

Clarence Valley Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020



Clarence Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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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.

Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

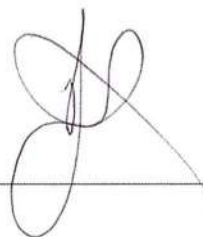
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 27 October 2020.



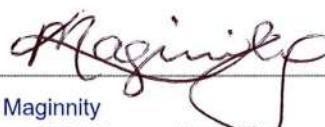
Jim Simmons
Mayor
27 October 2020



Jason Kingsley
Councillor
27 October 2020



Ashley Lindsay
General Manager
27 October 2020



Kate Maginnity
Responsible Accounting Officer
27 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ¹
Income from continuing operations				
60,533	Rates and annual charges	3a	62,791	59,436
38,649	User charges and fees	3b	39,312	38,070
1,105	Other revenues	3c	2,403	3,350
24,941	Grants and contributions provided for operating purposes	3d,3e	32,610	20,760
21,344	Grants and contributions provided for capital purposes	3d,3e	24,740	12,817
3,085	Interest and investment income	4	3,344	3,750
931	Rental income	14e	826	–
150,588	Total income from continuing operations		166,026	138,183
Expenses from continuing operations				
38,418	Employee benefits and on-costs	5a	36,062	33,716
7,203	Borrowing costs	5b	7,655	7,869
31,093	Materials and contracts	5c	42,034	30,703
42,717	Depreciation and amortisation	5d	44,033	42,279
14,147	Other expenses	5e	13,505	12,948
–	Net losses from the disposal of assets	6	15,227	6,926
–	Net share of interests in joint ventures and associates using the equity method	19	34	42
133,578	Total expenses from continuing operations		158,550	134,483
17,010	Operating result from continuing operations		7,476	3,700
Discontinued operations				
–	Operating result from discontinued operations	24	52	728
17,010	Net operating result for the year		7,528	4,428
17,010	Net operating result attributable to council		7,528	4,428
(4,334)	Net operating result for the year before grants and contributions provided for capital purposes		(17,212)	(8,389)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019 ¹
Net operating result for the year (as per Income Statement)		7,528	4,428
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11	7,471	9,474
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	11	(712)	245
Other comprehensive income – joint ventures and associates	19	40	39
Total items which will not be reclassified subsequently to the operating result		6,799	9,758
Total other comprehensive income for the year		6,799	9,758
Total comprehensive income for the year		14,327	14,186
Total comprehensive income attributable to Council		14,327	14,186

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019 ¹
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	22,120	12,320
Investments	7(b)	68,000	61,007
Receivables	8	30,584	23,081
Inventories	9a	1,348	1,507
Contract assets	13a	4,991	–
Other	9b	172	87
Non-current assets classified as 'held for sale'	10	1,147	930
Total current assets		<u>128,362</u>	<u>98,932</u>
Non-current assets			
Investments	7(b)	35,610	47,604
Receivables	8	1,363	899
Inventories	9a	156	156
Infrastructure, property, plant and equipment	11	1,965,093	1,964,114
Intangible Assets	12	950	336
Right of use assets	14a	368	–
Investments accounted for using the equity method	19	42	36
Total non-current assets		<u>2,003,582</u>	<u>2,013,145</u>
Total assets		<u>2,131,944</u>	<u>2,112,077</u>
LIABILITIES			
Current liabilities			
Payables	15	21,840	12,311
Income received in advance	15	–	2,098
Contract liabilities	13b	4,509	–
Lease liabilities	14b	282	–
Borrowings	15	8,195	7,040
Provisions	16	12,648	12,330
Total current liabilities		<u>47,474</u>	<u>33,779</u>
Non-current liabilities			
Lease liabilities	14b	93	–
Borrowings	15	95,940	104,135
Provisions	16	15,034	12,203
Total non-current liabilities		<u>111,067</u>	<u>116,338</u>
Total liabilities		<u>158,541</u>	<u>150,117</u>
Net assets		<u>1,973,403</u>	<u>1,961,960</u>
EQUITY			
Accumulated surplus	17	836,142	831,458
Revaluation reserves	17	1,137,261	1,130,502
Council equity interest		<u>1,973,403</u>	<u>1,961,960</u>
Total equity		<u>1,973,403</u>	<u>1,961,960</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		831,458	1,130,502	1,961,960	826,991	1,120,783	1,947,774
Changes due to AASB 1058 and AASB 15 adoption	17	(2,884)	–	(2,884)	–	–	–
Changes due to AASB 16 adoption	17	–	–	–	–	–	–
Restated opening balance		828,574	1,130,502	1,959,076	826,991	1,120,783	1,947,774
Net operating result for the year		7,528	–	7,528	4,428	–	4,428
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	11	–	7,471	7,471	–	9,474	9,474
– Impairment (loss) reversal relating to IPP&E	11	–	(712)	(712)	–	245	245
– Joint ventures and associates	19	40	–	40	39	–	39
Other comprehensive income		40	6,759	6,799	39	9,719	9,758
Total comprehensive income		7,568	6,759	14,327	4,467	9,719	14,186
Equity – balance at end of the reporting period		836,142	1,137,261	1,973,403	831,458	1,130,502	1,961,960

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ¹
Cash flows from operating activities				
Receipts:				
60,242	Rates and annual charges		64,211	58,883
38,547	User charges and fees		37,531	38,986
3,022	Investment and interest revenue received		3,859	3,452
40,958	Grants and contributions		36,866	37,376
–	Bonds, deposits and retention amounts received		385	184
1,990	Other		11,104	3,053
Payments:				
(37,564)	Employee benefits and on-costs		(35,330)	(37,513)
(27,150)	Materials and contracts		(41,921)	(35,842)
(7,296)	Borrowing costs		(7,219)	(7,664)
(12,445)	Other		(10,552)	(10,197)
60,304	Net cash provided (or used in) operating activities	18b	58,934	50,718
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		90,000	41,000
–	Sale of real estate assets		–	76
1,718	Sale of infrastructure, property, plant and equipment		1,716	1,433
38	Deferred debtors receipts		117	66
Payments:				
–	Purchase of investment securities		(84,986)	(54,518)
(49,403)	Purchase of infrastructure, property, plant and equipment		(47,891)	(36,398)
(30)	Purchase of intangible assets		(829)	(222)
(32)	Deferred debtors and advances made		–	–
(47,709)	Net cash provided (or used in) investing activities		(41,873)	(48,563)
Cash flows from financing activities				
Payments:				
(7,040)	Repayment of borrowings and advances		(7,040)	(6,591)
–	Lease liabilities (principal repayments)		(221)	–
(1,022)	Other financing activity payments		–	–
(8,062)	Net cash flow provided (used in) financing activities		(7,261)	(6,591)
4,533	Net increase/(decrease) in cash and cash equivalents		9,800	(4,436)
15,698	Plus: cash and cash equivalents – beginning of year	18a	12,320	16,756
20,231	Cash and cash equivalents – end of the year	18a	22,120	12,320
98,537	plus: Investments on hand – end of year	7(b)	103,610	108,611
118,768	Total cash, cash equivalents and investments		125,730	120,931

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 16
- (iii) employee benefit provisions – refer Note 16

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 8.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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 Regional Library

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(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.

Volunteer services

Council has many volunteers working in various areas. These volunteer services have not been recognised as income as per AASB 1058. This is because the fair value of such services cannot be reliably measured and it would not have been purchased if they were not donated.

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 2020 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.

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2020.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019 ¹	2020	2019	2020	2019 ¹
Functions or activities										
Leadership	1,636	1,542	22,211	19,839	(20,575)	(18,297)	513	131	394,040	384,177
Infrastructure	80,650	60,635	89,585	75,266	(8,935)	(14,631)	19,422	5,893	1,541,657	1,533,868
Society	12,496	9,127	24,356	18,269	(11,860)	(9,142)	6,616	4,174	141,710	142,508
Environment	18,007	16,111	15,764	14,425	2,243	1,686	502	471	24,221	23,265
Economy	7,515	7,633	6,600	6,642	915	991	759	288	30,280	28,223
Share of losses in JV (using the equity method)	–	–	34	42	(34)	(42)	–	–	36	36
General purpose income	45,722	43,135	–	–	45,722	43,135	11,346	10,908	–	–
Total functions and activities	166,026	138,183	158,550	134,483	7,476	3,700	39,158	21,865	2,131,944	2,112,077

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	25,793	23,690
Farmland	1058 (1)	3,425	3,172
Business	1058 (1)	4,089	3,812
Less: pensioner rebates (mandatory)	1058 (1)	(1,118)	(1,109)
Rates levied to ratepayers		32,189	29,565
Pensioner rate subsidies received	1058 (1)	610	610
Total ordinary rates		32,799	30,175
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	7,437	7,224
Water supply services	1058 (1)	2,900	2,831
Sewerage services	1058 (1)	17,998	17,575
Waste management services (non-domestic)	1058 (1)	2,167	2,151
Less: pensioner rebates (mandatory)	1058 (1)	(1,141)	(1,154)
Annual charges levied		29,361	28,627
Pensioner subsidies received:			
– Water	1058 (1)	248	248
– Sewerage	1058 (1)	186	181
– Domestic waste management	1058 (1)	197	205
Total annual charges		29,992	29,261
TOTAL RATES AND ANNUAL CHARGES		62,791	59,436

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

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

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

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

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

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	13,825	12,917
Sewerage services	15 (2)	1,750	1,821
On-site septic management services	15 (2)	351	326
Total specific user charges		15,926	15,064
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	15 (2)	447	401
Regulatory/ statutory fees	15 (1)	1,765	1,878
Section 10.7 certificates (EP&A Act)	15 (1)	113	135
Section 603 certificates	15 (1)	114	113
Total fees and charges – statutory/regulatory		2,439	2,527
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	128	162
Caravan park	15 (1)	5,547	6,348
Cemeteries	15 (1)	585	622
Community centres	15 (1)	38	56
Leaseback fees – Council vehicles	15 (1)	305	309
Quarry revenues	15 (1)	350	1,234
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	3,378	3,972
Saleyards	15 (1)	434	294
Swimming centres	15 (1)	281	333
Art gallery	15 (1)	68	95
Community services	15 (1)	–	–
Other sewer fees	15 (1)	1,216	681
Other water fees	15 (1)	1,121	531
Other waste management	15 (1)	292	237
Regional landfill	15 (1)	6,614	4,964
Water tapping fees	15 (1)	283	263
Other	15 (1)	307	378
Total fees and charges – other		20,947	20,479
TOTAL USER CHARGES AND FEES		39,312	38,070

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

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

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

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

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

Accounting policy for user charges and fees

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	895
Fines	1058 (1)	83	88
Legal fees recovery – rates and charges (extra charges)	1058 (1)	132	39
Legal fees recovery – other	1058 (1)	–	8
Commissions and agency fees	1058 (1)	43	50
Diesel rebate	1058 (1)	319	266
Container Deposit Scheme Sharing	1058 (1)	110	409
Insurance claims recoveries	1058 (1)	952	1,125
Sales – general	15 (1)	269	192
Commonwealth emissions reduction fund	1058 (1)	215	99
Interest in associated entities (adjusted)		40	39
State waste rebate	1058 (1)	88	89
Other	15 (1)	152	51
<u>TOTAL OTHER REVENUE</u>		<u>2,403</u>	<u>3,350</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	3,800	3,762	–	–
Financial assistance – local roads component	1058 (1)	1,707	1,593	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	4,067	3,885	–	–
Financial assistance – local roads component	1058 (1)	1,770	1,668	–	–
Total general purpose		11,344	10,908	–	–
Specific purpose					
Community care	1058 (1)	115	115	–	–
Community centres	1058 (1)	28	–	–	–
Economic development	1058 (2)	–	–	4,553	3,066
Employment and training programs	1058 (1)	8	25	–	–
Floodplain management	1058 (1)	143	210	–	28
Environmental services	1058 (1)	78	389	–	–
Library	1058 (1)	201	179	6	–
Harwood Precinct Upgrade	1058 (2)	–	–	1,696	–
Heritage and cultural	1058 (2)	95	97	2,693	–
LIRS subsidy	1058 (1)	25	29	–	–
Maclean Showground	1058 (2)	–	–	218	–
Noxious weeds	1058 (1)	221	–	–	–
Recreation and culture	1058 (2)	–	–	4	9
NSW rural fire services	1058 (2)	5,434	622	265	339
Storm/flood damage	1058 (1)	7,080	458	–	–
Street lighting	1058 (1)	106	104	–	–
Transport (roads to recovery)	1058 (1)	2,051	2,540	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	2,724	2,572
Other	1058 (1)	47	102	23	73
Total specific purpose		15,632	4,870	12,182	6,087
Total grants		26,976	15,778	12,182	6,087
Grant revenue is attributable to:					
– Commonwealth funding		14,836	13,455	709	1,792
– State funding		12,140	2,323	11,473	4,295
		26,976	15,778	12,182	6,087

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	771	505
S 7.12 – fixed development consent levies		1058 (1)	–	–	139	105
S 64 – water supply contributions		1058 (1)	–	–	3,550	614
S 64 – sewerage service contributions		1058 (1)	–	–	452	839
Total developer contributions – cash			–	–	4,912	2,063
Total developer contributions	28		–	–	4,912	2,063
Other contributions:						
Cash contributions						
Clarence regional library		1058 (1)	231	265	–	–
Community services		1058 (1)	–	3	–	–
Roads and bridges		1058 (2)	–	–	27	529
RMS contributions (regional roads, block grant)		1058 (1)	3,893	3,778	1,482	755
Other		1058 (1)	(102)	153	102	180
Regional assessment service program		1058 (1)	315	–	–	–
Rural fire services		1058 (1)	470	41	–	–
Water supplies (excl. section 64 contributions)		1058 (1)	583	502	–	–
Work health and safety		1058 (1)	244	240	–	–
Total other contributions – cash			5,634	4,982	1,611	1,464
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	5,564	2,857
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	176	115
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	295	231
Total other contributions – non-cash			–	–	6,035	3,203
Total other contributions			5,634	4,982	7,646	4,667
Total contributions			5,634	4,982	12,558	6,730
TOTAL GRANTS AND CONTRIBUTIONS			32,610	20,760	24,740	12,817

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

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

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

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

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

Accounting policy for grants and contributions**Accounting policy from 1 July 2019**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Grant income under AASB 15

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

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

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	2,933	1,737
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	2,103	1,547
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(2,149)	(351)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	2,887	2,933
Capital grants		
Unexpended at the close of the previous reporting period	2,569	4,365
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	1,441	454
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(895)	(2,250)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	3,115	2,569
Contributions		
Unexpended at the close of the previous reporting period	19,599	17,354
Add: contributions recognised as income in the current period but not yet spent	5,627	2,749
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(2,050)	(504)
Unexpended and held as externally restricted assets (contributions)	23,176	19,599

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	312	281
– Cash and investments	3,005	3,375
Fair value adjustments		
– Movements in investments at fair value through profit and loss	13	87
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	14	7
Finance income on the net investment in the lease	–	–
Total Interest and investment income	3,344	3,750

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	127	103
General Council cash and investments	733	964
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	202	254
– Section 64	280	266
Water fund operations	867	906
Sewerage fund operations	230	210
Domestic waste management operations	82	76
Holiday Parks	83	63
Clarence Regional Library	21	25
Restricted investments/funds – internal:		
Internally restricted assets	719	883
Total interest and investment revenue	3,344	3,750

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	28,194	26,210
Employee leave entitlements (ELE)	6,153	5,785
Superannuation	3,630	3,459
Workers' compensation insurance	720	593
Fringe benefit tax (FBT)	36	29
Payroll tax	236	315
Training costs (other than salaries and wages)	525	520
Other	191	213
Total employee costs	39,685	37,124
Less: capitalised costs	(3,623)	(3,408)
TOTAL EMPLOYEE COSTS EXPENSED	36,062	33,716

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 21 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		6	–
Interest on loans		7,435	7,630
Other debts		10	9
Total interest bearing liability costs		7,451	7,639
Total interest bearing liability costs expensed		7,451	7,639
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	16	204	223
Interest applicable on interest free (and favourable) loans to Council		–	7
Total other borrowing costs		204	230
TOTAL BORROWING COSTS EXPENSED		7,655	7,869

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	10,373	8,289
Contractor and consultancy costs	31,234	21,497
Auditors remuneration ²	115	120
Legal expenses:		
Expenses from short-term leases (2020 only)	87	–
Expenses from leases of low value assets (2020 only)	–	–
Expenses from Peppercorn leases (2020 only)	–	–
– Legal expenses: planning and development	48	10
– Legal expenses: debt recovery	129	62
– Legal expenses: other	48	386
Variable lease expense relating to usage (2020 only)	–	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	339
TOTAL MATERIALS AND CONTRACTS	42,034	30,703

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Buildings	–	339
	<u>–</u>	<u>339</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	106	112
Remuneration for audit and other assurance services	<u>106</u>	<u>112</u>
Total Auditor-General remuneration	<u>106</u>	<u>112</u>

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

Other audit and assurance services	9	8
Remuneration for audit and other assurance services	<u>9</u>	<u>8</u>
Total remuneration of non NSW Auditor-General audit firms	<u>9</u>	<u>8</u>
Total Auditor remuneration	<u>115</u>	<u>120</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		3,269	2,950
Office equipment		319	330
Furniture and fittings		140	142
Infrastructure:	11		
– Buildings – non-specialised		757	794
– Buildings – specialised		1,321	1,310
– Other structures		1,284	887
– Roads		13,506	13,406
– Bridges		1,506	2,078
– Footpaths		616	632
– Other road assets		691	628
– Stormwater drainage		2,755	2,775
– Water supply network		5,798	6,071
– Sewerage network		8,650	7,135
– Swimming pools		166	166
– Other open space/recreational assets		1,757	1,646
– Other infrastructure		1,554	1,543
Right of use assets	14	228	–
Other assets:			
– Library books		159	275
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	16,11	409	261
– Quarry assets	16,11	30	11
Intangible assets	12	215	116
Total gross depreciation and amortisation costs		<u>45,130</u>	<u>43,156</u>
Less: capitalised costs		(1,097)	(877)
Total depreciation and amortisation costs		<u>44,033</u>	<u>42,279</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:	11		
– Roads		712	(245)
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>712</u>	<u>(245)</u>
Amounts taken through revaluation reserve	11	(712)	245
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>–</u>	<u>–</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>44,033</u>	<u>42,279</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 12 for intangible assets and Note 14 for right of use assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Impairment of non-financial assets

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

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.

\$ '000	2020	2019
(e) Other expenses		
Advertising	381	419
Training costs (other than salaries and wages)	–	–
Travel expenses	–	–
Bad and doubtful debts	–	1
Bank charges	217	233
Caravan park levies	305	304
Computer maintenance	1,090	753
Contributions/levies to other levels of government		
– Department of planning levy	72	124
– Emergency services levy (includes FRNSW, SES, and RFS levies)	995	952
– Waste levy	3,594	3,254
– Other contributions/levies	4	5
Contributions to other organisations	664	–
Councillor expenses – mayoral fee	38	38
Councillor expenses – councillors' fees	157	157
Councillors' expenses (incl. mayor) – other (excluding fees above)	7	11
Donations, contributions and assistance to other organisations (Section 356)	60	92
Electricity and heating	2,347	1,870
Flood prone land acquisition program (FPLAP) return of sale proceeds	–	123
Insurance	1,736	1,794
Postage	180	198
Printing and stationery	227	230
Quarry expenses	105	653
Street lighting	436	749
Subscriptions and publications	342	302
Telephone and communications	369	340
Valuation fees	177	201
Other	2	145
Total other expenses	13,505	12,948
TOTAL OTHER EXPENSES	13,505	12,948

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		9	340
Less: carrying amount of property assets sold/written off		(268)	(176)
Net gain/(loss) on disposal		(259)	164
Plant and equipment			
	11		
Proceeds from disposal – plant and equipment		1,707	969
Less: carrying amount of plant and equipment assets sold/written off		(2,581)	(949)
Net gain/(loss) on disposal		(874)	20
Infrastructure			
	11		
Less: carrying amount of infrastructure assets sold/written off		(14,094)	(7,122)
Net gain/(loss) on disposal		(14,094)	(7,122)
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		–	76
Less: carrying amount of real estate assets sold/written off		–	(45)
Net gain/(loss) on disposal		–	31
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		90,000	41,000
Less: carrying amount of investments sold/redeemed/matured		(90,000)	(41,000)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		–	124
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(143)
Net gain/(loss) on disposal		–	(19)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(15,227)	(6,926)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	2,971	909
Cash-equivalent assets		
– Deposits at call	18,650	9,407
– Managed funds	489	1,971
– Short-term deposits	10	33
Total cash and cash equivalents	22,120	12,320

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	–	6,610	1,007	6,604
b. 'Financial assets at amortised cost'	68,000	29,000	60,000	41,000
Total Investments	68,000	35,610	61,007	47,604
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	90,120	35,610	73,327	47,604
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	–	6,610	1,007	6,604
Total	–	6,610	1,007	6,604
Financial assets at amortised cost				
Long term deposits	68,000	29,000	60,000	41,000
Total	68,000	29,000	60,000	41,000

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	90,120	35,610	73,327	47,604
attributable to:				
External restrictions	62,420	19,424	34,484	34,284
Internal restrictions	27,116	16,186	37,794	13,320
Unrestricted	584	–	1,049	–
	90,120	35,610	73,327	47,604

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Deposits, bonds and retentions	2,192	1,807
Held as custodian	758	778
Clarence Care & Support (CCS) – grants	–	1,495
External restrictions – included in liabilities	2,950	4,080

External restrictions – other

Developer contributions – general	8,597	9,324
Developer contributions – water fund	7,802	4,095
Developer contributions – sewer fund	6,782	6,180
Specific purpose unexpended grants (recognised as revenue) – general fund	5,061	4,673
Specific purpose unexpended grants – Holiday Parks	24	24
Specific purpose unexpended grants – Other	917	805
Water supplies	36,676	27,399
Sewerage services	7,967	7,121
Domestic waste management	1,600	1,058
Holiday Parks	2,238	2,684
Clarence regional library	826	1,048
Other	404	277
External restrictions – other	78,894	64,688

Total external restrictions

81,844	68,768
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Internal restrictions

Building Asset renewals	1,083	1,101
Cemetery reserves	–	25
Coastal and estuary management	475	283
Commercial waste service reserve	1,145	823
Community cultural and heritage programs	23	35
Clarence Care & Support reserves	1,898	3,336
Council s7.11 development funds	30	30
Election cost reserve	225	150
Emergency services reserves	156	635
Employee leave entitlements	3,401	3,159
Environmental and noxious weeds projects	726	553
Fleet plant reserve	9,354	11,839
Floodplain management reserves	384	522
Infrastructure assets renewals reserve	1,684	3,703
Insurance reserves	178	976

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Maclean and district improvements	578	614
Miscellaneous administrative reserves	18	18
Mobile and public library projects	8	33
Other parks improvements	389	503
Public pool improvements	512	493
Public toilet refurbishment program	30	344
Quarries operations and rehabilitation	883	1,089
Regional development and tourism projects	32	31
Regional landfill reserves	5,153	6,275
Roads reserves	2,509	1,657
Saleyards asset replacement	320	234
Software implementation reserves	608	483
Sporting facilities improvements	396	993
Strategic building reserve	1,522	1,354
Strategic development programs	129	140
Unspent financial assistance grant	5,837	5,553
Unspent general loans	47	89
Unspent general loans floodplain infrastructure and natural resources	27	27
Waste management reserves	3,542	4,014
Total internal restrictions	43,302	51,114
TOTAL RESTRICTIONS	125,146	119,882

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,095	1,363	2,887	810
Interest and extra charges	480	–	435	–
User charges and fees	9,340	–	7,621	–
Accrued revenues				
– Interest on investments	938	–	1,525	–
Amounts due from other councils	225	–	169	–
Deferred debtors	–	–	14	89
Government grants and subsidies	13,821	–	7,444	–
Net GST receivable	784	–	785	–
Government departments (other than grants)	952	–	1,436	–
Other debtors	958	–	774	–
Total	30,593	1,363	23,090	899
Less: provision of impairment				
Rates and annual charges	(4)	–	(4)	–
Other debtors	(5)	–	(5)	–
Total provision for impairment – receivables	(9)	–	(9)	–
TOTAL NET RECEIVABLES	30,584	1,363	23,081	899
Externally restricted receivables				
Water supply				
– Rates and availability charges	121	53	120	34
– Other	4,308	–	5,077	–
Sewerage services				
– Rates and availability charges	772	340	774	217
– Other	645	–	1,138	–
Domestic waste management				
Other	541	195	468	116
Holiday Parks	41	–	1,639	–
Clarence Care & Support	958	–	455	–
Clarence Regional Library	40	–	1	–
Total external restrictions	7,426	588	9,672	367
Internally restricted receivables				
– Cemetery reserves	57	–	47	–
– Clarence Care & Support reserves	414	–	86	–
– Commercial waste service reserve	157	–	245	–
– Emergency services reserves	471	–	–	–
– Fleet plant reserve	2,875	–	538	–
– Maclean and district improvements	533	–	537	–
– Regional landfill	3,789	–	1,036	–
– Road reserves	346	–	288	–
– Saleyards asset replacement	50	–	41	–
– Waste management reserve	1,439	–	98	–
Internally restricted receivables	10,131	–	2,916	–
Unrestricted receivables	13,027	775	10,493	532

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

TOTAL NET RECEIVABLES	30,584	1,363	23,081	899
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\$ '000	2020	2019
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	9	34
– amounts already provided for and written off this year	–	(25)
Balance at the end of the year	9	9

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	90	156	90	156
Stores and materials	1,258	–	1,417	–
Total inventories at cost	1,348	156	1,507	156
<u>TOTAL INVENTORIES</u>	<u>1,348</u>	<u>156</u>	<u>1,507</u>	<u>156</u>
(b) Other assets				
Prepayments	172	–	87	–
<u>TOTAL OTHER ASSETS</u>	<u>172</u>	<u>–</u>	<u>87</u>	<u>–</u>
Externally restricted assets				
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Prepayments	–	–	2	–
Total water	–	–	2	–
Sewerage				
Prepayments	–	–	2	–
Total sewerage	–	–	2	–
Total externally restricted assets	–	–	4	–
Total unrestricted assets	1,520	156	1,590	156
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,520</u>	<u>156</u>	<u>1,594</u>	<u>156</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		90	156	90	156
Total real estate for resale		90	156	90	156
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		90	156	90	156
Total costs		90	156	90	156
Total real estate for resale		90	156	90	156
Movements:					
Real estate assets at beginning of the year		90	156	135	156
– WDV of sales (expense)	6	–	–	(45)	–
Total real estate for resale		90	156	90	156

(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	2020	2019
Real estate for resale	90	20
	90	20

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	342	–	342	–
Buildings	588	–	588	–
Other assets	217	–	–	–
Total non-current assets 'held for sale'	1,147	–	930	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>				
	1,147	–	930	–

(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	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	930	1,073
Less: carrying value of assets/operations sold	–	(143)
Balance still unsold after 12 months:	930	930
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	217	–
Closing balance of 'held for sale' non-current assets and operations	1,147	930

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 2020

Note 11. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	17,091	–	17,091	5,722	9,843	–	–	–	(10,262)	(888)	–	–	21,506	–	21,506
Plant and equipment	44,903	(21,764)	23,139	6,371	42	(2,465)	(3,269)	–	–	–	–	–	44,483	(20,665)	23,818
Office equipment	3,958	(3,210)	748	483	7	(7)	(319)	–	–	–	–	–	4,396	(3,484)	912
Furniture and fittings	3,983	(2,696)	1,287	49	23	(92)	(140)	–	–	–	–	–	3,826	(2,699)	1,127
Land:															
– Crown land	19,883	–	19,883	–	–	–	–	–	–	–	–	7,483	27,366	–	27,366
– Operational land	40,354	–	40,354	–	409	(23)	–	–	–	461	–	–	41,201	–	41,201
– Community land	7,556	–	7,556	–	899	(238)	–	–	–	(461)	–	764	8,520	–	8,520
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	20	–	20
Infrastructure:															
– Buildings – non-specialised	58,371	(19,475)	38,896	3	439	–	(757)	–	11	–	–	–	58,855	(20,263)	38,592
– Buildings – specialised	113,987	(33,327)	80,660	153	1,872	(4,269)	(1,321)	–	510	–	–	–	109,033	(31,428)	77,605
– Other structures	26,895	(7,357)	19,538	95	1,997	(88)	(1,284)	–	722	–	–	–	29,557	(8,577)	20,980
– Roads	601,446	(181,161)	420,285	4,387	4,352	(3,872)	(13,506)	–	3,303	(16)	–	–	607,381	(192,448)	414,933
– Bridges	151,437	(42,100)	109,337	920	1,220	(1,019)	(1,506)	(712)	914	32	–	–	152,862	(43,676)	109,186
– Footpaths	30,303	(10,023)	20,280	47	144	(92)	(616)	–	–	–	–	–	30,367	(10,604)	19,763
– Other road assets	34,381	(6,590)	27,791	2,066	–	(177)	(691)	–	–	170	–	–	36,404	(7,245)	29,159
– Bulk earthworks (non-depreciable)	189,594	–	189,594	1,870	2,325	(1,220)	–	–	1,484	(102)	–	–	193,951	–	193,951
– Stormwater drainage	218,045	(67,096)	150,949	157	1,275	(246)	(2,755)	–	441	(84)	–	–	219,408	(69,671)	149,737
– Water supply network	482,993	(135,303)	347,690	797	833	(1,318)	(5,798)	–	2,291	(2,159)	–	3,271	486,326	(140,719)	345,607
– Sewerage network	366,665	(110,936)	255,729	1,414	313	(1,174)	(8,650)	–	194	2,159	–	(4,047)	365,456	(119,518)	245,938
– Swimming pools	9,810	(4,182)	5,628	15	–	(16)	(166)	–	–	–	–	–	9,783	(4,322)	5,461
– Other open space/recreational assets	51,183	(19,601)	31,582	501	2,256	(542)	(1,757)	–	392	–	(217)	–	52,665	(20,450)	32,215
– Other infrastructure	184,020	(39,161)	144,859	253	–	(81)	(1,554)	–	–	–	–	–	184,164	(40,687)	143,477
Other assets:															
– Library books	6,077	(5,440)	637	296	–	(4)	(159)	–	–	–	–	–	6,369	(5,599)	770
– Other	3,901	–	3,901	94	–	–	–	–	–	–	–	–	3,995	–	3,995
Reinstatement, rehabilitation and restoration assets (refer Note 17):															
– Tip assets	8,924	(2,991)	5,933	1,992	636	–	(409)	–	–	–	–	–	11,552	(3,400)	8,152
– Quarry assets	862	(115)	747	385	–	–	(30)	–	–	–	–	–	1,247	(145)	1,102
Total Infrastructure, property, plant and equipment	2,676,642	(712,528)	1,964,114	28,070	28,885	(16,943)	(44,687)	(712)	–	(888)	(217)	7,471	2,710,693	(745,600)	1,965,093

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	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
\$ '000													
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	254	11	(1)	(330)	–	–	–	3,958	(3,210)	748
Furniture and fittings	3,946	(2,552)	1,394	4	36	(5)	(142)	–	–	–	3,983	(2,696)	1,287
Land:													
– Operational land	40,530	–	40,530	–	–	(176)	–	–	–	–	40,354	–	40,354
– Community land	7,396	–	7,396	–	160	–	–	–	–	–	7,556	–	7,556
– Crown land	19,883	–	19,883	–	–	–	–	–	–	–	19,883	–	19,883
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	20	–	20
Infrastructure:													
– Buildings – non-specialised	58,200	(18,696)	39,504	123	77	(14)	(794)	–	–	–	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
Other assets:													
– 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
Reinstatement, rehabilitation and restoration assets (refer Note 17):													
– 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
Total Infrastructure, property, plant and equipment	2,638,017	(672,940)	1,965,077	27,948	12,657	(8,247)	(43,040)	245	–	9,474	2,676,642	(712,528)	1,964,114

(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 2020

Note 11. 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 Best Practice Management of Water Supply and Sewer Guidelines.

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Buildings	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	Other infrastructure assets	Years
Heavy plant/road making equipment	5 to 15	Bulk earthworks	Infinite
Other plant and equipment	5 to 15	Floodplain assets	19 to 174
Water and sewer assets	Years	Stormwater assets	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	Other Structures	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		
Transportation assets	Years	Swimming Pools	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	Other open space/recreational assets	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		

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Street lights	35 to 42
Car parks	70 to 133

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.

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Lease, refer to Note 15.

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 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	3,225	3,003
Accumulated amortisation	(2,889)	(2,765)
Net book value – opening balance	336	238
Movements for the year		
– Other movements	(16)	–
– Purchases	866	214
– Amortisation charges	(215)	(116)
– Gross book value written off	(43)	–
– Accumulated amortisation charges written off	22	–
Closing values at 30 June		
Gross book value	4,041	3,225
Accumulated amortisation	(3,091)	(2,889)
Total software – net book value	950	336
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	950	336

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 2020

Note 13. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Government grants		4,991	–
Total Contract assets		4,991	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Unexpended capital grants (to construct Council controlled assets)	(i)	4,002	–
Holiday park deposits in advance of services provided		420	–
Other		87	–
Total contract liabilities		4,509	–

Notes

(i) Council has received funding to refurbish and extend the Grafton Regional Gallery and undertake improvements at the Maclean Showground. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	2,884
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	2,884

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

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

(i) Council as a lessee

Council has two leases for the asset class buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases two administration buildings:

- 42 Victoria Street Grafton - the lease is for 2 years with 2 x 5 year renewal options. The building lease contains an annual pricing mechanism based on 3% increase at each anniversary of the lease inception.
- 49 Queen Street Grafton - the original lease was for 3 years with a 3 year option to renew. The renewal date was 21 February 2019 where Council took up the 3 year renewal option making the lease term 6 years with an additional 1 x 3 year renewal option. The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

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

The potential future lease payments are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Plant & Equipment	Ready to use	Total
(a) Right of use assets			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	646	646
Depreciation charge	–	(228)	(228)
Other movement	–	(50)	(50)
<u>Balance at 30 June 2020</u>	<u>–</u>	<u>368</u>	<u>368</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	282	93
<u>TOTAL LEASE LIABILITIES</u>	<u>282</u>	<u>93</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	286	93	–	379	375
\$ '000					2020

(c) Income Statement

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

Interest on lease liabilities	6
Depreciation of right of use assets	228
Impairment of right of use assets	–
Expenses relating to short-term leases	87
	321

(d) Statement of Cash Flows

Total cash outflow for leases	(278)
	(278)

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 15.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Room/Facility Hire	826
Total income relating to operating leases	826

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	9,033	–	4,654	–
Goods and services – capital expenditure	1,907	–	863	–
Accrued expenses:				
– Borrowings	777	–	545	–
– Salaries and wages	888	–	11	–
– ELE - CCS transition to Wesley	384	–	–	–
Security bonds, deposits and retentions	2,192	–	1,807	–
Government departments	2,135	–	3,666	–
Employee time in lieu and RDO	462	–	461	–
Prepaid rates	2,181	–	–	–
Other	373	–	304	–
Client Balances - CCS transition to Wesley	1,508	–	–	–
Total payables	21,840	–	12,311	–
Income received in advance (2019 only)				
Payments received in advance	–	–	2,098	–
Total income received in advance	–	–	2,098	–
Borrowings				
Loans – secured ¹	8,195	95,940	7,040	104,135
Total borrowings	8,195	95,940	7,040	104,135
TOTAL PAYABLES AND BORROWINGS	30,035	95,940	21,449	104,135

(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 22.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	2,349	20,350	1,669	21,436
Sewer	5,322	60,238	4,000	64,752
Domestic waste management	821	4,906	1,005	5,446
Clarence Care & Support	2,912	–	1,612	–
Security bonds, deposits and retentions	2,192	–	1,807	–
Clarence Regional Library	17	–	3	–
Holidays Parks	751	–	681	–
Payables and borrowings relating to externally restricted assets	14,364	85,494	10,777	91,634
Total payables and borrowings relating to restricted assets	14,364	85,494	10,777	91,634
Total payables and borrowings relating to unrestricted assets	15,671	10,446	10,672	12,501

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

TOTAL PAYABLES AND BORROWINGS	30,035	95,940	21,449	104,135
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\$ '000	2020	2019
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	1,982	1,506
Total payables and borrowings	1,982	1,506

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	111,175	(7,040)	–	–	–	–	104,135
Lease liabilities	–	375	–	–	–	–	375
TOTAL	111,175	(6,665)	–	–	–	–	104,510

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	117,759	(6,584)	–	–	–	111,175
TOTAL	117,759	(6,584)	–	–	–	111,175

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

Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	150	150
Total financing arrangements	650	650

Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	150	150
Total undrawn financing arrangements	650	650

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 2020

Note 15. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables, bank and other loans 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 (2019 only)

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 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	3,477	–	3,361	–
Long service leave	8,783	303	8,969	301
Sub-total – aggregate employee benefits	12,260	303	12,330	301
Asset remediation/restoration:				
Asset remediation/restoration (future works)	388	14,731	–	11,902
Sub-total – asset remediation/restoration	388	14,731	–	11,902
<u>TOTAL PROVISIONS</u>	<u>12,648</u>	<u>15,034</u>	<u>12,330</u>	<u>12,203</u>

\$ '000	2020	2019
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(a) 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	8,631	9,097
	8,631	9,097

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

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	11,902	11,902
Additional provisions	945	945
Remeasurement effects	2,068	2,068
Unwinding of discount	204	204
Total other provisions at end of year	15,119	15,119
2019		
At beginning of year	8,213	8,213
Additional provisions	(501)	(501)
Remeasurement effects	3,967	3,967
Unwinding of discount	223	223
Total other provisions at end of year	11,902	11,902

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Changes in presentation

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

- Additional line items of contract liabilities have been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	2,884
Total Contract liabilities	<u>2,884</u>

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	22,120	–	–	22,120	
Investments	68,000	–	–	68,000	
Receivables	30,584	–	–	30,584	
Inventories	1,348	–	–	1,348	
Contract assets	4,991	–	–	4,991	
Other	172	–	–	172	
Current assets classified as 'held for sale'	1,147	–	–	1,147	
Total current assets	<u>128,362</u>	<u>–</u>	<u>–</u>	<u>128,362</u>	
Current liabilities					
Payables	21,840	(2,181)	–	19,659	
Income received in advance	–	2,688	–	2,688	
Contract liabilities	4,509	(507)	(4,002)	–	
Lease liabilities	282	–	–	282	
Borrowings	8,195	–	–	8,195	
Provisions	12,648	–	–	12,648	
Total current liabilities	<u>47,474</u>	<u>–</u>	<u>(4,002)</u>	<u>43,472</u>	
Non-current assets					
Investments	35,610	–	–	35,610	
Receivables	1,363	–	–	1,363	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Inventories	156	–	–	156	
Infrastructure, property, plant and equipment	1,965,093	–	–	1,965,093	
Intangible assets	950	–	–	950	
Right of use assets	368	–	–	368	
Investments accounted for using equity method	42	–	–	42	
Total non-current assets	2,003,582	–	–	2,003,582	
Non-current liabilities					
Lease liabilities	93	–	–	93	
Borrowings	95,940	–	–	95,940	
Provisions	15,034	–	–	15,034	
Total Non-current liabilities	111,067	–	–	111,067	
Net assets	1,973,403	–	4,002	1,977,405	
Equity					
Accumulated surplus	836,142	–	4,002	840,144	
Revaluation reserves	1,137,261	–	–	1,137,261	
Council equity interest	1,973,403	–	4,002	1,977,405	
Total equity	1,973,403	–	4,002	1,977,405	

Funds under AASB 1058 which have been received prior to the satisfaction of the performance obligation.

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	62,791	–	–	62,791	
User charges and fees	39,312	–	–	39,312	
Other revenues	2,403	–	–	2,403	
Grants and contributions provided for operating purposes	32,610	–	–	32,610	
Grants and contributions provided for capital purposes	24,740	–	1,117	25,857	
Interest and investment income	3,344	–	–	3,344	
Rental income	826	–	–	826	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Total Income from continuing operations	166,026	–	1,117	167,143	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	36,062	–	–	36,062	
Borrowing costs	7,655	–	–	7,655	
Materials and contracts	42,034	–	–	42,034	
Depreciation and amortisation	44,033	–	–	44,033	
Other expenses	13,505	–	–	13,505	
Net losses from the disposal of assets	15,227	–	–	15,227	
Net share of interests in joint ventures and associates using the equity method	34	–	–	34	
Total Expenses from continuing operations	158,550	–	–	158,550	
Total Operating result from continuing operations	7,476	–	1,117	8,593	
Operating result from discontinued operations	52	–	–	52	
Net operating result for the year	7,528	–	1,117	8,645	
Total comprehensive income	14,327	–	–	14,327	

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	2,884	2,884
Total liabilities	150,117	2,884	153,001
Accumulated surplus	832,603	(2,884)	829,719
Total equity	(150,117)	(2,884)	(153,001)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$646,599 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.42%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	657

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	<u>646</u>
Lease liabilities recognised at 1 July 2019	<u>646</u>

Council as a lessor

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	22,120	12,320
Balance as per the Statement of Cash Flows		22,120	12,320
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,528	4,428
Adjust for non-cash items:			
Depreciation and amortisation		44,033	42,306
Net losses/(gains) on disposal of assets		15,227	6,926
Non-cash capital grants and contributions		(6,035)	(3,204)
Adoption of AASB 15/1058		(2,884)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(13)	(87)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(14)	(7)
– Interest exp. on interest-free loans received by Council (previously fair valued)		–	7
Unwinding of discount rates on reinstatement provisions		204	223
Share of net (profits)/losses of associates/joint ventures using the equity method		34	42
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(8,070)	(4,647)
Increase/(decrease) in provision for impairment of receivables		–	(25)
Decrease/(increase) in inventories		159	(180)
Decrease/(increase) in other current assets		(85)	176
Decrease/(increase) in contract assets		(4,991)	–
Increase/(decrease) in payables		4,379	316
Increase/(decrease) in accrued interest payable		232	(25)
Increase/(decrease) in other accrued expenses payable		1,261	10
Increase/(decrease) in other liabilities and accruals		515	561
Increase/(decrease) in contract liabilities		4,509	–
Increase/(decrease) in provision for employee benefits		(68)	432
Increase/(decrease) in other provisions		3,013	3,466
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		58,934	50,718
(c) Non-cash investing and financing activities			
Other non-cash items		6,035	3,204
Total non-cash investing and financing activities		6,035	3,204

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	(34)	(42)	42	36
Total	(34)	(42)	42	36

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	2020	2019
NEWLOG	Joint venture	Equity	36	36
Total carrying amounts – material joint ventures			36	36

(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	
	2020	2019	2020	2019	2020	2019
NEWLOG	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

(d) Summarised financial information for joint ventures

\$ '000	NEWLOG	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	284	229
Other current assets	54	57
Non-current assets	44	67
Current liabilities		
Other current liabilities	234	246
Net assets	148	107

Reconciliation of the carrying amount

Opening net assets (1 July)	107	129
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

\$ '000	NEWLOG	
	2020	2019
Profit/(loss) for the period	(236)	(291)
Contributions	277	269
Closing net assets	148	107
Council's share of net assets (%)	28.3%	34.0%
Council's share of net assets (\$)	42	36
Statement of comprehensive income		
Income	285	259
Interest income	5	5
Depreciation and amortisation	(23)	(23)
Other expenses	(503)	(532)
Profit/(loss) from continuing operations	(236)	(291)
Profit/(loss) for the period	(236)	(291)
Total comprehensive income	(236)	(291)
Share of income – Council (%)	14.4%	14.4%
Profit/(loss) – Council (\$)	(34)	(42)
Total comprehensive income – Council (\$)	(34)	(42)
Summarised Statement of cash flows		
Cash flows from operating activities	(221)	(247)
Cash flows from financing activities	276	269
Net increase (decrease) in cash and cash equivalents	55	22

(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 2020

Note 20. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	3,252	1,806
Plant and equipment	4,170	2,123
Sewerage services infrastructure	1,845	912
Water supply infrastructure	635	2,794
Road infrastructure	–	264
Other	814	1,292
Total commitments	10,716	9,191
These expenditures are payable as follows:		
Within the next year	10,167	9,191
Later than one year and not later than 5 years	549	–
Total payable	10,716	9,191

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

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

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

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

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

Description of the funding arrangements

Pooled employers are required to pay 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 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$1,013,511.15. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$521,600.00. Council's expected contribution to the plan for the next annual reporting period is \$921,671.36.

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

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

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

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 2020

Note 21. Contingencies (continued)

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 \$1,112,000. 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 \$917,000 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 2020

Note 21. Contingencies (continued)

are classified at Note 7 (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 \$917,000.

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 2020

Note 22. 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.

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 s625 of the Local Government Act 1993 and the Ministerial Investment Order. This policy is regularly reviewed by Council 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 these changes are caused by factors specific to individual financial instruments or their issuers, or by factors affecting similar instruments traded in a market.

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

– **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.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Lease liabilities	375	–	–	–

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	710	710	(710)	(710)
Possible impact of a 1% movement in interest rates	1,252	1,252	(1,252)	(1,252)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
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) 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
2020						
Gross carrying amount	17	2,891	742	705	103	4,458
2019						
Gross carrying amount	224	2,230	305	859	79	3,697

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	21,981	312	763	236	2,572	25,864
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
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%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	2,192	17,467	–	–	19,659	19,659
Loans and advances	6.48%	–	14,900	53,271	81,541	149,712	104,135
Total financial liabilities		2,192	32,367	53,271	81,541	169,371	123,794
2019							
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
Total financial liabilities		1,807	24,734	55,325	94,386	176,252	123,473

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is not required to be audited. The original projects on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and by decisions made by the council.

While these general purpose financial statements include the original budget adopted by Council, the *Local Government Act* requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during 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 of more than 10% between original budget and actual results are explained below.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	60,533	62,791	2,258	4% F
User charges and fees	38,649	39,312	663	2% F
Other revenues	1,105	2,403	1,298	117% F
Insurance Claims Revenue \$951k (F) - mostly attributable to Storm Damage incident in Jan 2018				
Domestic Waste Management \$110k (F)				
Fuel Tax Credits \$94k (F)				
Operating grants and contributions	24,941	32,610	7,669	31% F
Storm / Flood Damage Grants \$7,080k (F)				
Bushfire Grants & Contributions \$5,207k (F)				
Community Care Services (HomeCare and NDIS) \$1,257k (F)				
Capital grants and contributions	21,344	24,740	3,396	16% F
Section 64 Developer Contributions - Water \$2,919k (F)				
Interest and investment revenue	3,085	3,344	259	8% F
Rental income	931	826	(105)	(11)% U
At this stage, Council's budget does not recognise a reduction in rental income as required by the new Revenue Recognition Standards AASB15, AASB 1058 and AASB 16.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	38,418	36,062	2,356	6%	F
Borrowing costs	7,203	7,655	(452)	(6)%	U
Materials and contracts	31,093	42,034	(10,941)	(35)%	U
Council's budget is base 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:					
Natural Disaster Response - Floodplain \$6,433k (U)					
Natural Disaster Response - Roads \$1,720k (U)					
Sewer Operation Maintenance & Renewals \$1,513k (U)					
Water Operation Maintenance & Reneals \$1,341k (U)					
Street Lighting \$916k (U)					
Building, Properties & Leases \$495k (U)					
Depreciation and amortisation	42,717	44,033	(1,316)	(3)%	U
Other expenses	14,147	13,505	642	5%	F
Net losses from disposal of assets	-	15,227	(15,227)	∞	U
At this stage, council's budget only allows for proceeds from sale of assets and does not attempt to predict any book profit or loss from disposals.					
Joint ventures and associates – net losses	-	34	(34)	∞	U
Council's budget does not predict any profit or loss from Joint Ventures.					
Operating result from discontinued operations	-	52	(52)	∞	U
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	60,304	58,934	(1,370)	(2)%	U
Cash flows from investing activities	(47,709)	(41,873)	5,836	(12)%	F
Cashflows from investing activities greater than budgeted as surplus funds invested due to additional grant funds received for natural disaster response and recovery activities.					
Cash flows from financing activities	(8,062)	(7,261)	801	(10)%	F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Discontinued operation

\$ '000	2020	2019
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(i) Discontinued operations

On 30 June 2020 Clarence Valley Council transferred the existing services provided by Clarence Care + Support to Wesley Community Services Limited trading as Wesley Mission. As at 30 June 2020, Clarence Care + Support no longer exists as a Category 1 business. Detailed financial information on Clarence Care + Support can be found in the Special Purpose Financial Statements.

Clarence Care + Support was not previously classified as a discontinued operation. The comparatives in this note and the comparative consolidated Income Statement and Statement of Comprehensive Income has been restated to show the discontinued operation separately from continuing operations.

(ii) Financial performance of discontinued operations**Financial performance**

Revenues	7,804	7,281
Expenses	(8,037)	(6,553)
Gross profit/(loss) of discontinued operations	(233)	728
Consideration received for discontinued operations	376	–
Less:		
Net carrying value of discontinued operations	(91)	–
Gain/(loss) on reclassification/sale	285	–
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	52	728

(iv) Net carrying value of discontinued operations**Discontinued operation - sold**

Carrying value – assets	–	6,668
Carrying value – liabilities	–	(1,612)
Net carrying value	–	5,056
Total value of discontinued operations (on hand)	–	5,056

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. 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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’		–	6,610	–	6,610
Total financial assets		–	6,610	–	6,610
Infrastructure, property, plant and equipment					
Operational land		–	40,740	–	40,740
Community land		–	16,464	–	16,464
Crown land		–	19,883	–	19,883
Land under roads (post 30/6/08)		–	–	20	20
Buildings – non-specialised		–	813	37,779	38,592
Buildings – specialised		–	–	77,605	77,605
Other structures		–	–	20,980	20,980
Roads		–	–	414,933	414,933
Bridges		–	–	109,186	109,186
Footpaths		–	–	19,763	19,763
Other road assets		–	–	29,159	29,159
Bulk earthworks (non-depreciable)		–	–	193,951	193,951
Stormwater drainage		–	–	149,737	149,737
Water supply network		–	–	345,607	345,607
Sewerage network		–	–	245,938	245,938
Swimming pools		–	–	5,461	5,461
Other open space/recreational assets		–	–	32,215	32,215
Floodplain		–	–	143,477	143,477
Library books		–	–	770	770
Artwork		–	–	3,995	3,995
Tip remediation		–	–	8,152	8,152

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Quarry remediation		–	–	1,102	1,102
Total infrastructure, property, plant and equipment		–	77,900	1,839,830	1,917,730
Non-current assets classified as 'held for sale'					
Land		–	–	342	342
Buildings		–	588	–	588
Other		–	–	217	217
Total NCA's classified as 'held for sale'		–	588	559	1,147

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'		–	7,611	–	7,611
Total financial assets		–	7,611	–	7,611
Infrastructure, property, plant and equipment					
Operational land		–	40,354	–	40,354
Community land		–	7,556	–	7,556
Crown land		–	19,883	–	19,883
Land under roads (post 30/6/08)		–	–	20	20
Buildings – non-specialised		–	832	38,064	38,896
Buildings – specialised		–	–	80,660	80,660
Other structures		–	–	19,538	19,538
Roads		–	–	420,285	420,285
Bridges		–	–	109,337	109,337
Footpaths		–	–	20,280	20,280
Other road assets		–	–	27,791	27,791
Bulk earthworks (non-depreciable)		–	–	189,594	189,594
Stormwater drainage		–	–	150,949	150,949
Water supply network		–	–	347,690	347,690
Sewerage network		–	–	255,729	255,729
Swimming pools		–	–	5,628	5,628
Other open space/recreational assets		–	–	31,582	31,582
Floodplain		–	–	144,859	144,859
Library books		–	–	637	637
Artwork		–	–	3,901	3,901
Tip remediation		–	–	5,933	5,933
Quarry remediation		–	–	747	747
Total infrastructure, property, plant and equipment		–	68,625	1,853,224	1,921,849
Non-current assets classified as 'held for sale'					
Land		–	–	342	342
Buildings		–	588	–	588
Other		–	–	–	–
Total NCA's classified as 'held for sale'		–	588	342	930

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).

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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 2019 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.

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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 2020

Note 25. 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
2019					
Opening balance	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
Impairment loss (recognised in equity)	–	–	–	–	–
Closing balance	20	38,064	80,660	19,538	420,285
2020					
Opening balance	20	38,064	80,660	19,538	420,285
Transfers from/(to) another asset class	–	–	–	–	(16)
Purchases (GBV)	–	475	2,535	2,814	12,042
Disposals (WDV)	–	–	(4,269)	(88)	(3,872)
Depreciation and impairment	–	(760)	(1,321)	(1,284)	(13,506)
Impairment loss (recognised in equity)	–	–	–	–	–
Closing balance	20	37,779	77,605	20,980	414,933

\$ '000	Bridges	Footpaths	Other road assets	Bulk earthworks	Stormwater drainage
2019					
Opening balance	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)
Impairment loss (recognised in equity)	–	–	–	–	–
Closing balance	109,337	20,280	27,791	189,594	150,949
2020					
Opening balance	109,337	20,280	27,791	189,594	150,949
Transfers from/(to) another asset class	32	–	170	(102)	(84)
Purchases (GBV)	3,054	191	2,066	5,679	1,873
Disposals (WDV)	(1,019)	(92)	(177)	(1,220)	(246)
Depreciation and impairment	(1,506)	(616)	(691)	–	(2,755)
Impairment loss (recognised in equity)	(712)	–	–	–	–
Closing balance	109,186	19,763	29,159	193,951	149,737

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Swimming pools	Other open spaces/rec assets	Foodplain assets
Opening balance	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	–	–	–
Impairment loss (recognised in equity)	–	–	–	–	–
Closing balance	347,690	255,729	5,628	31,582	144,859
Opening balance	347,690	255,729	5,628	31,582	144,859
Transfers from/(to) another asset class	(2,159)	2,159	–	–	–
Purchases (GBV)	3,921	1,921	15	2,932	253
Disposals (WDV)	(1,318)	(7,597)	(16)	(542)	(81)
Depreciation and impairment	(5,798)	(8,650)	(166)	(1,757)	(1,554)
Revaluation increments to equity (ARR)	3,271	2,376	–	–	–
Impairment loss (recognised in equity)	–	–	–	–	–
Closing balance	345,607	245,938	5,461	32,215	143,477

\$ '000	Library books	Artwork	Tip remediat'n
2019			
Opening balance	617	3,815	3,097
Purchases (GBV)	298	86	3,097
Disposals (WDV)	(3)	–	–
Depreciation and impairment	(275)	–	(261)
Impairment loss (recognised in equity)	–	–	–
Closing balance	637	3,901	5,933
2020			
Opening balance	637	3,901	5,933
Purchases (GBV)	296	94	2,628
Disposals (WDV)	(4)	–	–
Depreciation and impairment	(159)	–	(409)
Impairment loss (recognised in equity)	–	–	–
Closing balance	770	3,995	8,152

\$ '000	Quarry remediat'n	Held for Sale Land	Total
2019			
Opening balance	389	342	1,862,602
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

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

\$ '000	Quarry remediat'n	Held for Sale Land	Total
Impairment loss (recognised in equity)	–	–	–
Closing balance	747	342	1,853,566
2020			
Opening balance	747	342	1,853,566
Purchases (GBV)	385	–	43,174
Disposals (WDV)	–	–	(20,541)
Depreciation and impairment	(30)	–	(40,962)
Revaluation increments to equity (ARR)	–	–	5,647
Impairment loss (recognised in equity)	–	–	(712)
Closing balance	1,102	342	1,840,172

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 1/7/19 values have been used which is supplied to councils to use in setting rates from 1/7/20. 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 2020

Note 25. Fair Value Measurement (continued)

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 2020

Note 25. 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 2020

Note 25. Fair Value Measurement (continued)

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 2020

Note 26. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,073	1,048
Post-employment benefits	82	82
Other long-term benefits	27	39
Termination benefits	61	–
Total	1,243	1,169

(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						
2020						
Earthmoving services and plant hire	1	1,517,664	265,299	14 days	–	–
Holiday Park mangement fees	2	356,016	–	14 days	–	–
2019						
Earthmoving services and plant hire	1	56	1	14 days	–	–
Holiday Park mangement fees	2	331	–	14 days	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Related party disclosures (continued)

- 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.
- 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 27. Events occurring after the reporting date

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

The Coronavirus (COVID-19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had a financial impact for Council in the financial year ended 30 June 2020, which was reported to Council, and is expected to further impact the following financial year.

The scale, timing and duration of the potential impacts on Council is unknown, however, it is expected that there will be a decrease in projected revenue.

In the period after balance sheet date to signing of this report, there have not been any additional significant adverse operational or financial impacts as a result of COVID-19 Pandemic or other circumstances and any known impacts to date have been reflected in the 30 June 2020 financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
\$ '000		Cash	Non-cash						
Drainage	556	–	–	12	(64)	–	504	–	
Roads	2,949	273	–	67	(230)	–	3,059	–	
Open space	292	279	–	–	(838)	–	(267)	–	
Community facilities	1,582	268	–	39	(19)	–	1,870	–	
Other	196	19	–	5	(1)	–	219	–	
S7.11 contributions – under a plan	5,575	839	–	123	(1,152)	–	5,385	–	
S7.12 levies – under a plan	3,431	139	–	70	(869)	–	2,771	–	
Total S7.11 and S7.12 revenue under plans	9,006	978	–	193	(2,021)	–	8,156	–	
S7.11 not under plans	202	–	–	5	–	–	207	–	
S7.4 planning agreements	116	113	–	4	–	–	233	–	
S64 contributions	10,275	4,030	–	280	–	–	14,585	–	
Total contributions	19,599	5,121	–	482	(2,021)	–	23,181	–	

S7.11 Contributions – under a plan

CONTRIBUTION PLAN - Clarence Valley Contributions Plan 2011

Open space	292	279	–	–	(838)	–	(267)	–
Community facilities	1,582	268	–	39	(19)	–	1,870	–
Total	1,874	547	–	39	(857)	–	1,603	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN - Access Roads & Bridges (Copmanhurst)								
Roads	836	94	–	20	(19)	–	931	–
Total	836	94	–	20	(19)	–	931	–
CONTRIBUTION PLAN - Roads (Grafton)								
Roads	140	–	–	3	–	–	143	–
Total	140	–	–	3	–	–	143	–
CONTRIBUTION PLAN - Drainage (Gulmarrad)								
Drainage	556	–	–	12	(64)	–	504	–
Total	556	–	–	12	(64)	–	504	–
CONTRIBUTION PLAN - Roads (Maclean)								
Roads	(50)	102	–	–	–	–	52	–
Total	(50)	102	–	–	–	–	52	–
CONTRIBUTION PLAN - Kerb & Gutter (Maclean)								
Roads	38	–	–	1	–	–	39	–
Total	38	–	–	1	–	–	39	–
CONTRIBUTION PLAN - Tree Planting (Maclean)								
Other	36	1	–	1	(1)	–	37	–
Total	36	1	–	1	(1)	–	37	–
CONTRIBUTION PLAN - Extractive Industries (Copmanhurst, Maclean and Pristine Waters)								
Other	155	18	–	4	–	–	177	–
Total	155	18	–	4	–	–	177	–
CONTRIBUTION PLAN - Tree Planting (Pristine Waters)								
Other	5	–	–	–	–	–	5	–
Total	5	–	–	–	–	–	5	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN - Coutts Crossing (Pristine Waters)								
Roads	230	–	–	5	–	–	235	–
Total	230	–	–	5	–	–	235	–
CONTRIBUTION PLAN - Southampton (Superseded) (Pristine Waters)								
Roads	53	–	–	1	–	–	54	–
Total	53	–	–	1	–	–	54	–
CONTRIBUTION PLAN - Nymboida (Superseded) (Pristine Waters)								
Roads	12	–	–	–	–	–	12	–
Total	12	–	–	–	–	–	12	–
CONTRIBUTION PLAN - Tyringham (Superseded) (Pristine Waters)								
Roads	135	–	–	3	–	–	138	–
Total	135	–	–	3	–	–	138	–
CONTRIBUTION PLAN - Kangaroo Creek (Superseded) (Pristine Waters)								
Roads	39	10	–	1	–	–	50	–
Total	39	10	–	1	–	–	50	–
CONTRIBUTION PLAN - Ramornie/Jackadgery (Superseded) (Pristine Waters)								
Roads	18	–	–	–	–	–	18	–
Total	18	–	–	–	–	–	18	–
CONTRIBUTION PLAN - Old Glenn Innes Rd District (Superseded) (Pristine Waters)								
Roads	20	23	–	1	–	–	44	–
Total	20	23	–	1	–	–	44	–
CONTRIBUTION PLAN - Ulmarra (Pristine Waters)								
Roads	1,478	44	–	32	(211)	–	1,343	–
Total	1,478	44	–	32	(211)	–	1,343	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 Levies – under a plan								
CONTRIBUTION PLAN - Non Residential (Clarence Valley)								
Other	3,431	139	–	70	(869)	–	2,771	–
Total	3,431	139	–	70	(869)	–	2,771	–
S7.11 Contributions – not under a plan								
Clarence Valley								
Drainage	69	–	–	2	–	–	71	–
Parking	1	–	–	–	–	–	1	–
Other	68	–	–	2	–	–	70	–
Total	138	–	–	4	–	–	142	–
Nymboida (Pristine Waters)								
Roads	36	–	–	1	–	–	37	–
Total	36	–	–	1	–	–	37	–
Maclean								
Roads	28	–	–	–	–	–	28	–
Total	28	–	–	–	–	–	28	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	43,037	2,527	17,813
User charges and fees	20,585	16,171	3,312
Interest and investment revenue	1,967	1,001	376
Other revenues	7,682	298	22
Grants and contributions provided for operating purposes	31,593	831	186
Grants and contributions provided for capital purposes	20,267	3,845	628
Rental income	826	–	–
Total income from continuing operations	125,957	24,673	22,337
Expenses from continuing operations			
Employee benefits and on-costs	32,691	1,535	1,836
Borrowing costs	1,658	1,650	4,347
Materials and contracts	35,196	3,929	3,150
Depreciation and amortisation	29,007	6,071	8,955
Other expenses	12,771	3,351	4,083
Net losses from the disposal of assets	12,517	1,497	1,213
Share of interests in joint ventures and associates using the equity method	34	–	–
Total expenses from continuing operations	123,874	18,033	23,584
Operating result from continuing operations	2,083	6,640	(1,247)
Discontinued operations			
Net profit/(loss) from discontinued operations	52	–	–
Net operating result for the year	2,135	6,640	(1,247)
Net operating result attributable to each council fund	2,135	6,640	(1,247)
Net operating result for the year before grants and contributions provided for capital purposes	(18,132)	2,795	(1,875)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	20,221	665	1,234
Investments	44,155	16,306	7,539
Receivables	24,738	4,429	1,417
Inventories	1,348	–	–
Contract assets	4,991	–	–
Other	172	–	–
Non-current assets classified as 'held for sale'	1,147	–	–
Total current assets	96,772	21,400	10,190
Non-current assets			
Investments	2,127	27,507	5,976
Receivables	970	53	340
Inventories	156	–	–
Infrastructure, property, plant and equipment	1,346,295	358,954	259,844
Investments accounted for using the equity method	42	–	–
Intangible assets	913	1	36
Right of use assets	368	–	–
Total non-current assets	1,350,871	386,515	266,196
TOTAL ASSETS	1,447,643	407,915	276,386
LIABILITIES			
Current liabilities			
Payables	19,770	1,262	808
Contract liabilities	4,509	–	–
Lease liabilities	282	–	–
Borrowings	2,594	1,087	4,514
Provisions	12,648	–	–
Total current liabilities	39,803	2,349	5,322
Non-current liabilities			
Lease liabilities	93	–	–
Borrowings	15,352	20,350	60,238
Provisions	15,034	–	–
Total non-current liabilities	30,479	20,350	60,238
TOTAL LIABILITIES	70,282	22,699	65,560
Net assets	1,377,361	385,216	210,826
EQUITY			
Accumulated surplus	503,901	214,972	117,269
Revaluation reserves	873,460	170,244	93,557
Council equity interest	1,377,361	385,216	210,826
Total equity	1,377,361	385,216	210,826

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,016)	(1.43)%	(1.78)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	141,273			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	108,663	65.45%	75.69%	>60.00%
Total continuing operating revenue ¹	166,013			
3. Unrestricted current ratio				
Current assets less all external restrictions	58,426	3.23x	4.42x	>1.50x
Current liabilities less specific purpose liabilities	18,075			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	49,672	3.33x	3.31x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14,916			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	4,934	7.32%	6.52%	<10.00%
Rates, annual and extra charges collectible	67,363			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	119,120	13.98 mths	13.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	8,524			

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5.72)%	(9.35)%	20.61%	20.30%	(3.04)%	8.66%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	56.42%	67.88%	81.05%	92.01%	96.36%	94.86%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.23x	5.55x	9.11x	5.57x	1.91x	2.02x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5.90x	5.77x	4.41x	4.40x	1.52x	1.67x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.58%	6.63%	9.55%	9.17%	6.37%	5.87%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.73	11.27	46.51	38.26	10.46	10.65	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 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 2020

Note 31. Council information and contact details

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

Email: 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 Clarence Valley Council

Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 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

26 November 2020
SYDNEY



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

Contact: Gearoid Fitzgerald
 Phone no: 02 9275 7395
 Our ref: D2027899/1713

26 November 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	62.8	59.4	↑ 5.7
Grants and contributions revenue	57.4	33.6	↑ 70.8
Operating result from continuing operations	7.5	3.7	↑ 102.7
Net operating result before capital grants and contributions	(17.2)	(8.4)	↓ 104.8

• The 2019 have been restated to reflect the reclassification revenue and expenditure items of Clarence Care and Support in line with its disposal per AASB 5.

The Council's operating result from continuing operations (including depreciation and amortisation expense of \$44.0 million) was \$3.8 million higher than the 2018–19 result. The higher result was primarily due to increased rates (\$2.6 million) arising from the 8% approved Special Rate Variation and user charges revenue increases (\$1.2 million).

On 30th June 2020, Council transferred the existing services provided by Clarence Care and Support (CCS) to Wesley Community Services Ltd. The net operating result for the year after the discontinued CCS operations was \$7.5 million.

The net operating result before capital grants and contributions (deficit of \$17.2 million) was \$8.8 million lower than the 2018–19 result. The lower result was primarily due to assets written off and expenses associated with flood and fire damage restoration works.

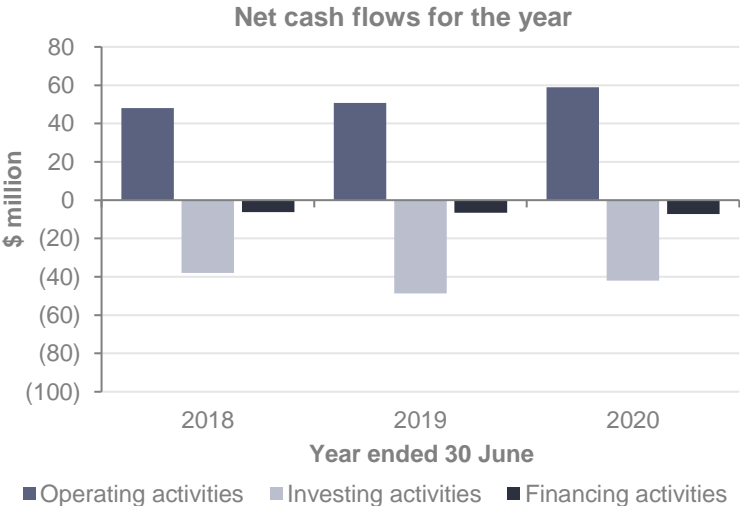
Grants and contributions revenue (\$57.4 million) increased by \$23.8 million (70.8 per cent) in 2019–20 primarily due to:

- \$6.5 million of developer and other contributions received during the year
- \$7.08 million of grants received in natural disaster funding in relation to bushfire / floods
- \$4.7 million of increased grants received from NSW rural fire services

STATEMENT OF CASH FLOWS

There was a net cash inflow due to:

- Increase in operating cashflows from increased rates/charges and grants related to flood/fire damage.
- Cash outflows for investing activities reduced due to lower re-investment in current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	81.8	68.8	• Externally restricted cash and investments have increased mainly due to water supplies (\$9.3m) and developer contributions to water (\$3.7m).
Internal restrictions	43.3	51.1	
Unrestricted	0.6	1.0	• Overall, internally restricted and unrestricted cash and investments have reduced across all areas in-line with increased expenditure across those areas.
Cash and investments	125.7	120.9	

PERFORMANCE

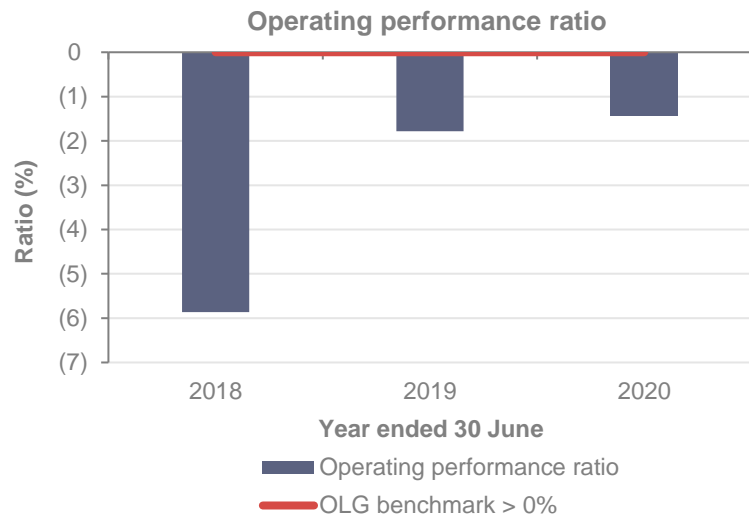
Performance measures

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

Operating performance ratio

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

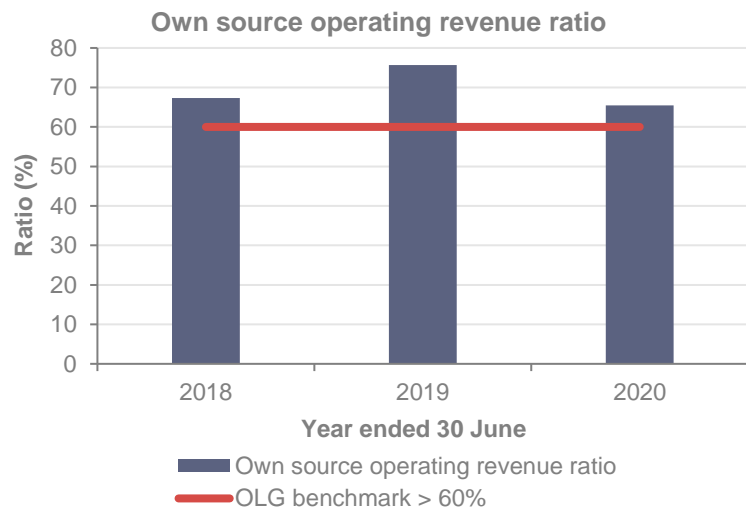
The Council had increased repairs and maintenance expenses largely due to natural disasters during the current year and did not meet the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

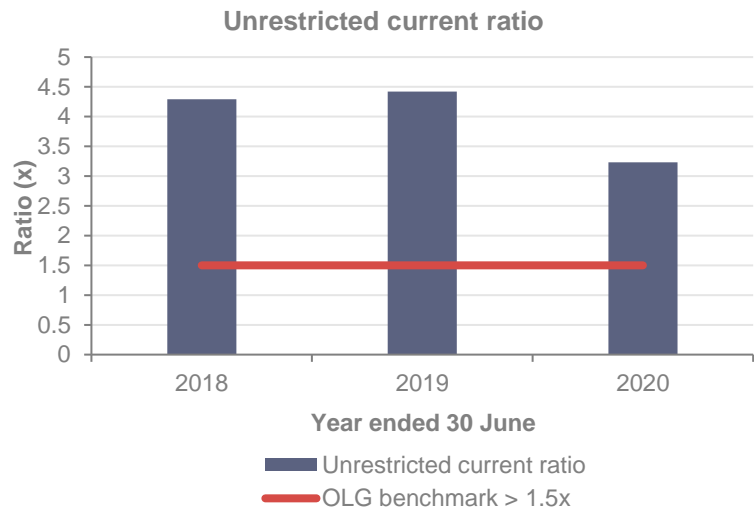
The Council met the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

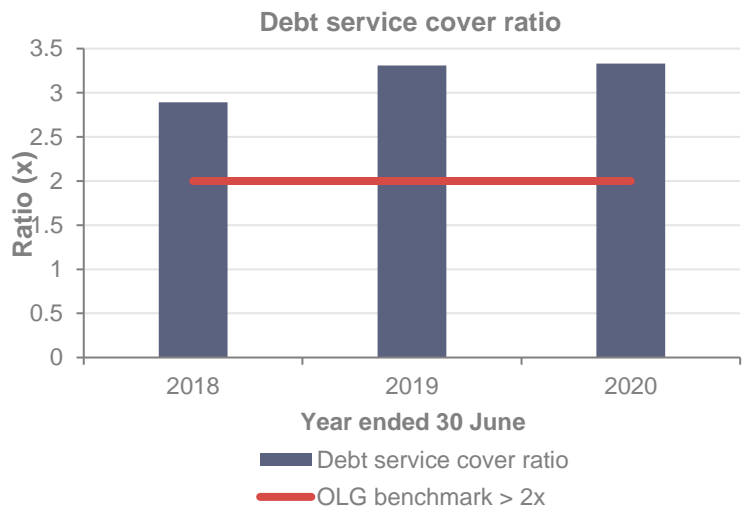
The Council met the OLG benchmark for the current reporting period.



Debt service cover ratio

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

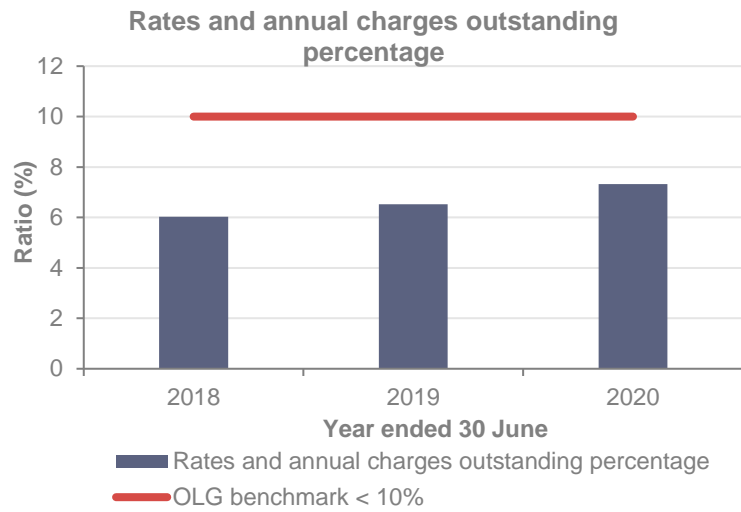
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding per centage

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

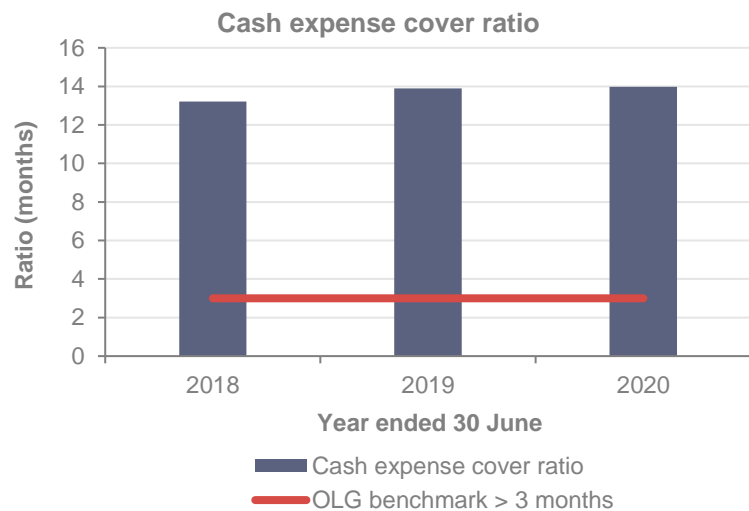
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council's primary asset renewals in the current financial year compared with the prior year:

- Infrastructure renewal 2019–20 year was \$12.7m as compared to prior year that was \$8.0m and primarily comprised of road renewals \$6.5m (2019 - \$1.9m).

Council's infrastructure asset renewal compared to depreciation expense:

- Total infrastructure asset renewals during the year (\$12.7 million) remains significantly lower than total depreciation expense (\$40.3m).

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

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

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

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

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

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

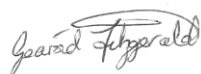
The Council recognised right-of-use assets of \$0.6 million and lease liabilities of \$0.6 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17.

Legislative compliance

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

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



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

cc: 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 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Clarence Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

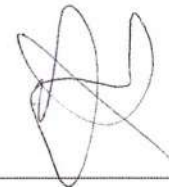
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

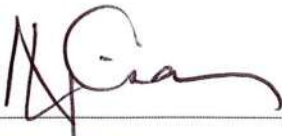
Signed in accordance with a resolution of Council made on 27 October 2020.



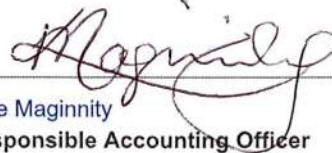
Jim Simmons
Mayor
27 October 2020



Jason Kingsley
Councillor
27 October 2020



Ashley Lindsay
General Manager
27 October 2020



Kate Maginnity
Responsible Accounting Officer
27 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,527	2,453
User charges	14,309	13,520
Fees	1,862	1,099
Interest	1,001	1,012
Grants and contributions provided for non-capital purposes	831	750
Other income	298	280
Total income from continuing operations	20,828	19,114
Expenses from continuing operations		
Employee benefits and on-costs	1,535	1,775
Borrowing costs	1,650	1,711
Materials and contracts	3,929	2,552
Depreciation, amortisation and impairment	6,071	6,360
Loss on sale of assets	1,497	4,127
Calculated taxation equivalents	68	67
Debt guarantee fee (if applicable)	214	224
Other expenses	3,351	2,835
Total expenses from continuing operations	18,315	19,651
Surplus (deficit) from continuing operations before capital amounts	2,513	(537)
Grants and contributions provided for capital purposes	3,845	845
Surplus (deficit) from continuing operations after capital amounts	6,358	308
Surplus (deficit) from all operations before tax	6,358	308
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(691)	–
SURPLUS (DEFICIT) AFTER TAX	5,667	308
Plus accumulated surplus	375,373	369,384
Plus/less: increase in asset revaluation reserve	3,271	5,457
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	214	224
– Corporate taxation equivalent	691	–
Closing accumulated surplus	385,216	375,373
Return on capital %	1.2%	0.3%
Subsidy from Council	576	3,601
Calculation of dividend payable:		
Surplus (deficit) after tax	5,667	308
Less: capital grants and contributions (excluding developer contributions)	(3,845)	(231)
Surplus for dividend calculation purposes	1,822	77
Potential dividend calculated from surplus	911	39

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	17,813	17,352
User charges	2,021	2,176
Liquid trade waste charges	3	2
Fees	1,288	805
Interest	376	370
Grants and contributions provided for non-capital purposes	186	181
Profit from the sale of assets	–	229
Other income	22	21
Total income from continuing operations	21,709	21,136
Expenses from continuing operations		
Employee benefits and on-costs	1,836	1,790
Borrowing costs	4,347	4,507
Materials and contracts	3,150	2,488
Depreciation, amortisation and impairment	8,955	7,404
Loss on sale of assets	1,213	–
Calculated taxation equivalents	73	48
Debt guarantee fee (if applicable)	648	683
Other expenses	4,083	2,886
Total expenses from continuing operations	24,305	19,806
Surplus (deficit) from continuing operations before capital amounts	(2,596)	1,330
Grants and contributions provided for capital purposes	628	954
Surplus (deficit) from continuing operations after capital amounts	(1,968)	2,284
Surplus (deficit) from all operations before tax	(1,968)	2,284
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(366)
SURPLUS (DEFICIT) AFTER TAX	(1,968)	1,918
Plus accumulated surplus	216,191	209,207
Plus/less: increase in asset revaluation reserve	(4,045)	4,017
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	648	683
– Corporate taxation equivalent	–	366
Closing accumulated surplus	210,826	216,191
Return on capital %	0.7%	2.2%
Subsidy from Council	536	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,968)	1,918
Less: capital grants and contributions (excluding developer contributions)	(628)	(115)
Surplus for dividend calculation purposes	–	1,803
Potential dividend calculated from surplus	–	902

Income Statement – Holiday Parks

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	5,547	6,348
Interest	83	63
Grants and contributions provided for non-capital purposes	36	47
Profit from the sale of assets	6	–
Other income	292	292
Total income from continuing operations	5,964	6,750
Expenses from continuing operations		
Employee benefits and on-costs	119	201
Materials and contracts	2,273	2,771
Depreciation, amortisation and impairment	470	663
Loss on sale of assets	–	37
Other expenses	2,677	2,993
Total expenses from continuing operations	5,539	6,665
Surplus (deficit) from continuing operations before capital amounts	425	85
Grants and contributions provided for capital purposes	165	1,370
Surplus (deficit) from continuing operations after capital amounts	590	1,455
Surplus (deficit) from all operations before tax	590	1,455
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(117)	(23)
SURPLUS (DEFICIT) AFTER TAX	473	1,432
Plus accumulated surplus	32,882	31,427
Plus/less: increase in asset revaluation reserve	(686)	–
Plus/less: Transfer of assets to General Fund	(9,885)	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	117	23
Closing accumulated surplus	22,901	32,882
Return on capital %	2.0%	0.3%
Subsidy from Council	–	301

Income Statement – Clarence Care & Support

for the year ended 30 June 2020

\$ '000	2020 ¹ Category 1	2019 Category 1
Income from continuing operations		
User charges	554	499
Interest	–	102
Grants and contributions provided for non-capital purposes	7,132	6,657
Profit from the sale of assets	285	–
Other income	2,701	3,171
Total income from continuing operations	10,672	10,429
Expenses from continuing operations		
Employee benefits and on-costs	5,128	4,191
Borrowing costs	2	–
Materials and contracts	2,650	2,174
Depreciation, amortisation and impairment	78	27
Other expenses	3,746	4,314
Total expenses from continuing operations	11,604	10,706
Surplus (deficit) from continuing operations before capital amounts	(932)	(277)
Surplus (deficit) from continuing operations after capital amounts	(932)	(277)
Surplus (deficit) from all operations before tax	(932)	(277)
SURPLUS (DEFICIT) AFTER TAX	(932)	(277)
Plus accumulated surplus	5,056	5,333
Plus/less: increase in asset revaluation reserve	(64)	–
Plus/less: Transfer of net assets to General Fund	(4,060)	–
Closing accumulated surplus	–	5,056
Return on capital %	0.0%	(60.1)%
Subsidy from Council	930	283

(1) Discontinued Operation as at 30/06/2020. Refer to Note 1 - Declared Business Activities

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	665	206
Investments	16,306	3,889
Receivables	4,429	5,197
Other	–	2
Total current assets	21,400	9,294
Non-current assets		
Investments	27,507	27,399
Receivables	53	34
Infrastructure, property, plant and equipment	358,954	361,749
Intangible assets	1	2
Total non-current assets	386,515	389,184
TOTAL ASSETS	407,915	398,478
LIABILITIES		
Current liabilities		
Payables	1,262	659
Borrowings	1,087	1,010
Total current liabilities	2,349	1,669
Non-current liabilities		
Borrowings	20,350	21,436
Total non-current liabilities	20,350	21,436
TOTAL LIABILITIES	22,699	23,105
NET ASSETS	385,216	375,373
EQUITY		
Accumulated surplus	214,972	208,400
Revaluation reserves	170,244	166,973
TOTAL EQUITY	385,216	375,373

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,234	381
Investments	7,539	5,798
Receivables	1,417	1,912
Other	–	2
Total current assets	10,190	8,093
Non-current assets		
Investments	5,976	7,122
Receivables	340	217
Infrastructure, property, plant and equipment	259,844	269,462
Intangible assets	36	49
Total non-current assets	266,196	276,850
TOTAL ASSETS	276,386	284,943
LIABILITIES		
Current liabilities		
Payables	808	500
Borrowings	4,514	3,500
Total current liabilities	5,322	4,000
Non-current liabilities		
Borrowings	60,238	64,752
Total non-current liabilities	60,238	64,752
TOTAL LIABILITIES	65,560	68,752
NET ASSETS	210,826	216,191
EQUITY		
Accumulated surplus	117,269	118,589
Revaluation reserves	93,557	97,602
TOTAL EQUITY	210,826	216,191

Statement of Financial Position – Holiday Parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	26	48
Investments	2,236	2,660
Receivables	41	1,639
Total current assets	2,303	4,347
Non-current assets		
Infrastructure, property, plant and equipment	21,348	29,216
Total non-current assets	21,348	29,216
TOTAL ASSETS	23,651	33,563
LIABILITIES		
Current liabilities		
Payables	750	681
Total current liabilities	750	681
TOTAL LIABILITIES	750	681
NET ASSETS	22,901	32,882
EQUITY		
Accumulated surplus	14,511	23,806
Revaluation reserves	8,390	9,076
TOTAL EQUITY	22,901	32,882

Statement of Financial Position – Clarence Care & Support

as at 30 June 2020

\$ '000	2020 ¹ Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	1
Investments	–	5,635
Receivables	–	541
Total current assets	–	6,177
Non-current assets		
Infrastructure, property, plant and equipment	–	461
Intangible assets	–	30
Total non-current assets	–	491
TOTAL ASSETS	–	6,668
LIABILITIES		
Current liabilities		
Payables	–	1,612
Total current liabilities	–	1,612
TOTAL LIABILITIES	–	1,612
NET ASSETS	–	5,056
EQUITY		
Accumulated surplus	–	4,992
Revaluation reserves	–	64
TOTAL EQUITY	–	5,056

(1) Discontinued Operation as at 30/06/2020. Refer to Note 1 - Declared Business Activities

Clarence Valley Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Clarence Valley Council Water Supply Fund

Provision of Water Supply Services

b. Clarence Valley Council Sewerage Services

Provision of Sewerage Augmentation, Reticulation & Treatment

c. Holiday Parks

Camping & Caravan Park Accommodation

d. Clarence Care + Support

Clarence Care + 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 2020

Note 1. Significant Accounting Policies (continued)

- Short Term Resorative Care (STRC)

On 30 June 2020 Clarence Valley Council transferred the existing services provided by Clarence Care + Support to Wesley Community Services Limited trading as Wesley Mission. Council's intention is that at 30 June 2020, Clarence Care + Support no longer exists as a Category 1 business.

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

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

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Best Practice Management of Water Supply and Sewer Guidelines and must not exceed:

- 50% of this surplus in any one year, or

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

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

The Declared Business Activities of the Council are:

- Water Supply Services
- Sewerage Services
- Holiday Parks
- 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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

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



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

26 November 2020
SYDNEY

Clarence Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	33,583	31,015
Plus or minus adjustments ²	b	275	84
Notional general income	c = a + b	33,858	31,099
Permissible income calculation			
Special variation percentage ³	d	8.00%	8.00%
Plus special variation amount	h = d x (c + g)	2,709	2,488
Sub-total	k = (c + g + h + i + j)	36,567	33,587
Plus (or minus) last year's carry forward total	l	5	3
Sub-total	n = (l + m)	5	3
Total permissible income	o = k + n	36,572	33,590
Less notional general income yield	p	36,566	33,583
Catch-up or (excess) result	q = o - p	6	6
Less unused catch-up ⁴	s	(1)	(1)
Carry forward to next year ⁵	t = q + r + s	5	5

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) 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.
- (5) 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 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:


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

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

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

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

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



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

26 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Values as at 30 June 2020												
Buildings	Other	–	–	9	46	1,748	2,354	48.6%	45.5%	5.9%	0.0%	(0.0%)
	Council Offices /Administration Centres	–	–	110	192	8,656	14,932	0.0%	53.5%	37.7%	0.0%	8.8%
	Council Works Depot	169	169	47	250	10,621	12,395	77.4%	11.0%	10.2%	1.4%	0.0%
	Council Public Halls	–	–	110	118	12,325	19,758	34.2%	47.5%	18.3%	0.0%	0.0%
	Libraries	–	–	67	141	8,625	9,800	86.0%	12.4%	1.6%	0.0%	0.0%
	Council Houses	223	223	50	57	4,877	8,690	19.2%	61.2%	18.4%	1.2%	0.0%
	Museums	–	–	33	32	1,889	3,319	7.2%	72.7%	20.1%	0.0%	0.0%
	Childcare / Community Health	–	–	79	74	1,436	2,109	19.3%	73.8%	7.0%	0.0%	0.0%
	Art Gallery	–	–	40	40	2,219	3,315	30.6%	47.0%	22.4%	0.0%	0.0%
	Public Toilets	155	155	42	43	4,165	6,055	37.4%	42.2%	17.8%	2.6%	0.0%
	Parks & Reserves Buildings	–	–	80	4	824	1,366	13.0%	75.3%	11.7%	0.0%	0.0%
	Sports Buildings	918	918	141	443	24,102	33,817	51.8%	35.1%	11.4%	1.8%	0.0%
	Swimming Pool Buildings	95	95	61	33	3,895	6,046	33.3%	56.4%	8.7%	1.6%	0.0%
	Holiday Parks Buildings	1,787	1,787	193	120	6,184	12,029	15.0%	52.7%	17.5%	14.9%	0.0%
	Saleyards Buildings	–	–	3	3	253	370	18.2%	57.2%	24.6%	0.0%	0.0%
	Waste Facilities	–	–	6	13	7,922	9,663	58.0%	41.1%	1.0%	0.0%	0.0%
	Water & Sewer Buildings	544	544	10	28	6,565	8,071	75.8%	11.9%	5.6%	6.7%	0.0%
	Emergency Services	323	323	26	85	9,891	13,801	42.9%	41.9%	12.9%	2.3%	0.0%
	Sub-total	4,214	4,214	1,107	1,722	116,197	167,890	42.1%	40.5%	14.3%	2.3%	0.8%
Other structures	Other structures	55	55	5	101	10,096	11,861	89.4%	4.1%	5.6%	0.9%	0.0%
	Airports	390	390	132	143	3,949	5,461	91.5%	1.3%	0.0%	7.1%	0.0%
	Saleyards	–	–	9	69	2,000	3,520	47.8%	37.0%	15.2%	0.0%	0.0%
	Cemeteries	32	32	185	–	847	1,766	3.7%	37.1%	57.5%	1.8%	0.0%
	Tips	–	–	3	7	4,088	6,946	54.8%	30.5%	14.7%	0.0%	0.0%
	Sub-total	477	477	334	320	20,980	29,554	71.6%	15.7%	11.0%	1.8%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Roads	Sealed roads	32,686	32,686	4,743	4,158	531,029	665,722	41.8%	34.1%	19.2%	4.5%	0.5%
	Unsealed roads	–	–	2,952	3,003	77,511	135,978	36.3%	15.0%	48.7%	0.0%	0.0%
	Bridges	827	827	777	794	109,898	152,862	13.5%	18.5%	67.5%	0.5%	0.0%
	Footpaths & Cycleways	1,765	1,765	296	230	19,901	30,513	27.3%	29.1%	37.9%	2.1%	3.7%
	Road Furniture	39	39	173	640	17,643	22,520	38.7%	56.1%	5.0%	0.2%	0.0%
	Water Transport Facilities	178	178	88	85	5,931	7,562	53.7%	28.8%	15.1%	2.4%	0.0%
	Carparks	–	–	14	59	4,299	4,643	81.8%	17.3%	0.9%	0.0%	0.0%
	Bus Shelters	–	–	17	25	780	1,165	29.0%	59.4%	11.6%	0.0%	0.0%
	Sub-total	35,495	35,495	9,060	8,994	766,992	1,020,965	36.5%	29.5%	30.5%	3.1%	0.4%
Water supply network	Dams / Weirs	286	286	274	238	74,388	89,793	99.7%	0.0%	0.0%	0.3%	0.0%
	Mains	8,242	8,242	1,909	1,926	235,540	341,779	26.7%	66.9%	3.6%	0.0%	2.8%
	Reservoirs & Treatment	4,905	4,905	281	351	31,710	45,868	14.1%	40.2%	28.3%	0.0%	17.4%
	Pumping Station/s	370	370	49	73	3,969	8,886	59.4%	20.4%	16.0%	0.0%	4.2%
		Sub-total	13,803	13,803	2,513	2,588	345,607	486,326	39.6%	51.1%	5.5%	0.1%
Sewerage network	Mains	279	279	502	812	133,622	178,133	41.9%	47.3%	10.7%	0.2%	0.0%
	Pumping Station/s	2,799	2,799	529	683	30,619	58,743	55.7%	31.1%	8.5%	4.8%	0.0%
	Treatment	727	727	704	1,057	84,697	128,579	73.8%	4.9%	17.3%	3.9%	0.0%
		Sub-total	3,805	3,805	1,735	2,552	245,938	365,455	55.4%	29.8%	12.7%	2.2%
Stormwater drainage	Stormwater drainage	14,299	14,299	1,167	902	149,737	219,408	25.6%	54.4%	19.8%	0.2%	0.0%
		Sub-total	14,299	14,299	1,167	902	149,737	219,408	25.6%	54.4%	19.8%	0.2%
Open space / recreational assets	Swimming pools	222	222	152	182	6,602	10,422	18.9%	29.4%	49.7%	0.4%	1.8%
	Holiday Parks	31	31	152	181	4,308	6,920	56.3%	39.2%	4.1%	0.0%	0.5%
	Parks	221	221	1,600	1,220	8,529	13,255	46.9%	37.8%	13.7%	1.6%	0.1%
	Reserves	48	48	425	516	5,763	8,345	60.3%	28.4%	10.7%	0.6%	0.0%
	Sports Facilities	1,030	1,030	804	907	12,474	23,508	34.7%	43.4%	17.6%	4.4%	0.0%
		Sub-total	1,552	1,552	3,133	3,006	37,676	62,450	40.4%	37.4%	19.7%	2.1%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Other infrastructure assets	Floodplain	191	191	603	633	143,477	184,164	3.2%	65.4%	31.3%	0.1%	0.0%
	Sub-total	191	191	603	633	143,477	184,164	3.2%	65.4%	31.3%	0.1%	0.0%
TOTAL - ALL ASSETS		73,836	73,836	19,652	20,717	1,826,604	2,536,212	37.4%	39.2%	20.7%	1.8%	0.9%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	12,678	30.87%	31.73%	>=100.00%
Depreciation, amortisation and impairment	41,073			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	73,836	4.04%	4.29%	<2.00%
Net carrying amount of infrastructure assets	1,826,604			
Asset maintenance ratio				
Actual asset maintenance	20,717	105.42%	95.94%	>100.00%
Required asset maintenance	19,652			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	73,836	2.91%	3.14%	
Gross replacement cost	2,536,212			

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

(1) Excludes Work In Progress (WIP)

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

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	39.50%	43.04%	13.67%	14.18%	16.17%	6.59%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	4.58%	4.83%	3.97%	4.53%	1.51%	1.43%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	101.12%	94.65%	102.98%	97.33%	147.09%	105.42%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	3.36%	3.58%	2.82%	3.26%	1.02%	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.