This is being completed for long-term maintenance purposes.

The initial estimated cost for these works was \$1,491,160 incorporating gravel and sealing works. The estimated cost of remaining sealing works is \$1,705,000. Costs for material supply have increased over time as has the amount of pre-sealing works as road conditions have deteriorated since the initial assessment of the roads. Council continues to seal affected sections of road annually.

##### (iv) Innovative Care and Short Term Restorative Care Programmes

At balance date the organisation has unspent grants totalling approximately \$805,000 relating to the Innovative Care and Short Term Restorative Care Programmes where the funding body has not yet approved retention by Council. These unspent grants

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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are classified at Note 6 (c) as restricted investments. There is a risk that the funding bodies may demand repayment of these unspent grants thereby reducing restricted investments by approximately \$805,000.

#### **ASSETS NOT RECOGNISED**

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

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

##### **(ii) 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management

## Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

– **Liquidity risk**– the risk that Council will not be able to pay debt as and when they fall due.

– **Credit risk**– the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	958	958	(958)	(958)
Possible impact of a 1% movement in interest rates	1,189	1,189	(1,189)	(1,189)
<b>2018</b>				
Possible impact of a 10% movement in market values	392	392	(392)	(392)
Possible impact of a 1% movement in interest rates	1,108	1,108	(1,108)	(1,108)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

**(b) Credit risk**

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

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

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

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

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

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

**Credit risk profile****Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	224	2,230	305	859	79	3,697
<b>2018</b>						
Gross carrying amount	238	2,043	304	512	47	3,144

**Receivables - non-rates and annual charges**

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	17,956	213	537	215	586	19,507
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2018</b>						
Gross carrying amount	15,657	87	184	13	172	16,113
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 funds may be on hand to meet payment obligations as and when they fall due.

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	1,807	10,490	—	—	12,297	12,298
Loans and advances	6.63%	—	14,244	55,325	94,386	163,955	111,175
<b>Total financial liabilities</b>		<b>1,807</b>	<b>24,734</b>	<b>55,325</b>	<b>94,386</b>	<b>176,252</b>	<b>123,473</b>
<b>2018</b>							
Trade/other payables	0.00%	1,623	9,897	—	—	11,520	11,571
Loans and advances	6.64%	—	14,244	56,588	107,367	178,199	117,759
<b>Total financial liabilities</b>		<b>1,623</b>	<b>24,141</b>	<b>56,588</b>	<b>107,367</b>	<b>189,719</b>	<b>129,330</b>

## Loan agreement breaches

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	57,566	59,436	1,870	3% <b>F</b>
<b>User charges and fees</b>	37,161	38,569	1,408	4% <b>F</b>
<b>Interest and investment revenue</b>	2,997	3,852	855	29% <b>F</b>
Interest & Investment income greater than budgeted due to surplus funds for investment and average interest rates being higher than anticipated.				
<b>Other revenues</b>	1,663	3,372	1,709	103% <b>F</b>
Insurance Claims Revenue \$1,125k (F) - mostly attributable to Storm Damage incident in Jan 2018				
Domestic Waste Management \$409K (F)				
General Sales \$190K (F)				
State Waste rebate \$88K (F)				
Fuel Tax Credits \$47K (F)				
<b>Operating grants and contributions</b>	24,067	27,416	3,349	14% <b>F</b>
Community Care Services (NDIS and STRC) \$944K (F)				
Environmental Services \$387K (F)				
Storm Damage Grants \$458K (F)				
Flood Mitigation \$210K (F)				
Water Contributions \$502K (F)				
Sewer Contributions \$468K (F)				
RMS contributinos (Regional/Local, Block) \$468K (F)				
<b>Capital grants and contributions</b>	11,273	12,817	1,544	14% <b>F</b>
Section 64 Developer Contributions - Water \$614K (F)				
Roadworks & Drainage \$529K (F)				
Sewerage Services Non-Cash \$115K (F)				
Water Services Non Cash \$231K (F)				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	39,075	37,906	1,169	3% <b>F</b>
<b>Borrowing costs</b>	7,654	7,869	(215)	(3)% <b>U</b>
<b>Materials and contracts</b>	29,244	32,876	(3,632)	(12)% <b>U</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year, along with fluctuations in grant funding can result in substantial changes in this mix, resulting in significant budget variations in this item.

Sub Services mainly contributing to the variances were:

Community Support Services \$1,035K (U)

Natural Disaster Response \$964K (U)

Catchment Management \$172K (U)

Holiday Parks - \$229K (U)

Parks and Open Spaces \$574K (U)

Sewer Operation Maintenance and Renewals \$640K (U)

Depreciation and amortisation	42,717	42,306	411	1%	F
Other expenses	13,280	13,109	171	1%	F
Net losses from disposal of assets	-	6,926	(6,926)	∞	U
Joint ventures and associates – net losses	-	42	(42)	∞	U

## STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	51,252	50,718	(534)	(1)%	U
Net cash provided from (used in) investing activities	(32,065)	(48,563)	(16,498)	51%	U
Sale of Investments - \$38,376K (F) Reflects the movement out of reserves					
Purchase of Investments - \$54,518K (U) Reflects the movement into reserves					
Capital Expenditure - \$198K (U)					
Sale of Real Estate assets - \$76K (F)					
Sale of Non-Current Assets - \$124K (F)					
Sale of IPP&E - \$270K (U)					
Net cash provided from (used in) financing activities	(6,590)	(6,591)	(1)	0%	U

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. 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 and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as ‘held for sale’

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy			Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments	6(b)				
– ‘Designated at fair value on initial recognition’			–	7,611	–
<b>Total financial assets</b>			–	<b>7,611</b>	–
<b>Infrastructure, property, plant and equipment</b>					
	10				
Operational land			–	40,354	–
Community land			–	7,556	–
Crown land			–	19,883	–
Land under roads (post 30/6/08)			–	–	20
Buildings – non-specialised			–	832	38,064
Buildings – specialised			–	–	80,660
Other structures			–	–	19,538
Roads			–	–	420,285
Bridges			–	–	109,337
Footpaths			–	–	20,280
Other road assets			–	–	27,791
Bulk earthworks (non-depreciable)			–	–	189,594
Stormwater drainage			–	–	150,949
Water supply network			–	–	347,690
Sewerage network			–	–	255,729
Swimming pools			–	–	5,628
Other open space/recreational assets			–	–	31,582
Floodplain			–	–	144,859
Library books			–	–	637
Artwork			–	–	3,901
Tip remediation			–	–	5,933

continued on next page ...

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs <sup>1</sup>	
Quarry remediation			–	–	747	747
<b>Total infrastructure, property, plant and equipment</b>			–	68,625	1,853,224	1,921,849
<b>Non-current assets classified as ‘held for sale’</b>	9					
Land			–	–	342	342
Buildings			–	588	–	588
<b>Total NCA’s classified as ‘held for sale’</b>			–	588	342	930

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total Restated
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs Restated	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments	6(b)				
– ‘Designated at fair value on initial recognition’			–	3,006	–
<b>Total financial assets</b>			<b>–</b>	<b>3,006</b>	<b>–</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational land	10		–	40,530	–
Community land			–	7,396	–
Crown land			–	19,883	–
Land under roads (post 30/6/08)			–	–	20
Buildings – non-specialised			–	850	38,654
Buildings – specialised			–	–	80,489
Other structures			–	–	18,057
Roads			–	–	429,871
Bridges			–	–	107,519
Footpaths			–	–	20,522
Other road assets			–	–	26,558
Bulk earthworks (non-depreciable)			–	–	188,558
Stormwater drainage			–	–	151,874
Water supply network			–	–	349,517
Sewerage network			–	–	259,548
Swimming pools			–	–	5,687
Other open space/recreational assets			–	–	31,520
Floodplain			–	–	145,948
Library books			–	–	617
Artwork			–	–	3,815
Tip remediation			–	–	3,097
Quarry remediation			–	–	389
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>68,659</b>	<b>1,862,260</b>
<b>Non-current assets classified as ‘held for sale’</b>					
Land	9		–	143	342
Buildings			–	588	–
<b>Total NCA’s classified as ‘held for sale’</b>			<b>–</b>	<b>731</b>	<b>342</b>

(1) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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

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

##### LEVEL 2

###### Operational, Crown and Community Land

This asset class comprises all of Council's land classified as Operational, Crown and Community Land under the NSW Local Government Act 1993. The key observable input to the valuation is the price per square metre. The last valuation for Operational Land was undertaken at 31 March 2017 and was performed by APV Valuers and Asset Management (APV), Registered Valuer. The last valuation for Community Land was undertaken at 1 July 2016 and was performed by the Valuer General of New South Wales.

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. For Operational, Crown and Community Land the most significant inputs into this valuation approach are price per square metre.

###### Buildings Non-Specialised

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

Level 2 valuation inputs were used to determine the fair value of a range of properties. This included residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

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##### LEVEL 3

###### Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. Land under roads acquired after 1 July 2008 has been recognised in accordance with AASB 116 – Property, Plant and Equipment. There has been no change to the valuation process during the reporting period.

###### Buildings Specialised and Non-Specialised (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

The level of evidence used to support the critical assumptions of some commercial buildings was considered to be highly variable due to high levels of variability in the market for rental yields and future demand. As such the level of valuation input for these properties was considered level 3.

Specialised buildings were valued using the cost approach using APV who are professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

###### Other Structures (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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Specialised assets such as all of the Other Structures were valued using the cost approach using APV who are professionally qualified Registered Valuers. The approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on price per asset could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

#### **Road (including Bridges, Footpaths, Bulk Earthworks), Stormwater, and Floodplain Assets.**

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

All road, stormwater and floodplain assets were valued using level 3 valuation inputs using the cost approach.

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

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

#### **Water Supply and Sewerage Networks Infrastructure**

The last valuation was undertaken as at 1 July 2016 and was performed by APV. APV also conducted a desktop valuation as at 31 March 2018.

All Water Supply and Sewerage Networks Infrastructure assets were valued using level 3 valuation inputs using the cost approach.

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

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

#### **Library Books**

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

#### **Artwork**

The last valuation was undertaken as at 17 March 2018 and was performed by Dwyer Fine Art.

The valuation of artworks was based upon current primary and secondary art market conditions, by which the replacement value for artworks was determined by the price at which comparable items could be purchased from a reputable dealer, gallery or retail outlet. The valuation took into consideration the historical importance, quality, provenance, condition, size, execution date and subject matter of the artworks.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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

#### **Tips and Quarries remediation Assets**

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

Evaluation of costs for Tips and Quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

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

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

\$ '000	Land under Roads	Buildings non specialised	Building specialised	Other structures	Roads
<b>2018</b>					
<b>Opening balance</b>	20	45,225	89,898	12,215	460,862
Transfers from/(to) level 2 FV hierarchy	–	(290)	–	–	–
Transfers from/(to) another asset class	–	(588)	–	–	–
Purchases (GBV)	–	3,393	3,797	5,617	5,452
Disposals (WDV)	–	(928)	(931)	(240)	(2,930)
Depreciation and impairment	–	(634)	(1,078)	(532)	(14,012)
Revaluation increments to equity (ARR)	–	–	–	997	–
Revaluation decrements via equity (ARR)	–	(7,524)	(11,197)	–	(20,929)
Impairment reversal (via equity)	–	–	–	–	1,428
<b>Closing balance</b>	<b>20</b>	<b>38,654</b>	<b>80,489</b>	<b>18,057</b>	<b>429,871</b>
<b>2019</b>					
<b>Opening balance</b>	20	38,654	80,489	18,057	429,871
Purchases (GBV)	–	204	1,557	2,607	6,015
Disposals (WDV)	–	(14)	(76)	(239)	(2,440)
Depreciation and impairment	–	(780)	(1,310)	(887)	(13,406)
Impairment reversal (via equity)	–	–	–	–	245
<b>Closing balance</b>	<b>20</b>	<b>38,064</b>	<b>80,660</b>	<b>19,538</b>	<b>420,285</b>

\$ '000	Bridges	Footpaths	Other road assets	Bulk earthworks	Stormwater drainage
<b>2018</b>					
<b>Opening balance</b>	105,242	21,232	24,746	185,910	150,994
Purchases (GBV)	313	225	932	784	1,202
Disposals (WDV)	(201)	(9)	–	–	(29)
Depreciation and impairment	(1,374)	(613)	(594)	–	(2,743)
Revaluation increments to equity (ARR)	3,407	–	1,474	1,864	2,450
Revaluation decrements via equity (ARR)	–	(313)	–	–	–
Impairment reversal (via equity)	132	–	–	–	–
<b>Closing balance</b>	<b>107,519</b>	<b>20,522</b>	<b>26,558</b>	<b>188,558</b>	<b>151,874</b>
<b>2019</b>					
<b>Opening balance</b>	107,519	20,522	26,558	188,558	151,874
Purchases (GBV)	3,930	479	2,060	1,036	1,917
Disposals (WDV)	(34)	(89)	(199)	–	(67)
Depreciation and impairment	(2,078)	(632)	(628)	–	(2,775)
<b>Closing balance</b>	<b>109,337</b>	<b>20,280</b>	<b>27,791</b>	<b>189,594</b>	<b>150,949</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

\$ '000	Water supply network <sup>1</sup> Restated	Sewerage network	Swimming pools	Other open spaces/rec assets	Foodplain assets
<b>2018</b>					
<b>Opening balance</b>	344,794	257,967	5,025	32,647	149,543
Purchases (GBV)	1,488	1,030	17	875	427
Disposals (WDV)	(890)	(115)	–	(148)	(17)
Depreciation and impairment	(5,939)	(7,239)	(273)	(1,420)	(1,491)
Revaluation increments to equity (ARR)	10,064	7,905	918	–	–
Revaluation decrements via equity (ARR)	–	–	–	(434)	(2,514)
<b>Closing balance</b>	<b>349,517</b>	<b>259,548</b>	<b>5,687</b>	<b>31,520</b>	<b>145,948</b>
<b>2019</b>					
<b>Opening balance</b>	349,517	259,548	5,687	31,520	145,948
Purchases (GBV)	1,260	677	107	1,822	454
Disposals (WDV)	(2,473)	(1,378)	–	(114)	–
Depreciation and impairment	(6,071)	(7,135)	(166)	(1,646)	(1,543)
Revaluation increments to equity (ARR)	5,457	4,017	–	–	–
<b>Closing balance</b>	<b>347,690</b>	<b>255,729</b>	<b>5,628</b>	<b>31,582</b>	<b>144,859</b>

(1) See Note 14(b) for details regarding restatement as a result of Prior Period Error.

\$ '000	Library books	Artwork	Tip remediat'n
<b>2018</b>			
<b>Opening balance</b>	517	2,172	1,799
Purchases (GBV)	224	45	1,435
Disposals (WDV)	(4)	–	–
Depreciation and impairment	(120)	–	(137)
Revaluation increments to equity (ARR)	–	1,598	–
<b>Closing balance</b>	<b>617</b>	<b>3,815</b>	<b>3,097</b>
<b>2019</b>			
<b>Opening balance</b>	617	3,815	3,097
Purchases (GBV)	298	86	3,097
Disposals (WDV)	(3)	–	–
Depreciation and impairment	(275)	–	(261)
<b>Closing balance</b>	<b>637</b>	<b>3,901</b>	<b>5,933</b>

\$ '000	Quarry remediat'n	Held for Sale Land	Total
<b>2018</b>			
<b>Opening balance</b>	628	–	<b>1,891,436</b>
Transfers from/(to) level 2 FV hierarchy	–	–	<b>(290)</b>
Transfers from/(to) another asset class	–	342	<b>(246)</b>
Purchases (GBV)	(222)	–	<b>27,034</b>
Disposals (WDV)	–	–	<b>(6,442)</b>
Depreciation and impairment	(17)	–	<b>(38,216)</b>
Revaluation increments to equity (ARR)	–	–	<b>30,677</b>

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

\$ '000	Quarry remediat'n	Held for Sale Land	Total
Revaluation decrements via equity (ARR)	–	–	(42,911)
Impairment reversal (via equity)	–	–	1,560
<b>Closing balance</b>	<b>389</b>	<b>342</b>	<b>1,862,602</b>
<b>2019</b>			
<b>Opening balance</b>	<b>389</b>	<b>342</b>	<b>1,862,602</b>
Purchases (GBV)	369	–	27,975
Disposals (WDV)	–	–	(7,126)
Depreciation and impairment	(11)	–	(39,604)
Revaluation increments to equity (ARR)	–	–	9,474
Impairment reversal (via equity)	–	–	245
<b>Closing balance</b>	<b>747</b>	<b>342</b>	<b>1,853,566</b>

**b. The valuation process for level 3 fair value measurements****Land and Buildings (including Swimming Pools and Other Open Space/Recreational Assets)**

The council engages external, independent and qualified valuers to determine the fair value of its land and building assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 31 March 2018 a comprehensive revaluation was undertaken for Buildings (including Swimming Pools and Other Open Space/Recreational Assets) subject to revaluation by APV Valuers and Asset Management.

As at 31 March 2017 a comprehensive revaluation was undertaken Operational Land subject to revaluation by APV Valuers and Asset Management, and for Community Land the Valuer General 1/7/16 values have been used which is supplied to councils to use in setting rates from 1/7/17. Councils receive new land values from the Valuer General for rating purposes every three years.

The main level 3 inputs used are derived and evaluated as follows:

- Cost for land restricted in use (non-saleable) – estimate cost to replace the existing land if council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics. These were evaluated for reasonableness against the price per area for other restricted in use land held by the council that had been valued as level 2.
- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the interrelationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.
- The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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#### **Other Structures (including Swimming Pools and Other Open Space/Recreational Assets)**

The council engages external, independent and qualified valuers to determine the fair value of its other structures, swimming pools and other open space/recreational assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 31 March 2018 a comprehensive revaluation was undertaken for the other structures, swimming pools and other open space/recreational assets classes subject to revaluation by APV.

The main level 3 inputs used are derived and evaluated as follows:

- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

#### **Road (including Bridges, Footpaths, Bulk Earthworks), and Stormwater**

The council engages external, independent and qualified valuers to determine the fair value of its infrastructure on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 31 March 2018, a comprehensive revaluation was undertaken for Road (including Bridges, Footpaths, Bulk Earthworks), and Stormwater assets, subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows:

- Asset Condition – The nature of road infrastructure is that there are a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments.

For assets valued using the cost approach (except for lateral assets) all were physically inspected. This included validation of physical dimensions and characteristics.

A sampling approach was used for lateral assets (such as roads, footpaths, pipes, etc.). For assets not inspected reliance on condition for the valuers was placed on information provided by council staff and reliance was placed on the GIS and other asset management systems in relation to key attributes.

Where such data was not readily available the valuers developed a range of assumptions based on the expected physical condition and attributes given the age of the asset and typical design characteristics. These assumptions were reviewed and confirmed as reasonable by council staff.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

#### Water Supply and Sewerage Network Infrastructure

The council engages external, independent and qualified valuers to determine the fair value of its infrastructure on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 1 July 2016, a comprehensive revaluation was undertaken for Water Supply and Sewerage Network Infrastructure assets, subject to revaluation by APV Valuers and Asset Management. APV also provided a desktop valuation as at 31 March 2018 for Water Supply and Sewerage Network Infrastructure.

The main level 3 inputs used are derived and evaluated as follows:

- Asset Condition – The nature of water supply and sewerage network infrastructure is that there are a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments.

To provide assurance over the accuracy of this information and taking into account the cost benefit of undertaking physical inspections the comprehensive valuation relies upon a sampling approach (i.e. 25% of Councils Sewer Pump Stations and 50% of Water Pump Stations) where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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#### **Artwork**

The council engages external, independent and qualified valuers to determine the fair value of its artwork. The last valuation was undertaken as at 17 March 2018 and was performed by Dwyer Fine Art.

An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

#### **(5) Highest and best use**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Related Party Transactions

## (a) Key management personnel

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

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,048	1,068
Post-employment benefits	82	73
Other long-term benefits	39	102
Termination benefits	–	131
<b>Total</b>	<b>1,169</b>	<b>1,374</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>2019</b>						
Earthmoving services and plant hire	1	56	1	14 days	–	–
Holiday Park management fees	2	331	–	14 days	–	–
<b>2018</b>						
Earthmoving services and plant hire	1	289	7	14 days	–	–
Holiday Park management fees	2	338	–	14 days	–	–

1 Council purchased earthmoving services and plant hire during the year from a company which has a close family member of Council's KMP as a major shareholder. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Related Party Transactions (continued)

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- 2 Council has a contract for Holiday Park Management with a company which has a member of Council's KMP as a director. The original contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the duration of the contract.

### Note 23. Events occurring after the reporting date

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#### Clarence Care & Support

During 2018/19, Council commenced consideration of transfer of the whole business activity of Clarence Care & Support to a not-for-profit entity, selected through a select tender process.

Subsequently, at the Council meeting of 27 August 2019, Councillors resolved (resolution 08.19.002) to decline the proposed transfer and to retain sole ownership and control of Clarence Care & Support by the creation, subject to the consent of the Minister for Local Government, of a wholly owned not-for-profit legal entity to take over the governance control, management and the continuing operation and function of Clarence Care & Support commencing 1 July 2020.

At the time of adopting the 2018-19 financial statements, Council has commenced the process of preparing a business case, a draft constitution, an operating model and a funding model suitable to the successful operation of the proposed new entity.

Clarence Care and Support is currently reported as a separate Business Activity in the Special Purpose Financial Statements.

#### Clarence Coast Reserve Trust / Crown Land

The *Crown Land Amendment Act 2016* came into effect on 1 July 2018. As part of the enactment process, councils were granted a 12-month transition period to make the necessary operational changes from being a Reserve Trust Manager under the *Crown Lands Act 1989* to a Crown Land Manager under the *Crown Land Amendment Act 2016*.

With effect from 1 July 2019, the Clarence Coast Reserve Trust will cease operation and Crown Reserves previously recorded in the Trust will be transferred to Council's General Fund. Associated funding for the ongoing maintenance of Crown Reserves will also be transferred to the General Fund.

Holiday Parks (Council as Crown Land Manager) which were previously accounted for under the Clarence Coast Reserve Trust will continue to operate as a separate Business Activity and as such will be reported in the Special Purpose Financial Statements.

Council is in the process of developing new Holiday Park business plans (with projected funding models) and a new Crown Land funding model. Holiday Parks will provide funding for the ongoing maintenance of Crown Reserves as mentioned above.

Once the Holiday Park business plans are adopted, Council will review the fair values and remaining useful life projections of existing assets and amend as appropriate.

Clarence Coast Reserve Trust is currently reported as a separate Business Activity in the Special Purpose Financial Statements.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 24. Statement of developer contributions

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

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

#### Summary of contributions and levies

	as at 30/6/2018			as at 30/6/2019				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	521	20	–	15	–	–	556	–
Roads	2,817	50	–	82	–	–	2,949	–
Open space	150	202	–	6	(66)	–	292	–
Community facilities	1,331	229	–	41	(19)	–	1,582	–
Other	207	29	–	5	(45)	–	196	–
<b>S7.11 contributions – under a plan</b>	<b>5,026</b>	<b>530</b>	<b>–</b>	<b>149</b>	<b>(130)</b>	<b>–</b>	<b>5,575</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>3,406</b>	<b>107</b>	<b>–</b>	<b>96</b>	<b>(178)</b>	<b>–</b>	<b>3,431</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>8,432</b>	<b>637</b>	<b>–</b>	<b>245</b>	<b>(308)</b>	<b>–</b>	<b>9,006</b>	<b>–</b>
S7.11 not under plans	226	–	–	6	(30)	–	202	–
S7.4 planning agreements	103	10	–	3	–	–	116	–
S64 contributions	8,593	1,416	–	266	–	–	10,275	–
<b>Total contributions</b>	<b>17,354</b>	<b>2,063</b>	<b>–</b>	<b>520</b>	<b>(338)</b>	<b>–</b>	<b>19,599</b>	<b>–</b>

#### S7.11 Contributions – under a plan

##### CONTRIBUTION PLAN - Clarence Valley Contributions Plan 2011

Open space	150	202	–	6	(66)	–	292	–
Community facilities	1,331	229	–	41	(19)	–	1,582	–
<b>Total</b>	<b>1,481</b>	<b>431</b>	<b>–</b>	<b>47</b>	<b>(85)</b>	<b>–</b>	<b>1,874</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>CONTRIBUTION PLAN - Access Roads &amp; Bridges (Copmanhurst)</b>								
Roads	808	5	–	23	–	–	836	–
<b>Total</b>	<b>808</b>	<b>5</b>	<b>–</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>836</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Roads (Grafton)</b>								
Roads	136	–	–	4	–	–	140	–
<b>Total</b>	<b>136</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>140</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Street Trees (Grafton)</b>								
Other	21	–	–	–	(21)	–	–	–
<b>Total</b>	<b>21</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(21)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Drainage (Gulmarrad)</b>								
Drainage	521	20	–	15	–	–	556	–
<b>Total</b>	<b>521</b>	<b>20</b>	<b>–</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>556</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Roads (Maclean)</b>								
Roads	(82)	34	–	(2)	–	–	(50)	–
<b>Total</b>	<b>(82)</b>	<b>34</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>(50)</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Kerb &amp; Gutter (Maclean)</b>								
Roads	37	–	–	1	–	–	38	–
<b>Total</b>	<b>37</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>38</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Tree Planting (Maclean)</b>								
Other	58	1	–	1	(24)	–	36	–
<b>Total</b>	<b>58</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>(24)</b>	<b>–</b>	<b>36</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Extractive Industries (Copmanhurst, Maclean and Pristine Waters)</b>								
Other	123	28	–	4	–	–	155	–
<b>Total</b>	<b>123</b>	<b>28</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>155</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Tree Planting (Pristine Waters)</b>								
Other	5	–	–	–	–	–	5	–

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

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>Total</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Coutts Crossing (Pristine Waters)</b>								
Roads	224	–	–	6	–	–	230	–
<b>Total</b>	<b>224</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>230</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Southampton (Superseded) (Pristine Waters)</b>								
Roads	51	–	–	2	–	–	53	–
<b>Total</b>	<b>51</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>53</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Nymboida (Superseded) (Pristine Waters)</b>								
Roads	11	–	–	1	–	–	12	–
<b>Total</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Tyringham (Superseded) (Pristine Waters)</b>								
Roads	131	–	–	4	–	–	135	–
<b>Total</b>	<b>131</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>135</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Kangaroo Creek (Superseded) (Pristine Waters)</b>								
Roads	31	7	–	1	–	–	39	–
<b>Total</b>	<b>31</b>	<b>7</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>39</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Ramornie/Jackadgery (Superseded) (Pristine Waters)</b>								
Roads	17	–	–	1	–	–	18	–
<b>Total</b>	<b>17</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>18</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Old Glenn Innes Rd District (Superseded) (Pristine Waters)</b>								
Roads	19	–	–	1	–	–	20	–
<b>Total</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>20</b>	<b>–</b>
<b>CONTRIBUTION PLAN - Ulmarra (Pristine Waters)</b>								
Roads	1,434	4	–	40	–	–	1,478	–
<b>Total</b>	<b>1,434</b>	<b>4</b>	<b>–</b>	<b>40</b>	<b>–</b>	<b>–</b>	<b>1,478</b>	<b>–</b>

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

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
<b>S7.12 Levies – under a plan</b>									
<b>CONTRIBUTION PLAN - Non Residential (Clarence Valley)</b>									
Other	3,406	107	–	96	(178)	–	3,431	–	
<b>Total</b>	<b>3,406</b>	<b>107</b>	<b>–</b>	<b>96</b>	<b>(178)</b>	<b>–</b>	<b>3,431</b>	<b>–</b>	
<b>S7.11 Contributions – not under a plan</b>									
<b>Clarence Valley</b>									
Drainage	97	–	–	2	(30)	–	69	–	
Parking	1	–	–	–	–	–	1	–	
Other	66	–	–	2	–	–	68	–	
<b>Total</b>	<b>164</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>(30)</b>	<b>–</b>	<b>138</b>	<b>–</b>	
<b>Nymboida (Pristine Waters)</b>									
Roads	35	–	–	1	–	–	36	–	
<b>Total</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>36</b>	<b>–</b>	
<b>Maclean</b>									
Roads	27	–	–	1	–	–	28	–	
<b>Total</b>	<b>27</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>28</b>	<b>–</b>	

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	40,083	2,453	17,352
User charges and fees	21,924	14,619	2,983
Interest and investment revenue	2,470	1,012	370
Other revenues	7,477	280	21
Grants and contributions provided for operating purposes	26,485	750	181
Grants and contributions provided for capital purposes	11,018	845	954
<b>Other income</b>			
Net gains from disposal of assets	–	–	229
<b>Total income from continuing operations</b>	<b>109,457</b>	<b>19,959</b>	<b>22,090</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	34,341	1,775	1,790
Borrowing costs	1,651	1,711	4,507
Materials and contracts	32,242	2,552	2,488
Depreciation and amortisation	28,542	6,360	7,404
Other expenses	8,797	2,835	2,886
Net losses from the disposal of assets	3,028	4,127	–
Share of interests in joint ventures and associates using the equity method	42	–	–
<b>Total expenses from continuing operations</b>	<b>108,643</b>	<b>19,360</b>	<b>19,075</b>
<b>Operating result from continuing operations</b>	<b>814</b>	<b>599</b>	<b>3,015</b>
<b>Net operating result for the year</b>	<b>814</b>	<b>599</b>	<b>3,015</b>
<b>Net operating result attributable to each council fund</b>	<b>814</b>	<b>599</b>	<b>3,015</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(10,204)</b>	<b>(246)</b>	<b>2,061</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial result and financial position by fund (continued)

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11,733	206	381
Investments	51,320	3,889	5,798
Receivables	15,972	5,197	1,912
Inventories	1,507	–	–
Other	83	2	2
Non-current assets classified as 'held for sale'	930	–	–
<b>Total current assets</b>	<b>81,545</b>	<b>9,294</b>	<b>8,093</b>
<b>Non-current assets</b>			
Investments	13,083	27,399	7,122
Receivables	648	34	217
Inventories	156	–	–
Infrastructure, property, plant and equipment	1,332,903	361,749	269,462
Investments accounted for using the equity method	36	–	–
Intangible assets	285	2	49
<b>Total non-current assets</b>	<b>1,347,111</b>	<b>389,184</b>	<b>276,850</b>
<b>TOTAL ASSETS</b>	<b>1,428,656</b>	<b>398,478</b>	<b>284,943</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11,152	659	500
Income received in advance	2,098	–	–
Borrowings	2,530	1,010	3,500
Provisions	12,330	–	–
<b>Total current liabilities</b>	<b>28,110</b>	<b>1,669</b>	<b>4,000</b>
<b>Non-current liabilities</b>			
Borrowings	17,947	21,436	64,752
Provisions	12,203	–	–
<b>Total non-current liabilities</b>	<b>30,150</b>	<b>21,436</b>	<b>64,752</b>
<b>TOTAL LIABILITIES</b>	<b>58,260</b>	<b>23,105</b>	<b>68,752</b>
<b>Net assets</b>	<b>1,370,396</b>	<b>375,373</b>	<b>216,191</b>
<b>EQUITY</b>			
Accumulated surplus	504,469	208,400	118,589
Revaluation reserves	865,927	166,973	97,602
<b>Council equity interest</b>	<b>1,370,396</b>	<b>375,373</b>	<b>216,191</b>
<b>Total equity</b>	<b>1,370,396</b>	<b>375,373</b>	<b>216,191</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(1,508)</b>	<b>(1.14)%</b>	(5.86)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>132,558</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>103,898</b>	<b>71.47%</b>	67.32%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>145,375</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>54,752</b>	<b>4.42x</b>	4.29x	>1.50x
Current liabilities less specific purpose liabilities	<b>12,399</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>48,667</b>	<b>3.37x</b>	2.89x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>14,460</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>4,128</b>	<b>6.65%</b>	6.03%	<10.00%
Rates, annual and extra charges collectible	<b>62,032</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>113,320</b>	<b>13.90 mths</b>	13.22 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>8,151</b>			

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(7.82)%</b>	(6.00)%	<b>20.30%</b>	5.58%	<b>8.66%</b>	(15.18)%	>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>62.92%</b>	57.35%	<b>90.77%</b>	91.06%	<b>94.04%</b>	93.80%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>5.55x</b>	4.97x	<b>5.57x</b>	6.74x	<b>2.02x</b>	2.05x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>5.95x</b>	6.08x	<b>4.40x</b>	3.27x	<b>1.67x</b>	1.07x	>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>6.77%</b>	6.31%	<b>10.08%</b>	8.05%	<b>5.93%</b>	5.14%	<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>11.27</b>	12.80	<b>38.26</b>	28.28	<b>10.65</b>	5.82	>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 26a above.

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 27. Council information and contact details

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**Principal place of business:**

2 Prince Street  
GRAFTON NSW 2460

**Contact details**

**Mailing Address:**

Locked Bag 23  
GRAFTON NSW 2460

**Telephone:** 02 6643 0200

**Facsimile:** 02 6642 7647

**Opening hours:**

Monday to Friday (excl. Public Holidays)  
8:30am to 4:30pm

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

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

**Officers**

**General Manager**

Ashley Lindsay

**Responsible Accounting Officer**

Kate Maginnity

**Public Officer**

Laura Black

**Auditors**

Audit Office of New South Wales  
Level 15, 1 Margaret Street  
SYDNEY NSW 2000

Telephone 02 9275 7100

**Elected members**

**Mayor**

Jim Simmons

**Councillors**

Andrew Baker  
Greg Clancy  
Peter Ellem  
Jason Kingsley  
Arthur Lysaught  
Debrah Novak  
Karen Toms  
Richie Williamson

**Other information**

**ABN:** 85 864 095 684



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Clarence Valley Council**

To the Councillors of the Clarence Valley Council

### **Opinion**

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

In my opinion:

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

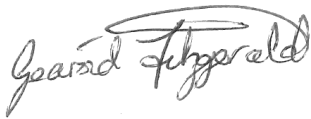
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 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

29 October 2019  
SYDNEY



Cr Jim Simmons  
 Mayor  
 Clarence Valley Council  
 Locked Bag 23  
 GRAFTON NSW 2460

Contact: Gearoid Fitzgerald  
 Phone no: 9275 7392  
 Our ref: D1926150/1713

29 October 2019

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	59.4	55.5	↑ 7.0
Grants and contributions revenue	40.2	44.8	↓ 10.3
Operating result for the year	4.4	5.4	↓ 18.5
Net operating result before capital grants and contributions	(8.4)	(11.4)	↑ 26.3

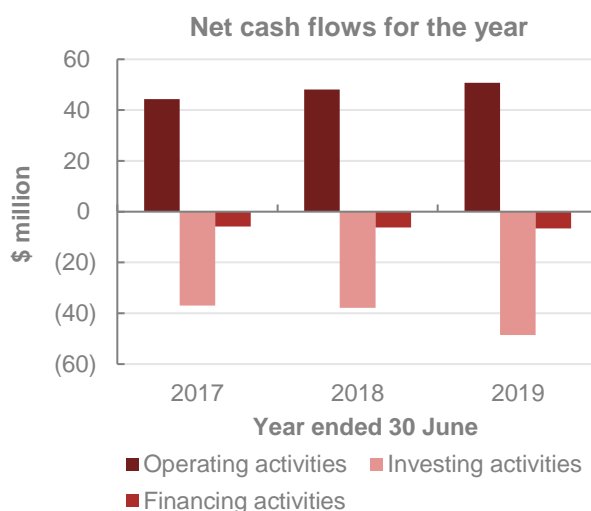
Council's operating result (\$4.4 million including the effect of depreciation and amortisation expense of \$42.3 million) was \$1.0 million lower than the 2017–18 result.

This decrease is largely attributable to the following:

- increase in 'Rates and annual charges' of \$4.0 million
- increase in 'User charges and fees' of \$3.7 million
- decrease in 'Grants and contributions provided for capital purposes' of \$4.0 million
- increase in 'Material and contracts' of \$2.0 million
- increase in 'Depreciation and amortisation' of \$1.3 million
- increase in 'Net losses from the disposal of assets' of \$2.8 million.

## STATEMENT OF CASH FLOWS

- Cash flows from operating activities have been positive and remained stable over the past three years.
- Although the purchase of infrastructure, property, plant & equipment remained consistent with the prior year, cash flows used in investing activities increased due to an increase in the net purchase of investments.
- Cash flows used in financing activities increased on prior years, due to no new borrowings and repayments on existing borrowings increasing.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	68.8	60.9	• Externally restricted cash and investments have increased mainly due to water supplies (\$3.6m) and sewerage services (\$2.7m).
Internal restrictions	51.1	49.5	
Unrestricted	1.0	1.4	• Internally restricted and unrestricted cash and investments have remained fairly consistent with the prior year.
<b>Cash and investments</b>	<b>120.9</b>	<b>111.8</b>	

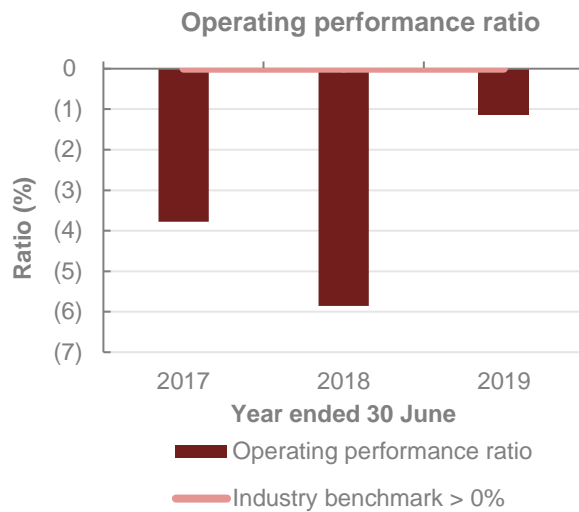
# PERFORMANCE

## Operating performance ratio

Although, Council's 'operating performance ratio' has improved on the prior two years, it continues to not meet the industry benchmark.

The water and sewer funds did meet the industry benchmark, however the general fund did not achieve positive operating performance ratios.

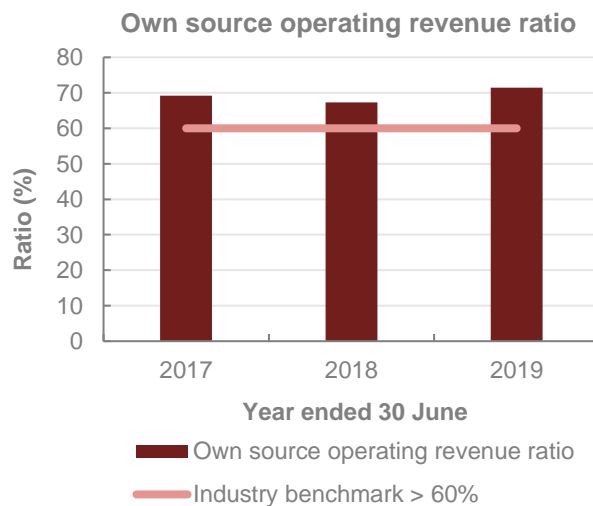
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



## Own source operating revenue ratio

Council continues to exceed the benchmark for 'own source operating revenue ratio' demonstrating it is not overly reliant on external funding sources.

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

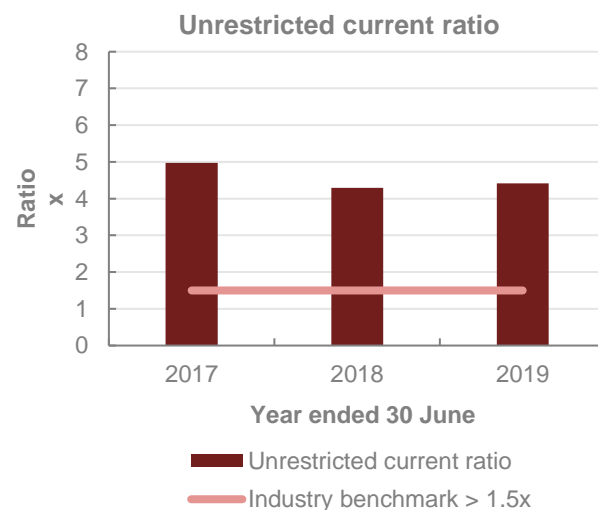


## Unrestricted current ratio

Council's 'unrestricted current ratio' exceeds the industry benchmark and has remained fairly stable over the last two years.

Council has \$4.42 in liquid current assets for every \$1 of current liabilities.

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



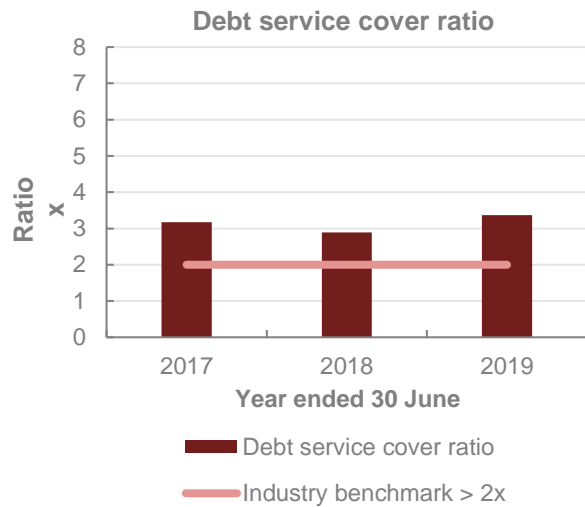
## Debt service cover ratio

Council's 'debt service cover ratio' continues to remain above the industry benchmark.

Further, the ratio for the sewer fund remains below the industry benchmark, though has improved on the prior year.

Council should continue to monitor its sewer fund ratio to ensure cash flows over the short to medium term are sufficient to meet the debt repayment obligations.

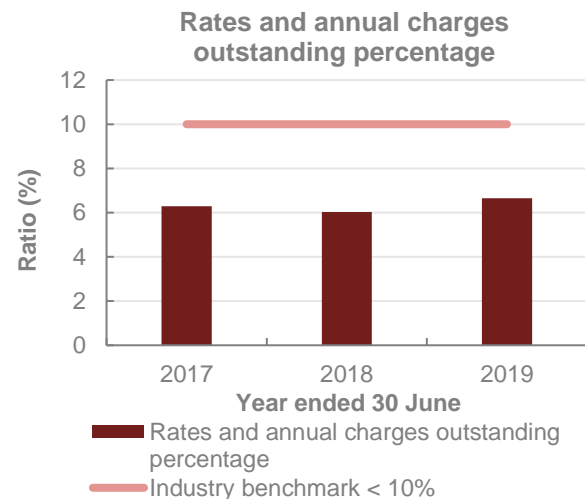
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

Council's 'rates and annual charges outstanding ratio' continues to be below the industry benchmark and reflects Council's ongoing debt recovery activity.

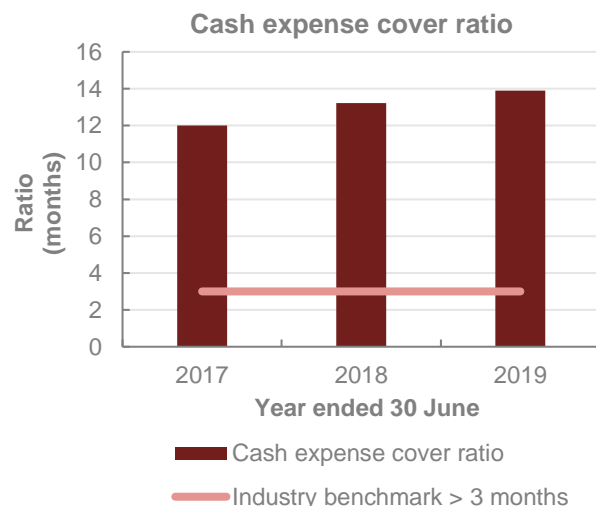
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council continues to maintain its 'cash expense cover ratio' well above the industry benchmark.

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





## Infrastructure renewals

Council's infrastructure renewal expenditure in the 2018–19 year was \$8.0 million compared to \$8.1 million in the 2017–18 financial year.

For the past three years, infrastructure renewal expenditure has been below the rate at which these assets are depreciating.

## OTHER MATTERS

### New accounting standards implemented

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

### Prior period error

During the 2018–19 financial year, Council discovered that a section of water main, which formed part of the Regional Water Supply network, had not been disposed of in Council's fixed asset register and general ledger when the transfer of ownership and control to Coffs Harbour City Council occurred during the 2015–16 financial year. Council's disclosure of the impact of correcting this prior period error is disclosed in Note 14(b).

### Legislative compliance

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

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

The Council's:

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



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

cc: Ashley Lindsay, General Manager  
Ross Bryant, Chair of Audit Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Clarence Valley Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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**Background**

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

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

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

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

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

## Clarence Valley Council

### Special Purpose Financial Statements

for the year ended 30 June 2019

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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:

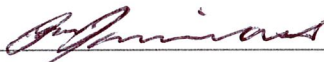
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial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

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

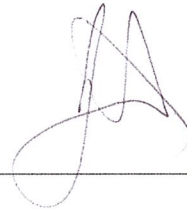
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 22 October 2019.



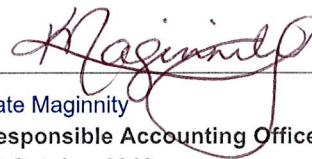
Jim Simmons  
Mayor  
22 October 2019



Jason Kingsley  
Councillor  
22 October 2019



Ashley Lindsay  
General Manager  
22 October 2019



Kate Maginnity  
Responsible Accounting Officer  
22 October 2019

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018 <sup>1</sup> Restated
<b>Income from continuing operations</b>		
Access charges	2,453	2,396
User charges	13,520	12,535
Fees	1,099	823
Interest	1,012	794
Grants and contributions provided for non-capital purposes	750	673
Other income	280	339
<b>Total income from continuing operations</b>	<b>19,114</b>	<b>17,560</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,775	1,746
Borrowing costs	1,711	1,777
Materials and contracts	2,552	2,123
Depreciation, amortisation and impairment	6,360	6,204
Loss on sale of assets	4,127	1,893
Calculated taxation equivalents	67	67
Debt guarantee fee (if applicable)	224	234
Other expenses	2,835	4,730
<b>Total expenses from continuing operations</b>	<b>19,651</b>	<b>18,774</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(537)</b>	<b>(1,214)</b>
Grants and contributions provided for capital purposes	845	984
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>308</b>	<b>(230)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>308</b>	<b>(230)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>308</b>	<b>(230)</b>
<b>Plus accumulated surplus</b>	369,384	372,311
<b>Plus/less: prior period adjustments</b>	–	(13,345)
<b>Plus/less: increase in asset revaluation reserve</b>	5,457	10,414
<b>Plus adjustments for amounts unpaid:</b>		
– Debt guarantee fees	224	234
<b>Closing accumulated surplus</b>	<b>375,373</b>	<b>369,384</b>
<b>Return on capital %</b>	0.3%	0.2%
<b>Subsidy from Council</b>	3,601	8,988
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	308	(230)
Less: capital grants and contributions (excluding developer contributions)	(231)	(319)
<b>Surplus for dividend calculation purposes</b>	<b>77</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>39</b>	<b>–</b>

(1) See Prior period error Note for details regarding restatement

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	17,352	17,016
User charges	2,176	2,108
Liquid trade waste charges	2	2
Fees	805	545
Interest	370	306
Grants and contributions provided for non-capital purposes	181	180
Profit from the sale of assets	229	–
Other income	21	107
<b>Total income from continuing operations</b>	<b>21,136</b>	<b>20,264</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,790	1,700
Borrowing costs	4,507	4,723
Materials and contracts	2,488	2,207
Depreciation, amortisation and impairment	7,404	7,440
Loss on sale of assets	–	346
Calculated taxation equivalents	48	48
Debt guarantee fee (if applicable)	683	715
Other expenses	2,886	7,270
<b>Total expenses from continuing operations</b>	<b>19,806</b>	<b>24,449</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,330</b>	<b>(4,185)</b>
Grants and contributions provided for capital purposes	954	1,147
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,284</b>	<b>(3,038)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,284</b>	<b>(3,038)</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(366)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,918</b>	<b>(3,038)</b>
<b>Plus accumulated surplus</b>	<b>209,207</b>	<b>202,803</b>
<b>Plus/less: increase in asset revaluation reserve</b>	<b>4,017</b>	<b>8,727</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Debt guarantee fees	683	715
– Corporate taxation equivalent	366	–
<b>Closing accumulated surplus</b>	<b>216,191</b>	<b>209,207</b>
<b>Return on capital %</b>	<b>2.2%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>6,563</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,918	(3,038)
Less: capital grants and contributions (excluding developer contributions)	(115)	(66)
<b>Surplus for dividend calculation purposes</b>	<b>1,803</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>902</b>	<b>–</b>

## Income Statement – Clarence Coast Reserve Trust

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	6,348	5,882
Interest	63	67
Grants and contributions provided for non-capital purposes	47	27
Other income	292	158
<b>Total income from continuing operations</b>	<b>6,750</b>	<b>6,134</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	201	260
Materials and contracts	2,771	2,408
Depreciation, amortisation and impairment	663	523
Loss on sale of assets	37	47
Other expenses	2,993	2,608
<b>Total expenses from continuing operations</b>	<b>6,665</b>	<b>5,846</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>85</b>	<b>288</b>
Grants and contributions provided for capital purposes	1,370	130
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,455</b>	<b>418</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,455</b>	<b>418</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(23)	(79)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,432</b>	<b>339</b>
<b>Plus accumulated surplus</b>	<b>31,427</b>	<b>33,386</b>
<b>Plus/less: increase in asset revaluation reserve</b>	<b>–</b>	<b>(2,377)</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	23	79
<b>Closing accumulated surplus</b>	<b>32,882</b>	<b>31,427</b>
<b>Return on capital %</b>	<b>0.3%</b>	<b>1.0%</b>
<b>Subsidy from Council</b>	<b>301</b>	<b>462</b>

## Income Statement – Clarence Care & Support

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	499	589
Interest	102	29
Grants and contributions provided for non-capital purposes	6,657	6,280
Other income	3,171	2,587
<b>Total income from continuing operations</b>	<b>10,429</b>	<b>9,485</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4,191	4,411
Materials and contracts	2,174	1,601
Depreciation, amortisation and impairment	27	23
Other expenses	4,314	3,970
<b>Total expenses from continuing operations</b>	<b>10,706</b>	<b>10,005</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(277)</b>	<b>(520)</b>
Grants and contributions provided for capital purposes	–	2
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(277)</b>	<b>(518)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(277)</b>	<b>(518)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(277)</b>	<b>(518)</b>
<b>Plus accumulated surplus</b>	<b>5,333</b>	<b>5,673</b>
<b>Plus/less: increase in asset revaluation reserve</b>	<b>–</b>	<b>178</b>
<b>Closing accumulated surplus</b>	<b>5,056</b>	<b>5,333</b>
<b>Return on capital %</b>	<b>(60.1)%</b>	<b>(110.2)%</b>
<b>Subsidy from Council</b>	<b>283</b>	<b>532</b>



## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018 <sup>1</sup> Restated
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	206	280
Investments	3,889	5,023
Receivables	5,197	4,233
Other	2	2
<b>Total current assets</b>	<b>9,294</b>	<b>9,538</b>
<b>Non-current assets</b>		
Investments	27,399	21,911
Receivables	34	27
Infrastructure, property, plant and equipment	361,749	361,766
Intangible assets	2	3
<b>Total non-current assets</b>	<b>389,184</b>	<b>383,707</b>
<b>TOTAL ASSETS</b>	<b>398,478</b>	<b>393,245</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	659	464
Borrowings	1,010	939
Provisions	–	12
<b>Total current liabilities</b>	<b>1,669</b>	<b>1,415</b>
<b>Non-current liabilities</b>		
Borrowings	21,436	22,446
<b>Total non-current liabilities</b>	<b>21,436</b>	<b>22,446</b>
<b>TOTAL LIABILITIES</b>	<b>23,105</b>	<b>23,861</b>
<b>NET ASSETS</b>	<b>375,373</b>	<b>369,384</b>
<b>EQUITY</b>		
Accumulated surplus	208,400	208,329
Revaluation reserves	166,973	161,055
<b>TOTAL EQUITY</b>	<b>375,373</b>	<b>369,384</b>

(1) See Prior period error Note for details regarding restatement

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	381	519
Investments	5,798	5,708
Receivables	1,912	1,511
Other	2	2
<b>Total current assets</b>	<b>8,093</b>	<b>7,740</b>
<b>Non-current assets</b>		
Investments	7,122	3,339
Receivables	217	170
Infrastructure, property, plant and equipment	269,462	269,987
Intangible assets	49	–
<b>Total non-current assets</b>	<b>276,850</b>	<b>273,496</b>
<b>TOTAL ASSETS</b>	<b>284,943</b>	<b>281,236</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	500	505
Borrowings	3,500	3,272
<b>Total current liabilities</b>	<b>4,000</b>	<b>3,777</b>
<b>Non-current liabilities</b>		
Borrowings	64,752	68,252
<b>Total non-current liabilities</b>	<b>64,752</b>	<b>68,252</b>
<b>TOTAL LIABILITIES</b>	<b>68,752</b>	<b>72,029</b>
<b>NET ASSETS</b>	<b>216,191</b>	<b>209,207</b>
<b>EQUITY</b>		
Accumulated surplus	118,589	115,620
Revaluation reserves	97,602	93,587
<b>TOTAL EQUITY</b>	<b>216,191</b>	<b>209,207</b>

## Statement of Financial Position – Clarence Coast Reserve Trust

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	48	41
Investments	2,660	3,131
Receivables	1,639	271
Other	–	6
<b>Total current assets</b>	<b>4,347</b>	<b>3,449</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	29,216	28,530
<b>Total non-current assets</b>	<b>29,216</b>	<b>28,530</b>
<b>TOTAL ASSETS</b>	<b>33,563</b>	<b>31,979</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	681	552
<b>Total current liabilities</b>	<b>681</b>	<b>552</b>
<b>TOTAL LIABILITIES</b>	<b>681</b>	<b>552</b>
<b>NET ASSETS</b>	<b>32,882</b>	<b>31,427</b>
<b>EQUITY</b>		
Accumulated surplus	23,806	22,351
Revaluation reserves	9,076	9,076
<b>TOTAL EQUITY</b>	<b>32,882</b>	<b>31,427</b>

## Statement of Financial Position – Clarence Care &amp; Support

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1	1
Investments	5,635	5,730
Receivables	541	469
<b>Total current assets</b>	<b>6,177</b>	<b>6,200</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	461	472
Intangible assets	30	37
<b>Total non-current assets</b>	<b>491</b>	<b>509</b>
<b>TOTAL ASSETS</b>	<b>6,668</b>	<b>6,709</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,612	1,376
<b>Total current liabilities</b>	<b>1,612</b>	<b>1,376</b>
<b>TOTAL LIABILITIES</b>	<b>1,612</b>	<b>1,376</b>
<b>NET ASSETS</b>	<b>5,056</b>	<b>5,333</b>
<b>EQUITY</b>		
Accumulated surplus	4,992	5,269
Revaluation reserves	64	64
<b>TOTAL EQUITY</b>	<b>5,056</b>	<b>5,333</b>

## Clarence Valley Council

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

## Prior period error – Water Supply Business Activity

## Correction of errors relating to a previous reporting period

## Nature of prior-period error

Council has brought to account the disposal of a section of the Regional Water Supply watermain that was not transacted in the relevant financial year in which the disposal occurred.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position.

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Water supply network	358,139	(13,345)	344,794
<b>Infrastructure, property, plant and equipment</b>	<b>369,694</b>	<b>(13,345)</b>	<b>356,349</b>
<b>Total Assets</b>	<b>396,927</b>	<b>(13,345)</b>	<b>383,582</b>
<b>Total Liabilities</b>	<b>24,616</b>	<b>–</b>	<b>24,616</b>
Accumulated surplus	221,209	(13,345)	207,864
<b>Total equity</b>	<b>372,311</b>	<b>(13,345)</b>	<b>358,966</b>

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

## Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Water supply network	363,185	(13,668)	349,517
<b>Infrastructure, property, plant and equipment</b>	<b>375,434</b>	<b>(13,668)</b>	<b>361,766</b>
<b>Total assets</b>	<b>406,913</b>	<b>(13,668)</b>	<b>393,245</b>
<b>Total liabilities</b>	<b>23,861</b>	<b>–</b>	<b>23,861</b>
Accumulated surplus	221,536	(13,207)	208,329
Revaluation reserves	161,516	(461)	161,055
<b>Total equity</b>	<b>383,052</b>	<b>(13,668)</b>	<b>369,384</b>

## Clarence Valley Council

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

## Prior period error – Water Supply Business Activity (continued)

## Correction of errors relating to a previous reporting period (continued)

## Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Total income from continuing operations</b>	<b>17,560</b>	<b>-</b>	<b>17,560</b>
Depreciation, amortisation and impairment	6,342	(138)	6,204
Loss on sale of assets	1,432	461	1,893
<b>Total expenses from continuing operations</b>	<b>18,451</b>	<b>323</b>	<b>18,774</b>
<b>Net operating result for the year</b>	<b>(891)</b>	<b>(323)</b>	<b>(1,214)</b>

## Clarence Valley Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. Clarence Valley Council Water Supply Fund

Provision of Water Supply Services

##### b. Clarence Valley Council Sewerage Services

Provision of Sewerage Augmentation, Reticulation & Treatment

##### c. Clarence Coast Reserve Trust

Camping & Caravan Park Accommodation

##### d. Clarence Valley Council Care and Support Services

Care and Support Services provided by Council, includes the:

- Home Care Services
- Community Business
- National Disability Insurance Scheme (NDIS)
- Green Room

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

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

---

- Short Term Resorative Care (STRC)

#### Category 2

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

Council has no business activities in this category.

#### 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.



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

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

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.

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

#### (iv) Dividends

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

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

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

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

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

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

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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

#### Clarence Valley Council

To the Councillors of the Clarence Valley Council

### Opinion

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

The declared business activities of the Council are:

- Water Supply Services
- Sewerage Services
- Clarence Coast Reserve Trust
- Clarence Care and Support Services.

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

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

### Basis for Opinion

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

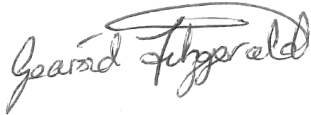
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

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

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

29 October 2019  
SYDNEY

# Clarence Valley Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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**Special Schedules**

for the year ended 30 June 2019

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## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	31,015	28,622
Plus or minus adjustments <sup>2</sup>	b	84	97
<b>Notional general income</b>	<b>c = a + b</b>	<b>31,099</b>	<b>28,719</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	8.00%	8.00%
Plus special variation amount	h = d x (c + g)	2,488	2,298
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>33,587</b>	<b>31,017</b>
Plus (or minus) last year's carry forward total	l	3	1
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>3</b>	<b>1</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>33,590</b>	<b>31,018</b>
Less notional general income yield	p	33,583	31,015
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>6</b>	<b>3</b>
Less unused catch-up <sup>5</sup>	s	(1)	-
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r + s</b>	<b>5</b>	<b>3</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.





**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Clarence Valley Council**

To the Councillors of Clarence Valley Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

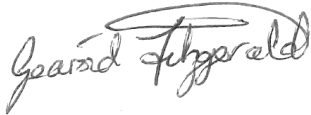
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in cursive script 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

29 October 2019  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Other	–	–	9	32	20,037	2,592	48.6%	45.4%	5.9%	0.0%	0.1%
	Council Offices /Administration Centres	–	–	110	140	9,269	15,215	8.9%	53.1%	38.0%	0.0%	0.0%
	Council Works Depot	171	171	47	79	9,217	12,673	75.8%	12.0%	10.8%	1.3%	0.1%
	Council Public Halls	–	–	110	114	12,947	20,032	34.6%	47.0%	18.4%	0.0%	0.0%
	Libraries	–	–	67	101	9,141	10,063	86.1%	12.4%	1.5%	0.0%	0.0%
	Council Houses	177	177	50	80	4,927	8,630	18.4%	62.1%	17.4%	0.7%	1.4%
	Museums	–	–	33	48	2,023	3,408	7.2%	72.7%	20.1%	0.0%	0.0%
	Childcare / Community Health	–	–	79	28	1,382	2,419	18.5%	70.9%	10.6%	0.0%	0.0%
	Art Gallery	–	–	40	50	1,498	3,389	30.7%	46.8%	22.5%	0.0%	0.0%
	Public Toilets	142	142	42	59	3,580	5,960	32.4%	45.8%	19.4%	2.4%	0.0%
	Parks & Reserves Buildings	1,315	1,315	80	76	642	1,403	13.0%	75.3%	11.7%	0.0%	0.0%
	Sports Buildings	97	97	141	148	18,782	40,281	41.5%	42.3%	12.9%	2.5%	0.8%
	Swimming Pool Buildings	1,835	1,835	61	7	3,105	6,135	33.3%	56.3%	8.8%	1.6%	0.0%
	Holiday Parks Buildings	–	–	193	126	4,400	12,177	14.1%	53.1%	17.7%	15.1%	0.0%
	Saleyards Buildings	–	–	3	14	202	315	2.4%	67.9%	29.6%	0.0%	0.1%
	Waste Facilities	602	602	6	13	4,084	9,924	58.0%	41.1%	1.0%	0.0%	(0.1%)
	Water & Sewer Buildings	330	330	10	38	6,307	8,353	75.1%	11.8%	5.9%	7.2%	0.0%
	Emergency Services	–	–	26	45	8,013	12,705	36.9%	46.0%	14.5%	2.6%	0.0%
	<b>Sub-total</b>	<b>4,669</b>	<b>4,669</b>	<b>1,107</b>	<b>1,198</b>	<b>119,556</b>	<b>175,674</b>	<b>40.1%</b>	<b>42.4%</b>	<b>14.8%</b>	<b>2.4%</b>	<b>0.3%</b>
<b>Other structures</b>	Other structures	57	57	5	78	8,489	6,068	89.1%	4.2%	5.8%	0.1%	0.8%
	Airports	401	401	132	158	4,394	5,546	91.4%	1.4%	0.0%	7.2%	0.0%
	Saleyards	–	–	9	60	2,225	3,593	48.1%	37.5%	14.4%	0.0%	0.0%
	Cemeteries	32	32	185	–	929	1,814	3.7%	37.1%	57.5%	1.8%	0.0%
	Tips	–	–	3	5	3,501	5,497	39.8%	41.1%	19.1%	0.0%	0.0%
	<b>Sub-total</b>	<b>490</b>	<b>490</b>	<b>334</b>	<b>301</b>	<b>19,538</b>	<b>22,518</b>	<b>64.2%</b>	<b>20.5%</b>	<b>13.2%</b>	<b>1.9%</b>	<b>0.2%</b>

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance			1	2	3	4	5
<b>Roads</b>	Sealed roads	33,050	33,050	4,743	3,694	526,648	654,316	27.7%	38.1%	25.5%	7.9%	0.9%
	Unsealed roads	–	–	2,952	3,930	83,152	136,639	1.2%	24.3%	74.5%	0.0%	0.0%
	Bridges	2,331	2,331	777	624	109,336	151,437	9.9%	19.0%	69.6%	1.5%	0.0%
	Footpaths & Cycleways	1,866	1,866	296	208	20,279	30,303	25.2%	29.7%	38.9%	2.4%	3.9%
	Road Furniture	40	40	173	335	17,801	22,219	34.3%	60.4%	5.2%	0.2%	0.0%
	Water Transport Facilities	286	286	88	77	5,904	7,419	44.4%	34.4%	17.1%	4.2%	0.0%
	Carparks	–	–	14	40	3,420	3,725	64.0%	36.0%	0.0%	0.0%	0.0%
	Bus Shelters	–	–	17	21	747	1,103	24.7%	63.0%	12.3%	0.0%	0.0%
	<b>Sub-total</b>	<b>37,573</b>	<b>37,573</b>	<b>9,060</b>	<b>8,929</b>	<b>767,287</b>	<b>1,007,161</b>	<b>21.8%</b>	<b>33.6%</b>	<b>38.5%</b>	<b>5.4%</b>	<b>0.7%</b>
<b>Water supply network</b>	Dams / Weirs	278	278	274	295	73,015	101,429	99.7%	0.0%	0.0%	0.3%	0.0%
	Mains	8,369	8,369	1,909	1,875	239,906	333,265	34.2%	59.7%	3.7%	2.4%	0.0%
	Reservoirs & Treatment	6,854	6,854	281	223	31,292	43,469	9.6%	51.9%	23.4%	15.1%	0.0%
	Pumping Station/s	367	367	49	53	3,477	4,830	58.5%	20.7%	16.6%	4.2%	0.0%
		<b>Sub-total</b>	<b>15,868</b>	<b>15,868</b>	<b>2,513</b>	<b>2,446</b>	<b>347,690</b>	<b>482,993</b>	<b>46.0%</b>	<b>46.1%</b>	<b>4.8%</b>	<b>3.1%</b>
<b>Sewerage network</b>	Mains	411	411	502	349	134,498	192,844	47.5%	42.1%	10.2%	0.2%	0.0%
	Pumping Station/s	2,594	2,594	529	629	34,549	49,536	55.3%	31.4%	8.8%	4.5%	0.0%
	Treatment	721	721	704	851	86,682	124,285	76.1%	14.5%	8.9%	0.6%	(0.1%)
		<b>Sub-total</b>	<b>3,726</b>	<b>3,726</b>	<b>1,735</b>	<b>1,829</b>	<b>255,729</b>	<b>366,665</b>	<b>58.2%</b>	<b>31.3%</b>	<b>9.6%</b>	<b>0.9%</b>
<b>Stormwater drainage</b>	Stormwater drainage	14,646	14,646	1,167	705	150,949	218,045	9.0%	58.8%	25.5%	3.5%	3.2%
		<b>Sub-total</b>	<b>14,646</b>	<b>14,646</b>	<b>1,167</b>	<b>705</b>	<b>150,949</b>	<b>218,045</b>	<b>9.0%</b>	<b>58.8%</b>	<b>25.5%</b>	<b>3.5%</b>
<b>Open space / recreational assets</b>	Swimming pools	307	307	152	176	3,691	10,742	18.6%	28.6%	50.0%	1.1%	1.8%
	Holiday Parks	32	32	152	136	4,642	6,692	53.6%	41.6%	4.3%	0.0%	0.5%
	Parks	254	254	1,600	1,287	9,185	13,634	44.5%	39.8%	13.9%	1.7%	0.1%
	Reserves	97	97	425	680	5,289	7,504	53.2%	33.0%	12.5%	1.3%	0.0%
	Sports Facilities	1,005	1,005	804	743	14,403	24,754	31.8%	46.3%	17.8%	4.1%	0.0%
		<b>Sub-total</b>	<b>1,695</b>	<b>1,695</b>	<b>3,133</b>	<b>3,022</b>	<b>37,210</b>	<b>63,326</b>	<b>37.1%</b>	<b>39.8%</b>	<b>20.4%</b>	<b>2.3%</b>

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Other infrastructure assets	Floodplain	381	381	603	425	144,859	184,020	2.7%	65.6%	31.5%	0.2%	0.0%
	<b>Sub-total</b>	<b>381</b>	<b>381</b>	<b>603</b>	<b>425</b>	<b>144,859</b>	<b>184,020</b>	<b>2.7%</b>	<b>65.6%</b>	<b>31.5%</b>	<b>0.2%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>79,048</b>	<b>79,048</b>	<b>19,652</b>	<b>18,855</b>	<b>1,842,818</b>	<b>2,520,402</b>	<b>31.3%</b>	<b>40.8%</b>	<b>23.9%</b>	<b>3.5%</b>	<b>0.5%</b>

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

Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>				
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>				
Asset renewals <sup>2</sup>	<b>12,319</b>	<b>31.73%</b>	21.37%	>=100.00%
Depreciation, amortisation and impairment	<b>38,830</b>			
<b>Infrastructure backlog ratio <sup>1</sup></b>				
Estimated cost to bring assets to a satisfactory standard	<b>79,048</b>	<b>4.29%</b>	3.90%	<2.00%
Net carrying amount of infrastructure assets	<b>1,842,818</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>18,855</b>	<b>95.94%</b>	74.49%	>100.00%
Required asset maintenance	<b>19,652</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>79,048</b>	<b>3.14%</b>	2.88%	
Gross replacement cost	<b>2,520,402</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 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
<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>43.04%</b>	27.89%	<b>14.18%</b>	18.67%	<b>6.59%</b>	1.57%	>=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>4.83%</b>	4.40%	<b>4.53%</b>	4.01%	<b>1.43%</b>	1.38%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>94.65%</b>	71.25%	<b>97.33%</b>	87.32%	<b>105.42%</b>	89.12%	>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>3.58%</b>	3.31%	<b>3.26%</b>	2.83%	<b>1.00%</b>	1.00%	

(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.