

Lismore City Council Financial Reports

For The Year Ended 30 June 2020

Lismore City 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

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

43 Oliver Avenue
GOONELLABAH NSW 2480

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.lismore.nsw.gov.au.

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 25 November 2020.



Isaac Smith
Mayor
25 November 2020



Neil Marks
Councillor
25 November 2020



Shelley Oldham
General Manager & Responsible Accounting Officer
25 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
55,008	Rates and annual charges	3a	55,288	53,838
28,057	User charges and fees	3b	29,203	29,438
7,820	Other revenues	3c	8,231	9,214
25,643	Grants and contributions provided for operating purposes	3d,3e	23,788	20,037
6,945	Grants and contributions provided for capital purposes	3d,3e	23,299	17,295
1,574	Interest and investment income	4	1,658	1,809
109	Net share of interests in joint ventures and associates using the equity method	18	62	–
125,156	Total income from continuing operations		141,529	131,631
Expenses from continuing operations				
36,273	Employee benefits and on-costs	5a	31,110	31,356
3,226	Borrowing costs	5b	3,340	3,341
45,568	Materials and contracts	5c	50,069	40,695
25,251	Depreciation and amortisation	5d	23,312	27,076
9,557	Other expenses	5e	7,229	9,491
2,458	Net losses from the disposal of assets	6	3,805	10,880
–	Net share of interests in joint ventures and associates using the equity method	18	–	5
122,333	Total expenses from continuing operations		118,865	122,844
2,823	Operating result from continuing operations		22,664	8,787
2,823	Net operating result for the year		22,664	8,787
2,823	Net operating result attributable to council		22,664	8,787
(4,122)	Net operating result for the year before grants and contributions provided for capital purposes		(635)	(8,508)

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
Net operating result for the year (as per Income Statement)		22,664	8,787
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	10	242,680	18,643
Total items which will not be reclassified subsequently to the operating result		242,680	18,643
Total other comprehensive income for the year		242,680	18,643
Total comprehensive income for the year		265,344	27,430
Total comprehensive income attributable to Council		265,344	27,430

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
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	24,336	21,436
Investments	7(b)	55,000	49,000
Receivables	8	12,044	18,210
Inventories	9a	3,056	4,421
Contract assets	12a	2,897	–
Other	9b	68	12
Total current assets		<u>97,401</u>	<u>93,079</u>
Non-current assets			
Investments	7(b)	7,000	8,000
Receivables	8	3,688	3,618
Inventories	9a	174	174
Infrastructure, property, plant and equipment	10	1,657,461	1,404,239
Intangible Assets	11	67	95
Right of use assets	13a	812	–
Investments accounted for using the equity method	18	1,223	1,161
Total non-current assets		<u>1,670,425</u>	<u>1,417,287</u>
Total assets		<u>1,767,826</u>	<u>1,510,366</u>
LIABILITIES			
Current liabilities			
Payables	14	11,737	14,338
Income received in advance	14	1,457	1,233
Contract liabilities	12b	4,281	–
Lease liabilities	13b	339	–
Borrowings	14	4,432	8,177
Provisions	15	7,779	8,052
Total current liabilities		<u>30,025</u>	<u>31,800</u>
Non-current liabilities			
Lease liabilities	13b	492	–
Borrowings	14	58,248	60,666
Provisions	15	6,530	4,116
Total non-current liabilities		<u>65,270</u>	<u>64,782</u>
Total liabilities		<u>95,295</u>	<u>96,582</u>
Net assets		<u>1,672,531</u>	<u>1,413,784</u>
EQUITY			
Accumulated surplus	16	523,681	507,614
Revaluation reserves	16	1,148,850	906,170
Council equity interest		<u>1,672,531</u>	<u>1,413,784</u>
Total equity		<u>1,672,531</u>	<u>1,413,784</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. 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		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		507,614	906,170	1,413,784	498,827	887,527	1,386,354
Changes due to AASB 1058 and AASB 15 adoption	16	(6,597)	–	(6,597)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
Net operating result for the year		22,664	–	22,664	8,787	–	8,787
Other comprehensive income							
– Gain (loss) on revaluation of infrastructure, property, plant and equipment	10	–	242,680	242,680	–	18,643	18,643
Other comprehensive income		–	242,680	242,680	–	18,643	18,643
Total comprehensive income		22,664	242,680	265,344	8,787	18,643	27,430
Equity – balance at end of the reporting period		523,681	1,148,850	1,672,531	507,614	906,170	1,413,784

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
54,001	Rates and annual charges		55,169	55,138
30,086	User charges and fees		32,877	32,093
1,774	Investment and interest revenue received		1,778	796
33,322	Grants and contributions		30,293	29,474
–	Bonds, deposits and retention amounts received		436	798
9,045	Other		18,009	11,358
Payments:				
(36,310)	Employee benefits and on-costs		(31,030)	(31,132)
(48,495)	Materials and contracts		(57,138)	(40,886)
(3,226)	Borrowing costs		(4,280)	(3,546)
(5,399)	Other		(6,144)	(9,336)
34,798	Net cash provided by (or used in) operating activities	17b	39,970	44,757
Cash flows from investing activities				
Receipts:				
5,500	Sale of investment securities		–	–
–	Sale of real estate assets		897	–
1,467	Sale of infrastructure, property, plant and equipment		1,975	2,596
–	Deferred debtors receipts		7	8
Payments:				
–	Purchase of investment securities		(5,000)	(25,000)
(34,705)	Purchase of infrastructure, property, plant and equipment		(28,340)	(30,590)
–	Purchase of real estate assets		1	9
(27,738)	Net cash provided by (or used in) investing activities		(30,460)	(52,977)
Cash flows from financing activities				
Receipts:				
2,721	Proceeds from borrowings and advances		1,783	6,334
Payments:				
(8,727)	Repayment of borrowings and advances		(7,946)	(4,829)
–	Lease liabilities (principal repayments)		(447)	–
(6,006)	Net cash flow provided by (used in) financing activities		(6,610)	1,505
1,054	Net increase/(decrease) in cash and cash equivalents		2,900	(6,715)
24,651	Plus: cash and cash equivalents – beginning of year	17a	21,436	28,151
25,705	Cash and cash equivalents – end of the year	17a	24,336	21,436
23,500	plus: Investments on hand – end of year	7(b)	62,000	57,000
49,205	Total cash, cash equivalents and investments		86,336	78,436

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 25 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 22 – Material budget variations

and are clearly marked.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated asset remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council operate a range of volunteering programs whereby volunteers provide services.

Under AASB 1058 Council is required to recognise the volunteer services at fair value when the following criteria are met:

- volunteer services can be reliably measured;
- the services would be purchased if they were not donated; and
- the value would be material.

Council has assessed the volunteer services and has determined these services are not significant and not regarded as material requiring recognition in the income statement. Further, there are limitations on the ability for Council to reliably measure the services and not all volunteer services would be purchased if they were not donated.

Coronavirus (COVID 19) Impact

Council is required to assess whether and how it may be affected by COVID 19 and the impact on its Financial Reports. First reported to the World Health Organisation as an unknown virus in late December 2019, declared a global pandemic in March 2020, COVID 19 caused great uncertainty for the global economy. The impact created significant uncertainty for supply chains and the global economy as a whole.

While COVID 19 disrupted Council's business practices, with many staff working remotely, Council continued to operate and provide services without a material increase in costs. Council undertook an analysis of the potential impacts of COVID 19 on Council's financial reports and Going Concern assumption. The following items were analysed:

- Asset impairment/changes in assumptions for impairment testing (AASB 136)
- Change in fair value of assets (AASB 13)
- Change in net realisable value of inventory (AASB 102)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Increased costs and/or reduced demand requiring provision for onerous contracts (AASB 137), reassessment of variable consideration, including refund liabilities (AASB 15)
- Changes in expected credit losses for loans and other financial assets (AASB 9)
- Material uncertainties that cast significant doubt on the ability to continue as a going concern such as extent of the impact on future costs and revenues (AASB 1010 and AASB 110) and unknown duration of the impact.
- Indirect impacts such as customers, suppliers, financiers or investments in other entities may be affected leading to impairments, increased costs or reduced revenues.

While it is difficult to determine what the ongoing impact of COVID 19 on Council and the community we operate in, at this stage no material impact has been identified and Council continues to operate as a going concern.

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
An inclusive and healthy community	19,200	16,016	28,700	19,881	(9,500)	(3,865)	14,919	10,848	126,230	107,846
A prosperous and vibrant city	1,700	1,329	3,800	2,871	(2,100)	(1,542)	900	414	14,790	12,637
Our natural environment	15,200	19,876	24,464	24,082	(9,264)	(4,206)	1,000	1,458	15,750	13,457
Our built environment	63,229	56,392	49,401	65,546	13,828	(9,154)	6,100	5,963	1,523,256	1,301,410
Leadership and participation	42,200	38,018	12,500	10,464	29,700	27,554	6,700	4,867	87,800	75,016
Total functions and activities	141,529	131,631	118,865	122,844	22,664	8,787	29,619	23,550	1,767,826	1,510,366

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:

An inclusive and healthy community

An inclusive and healthy community is connected to community wellbeing, a healthy lifestyle, social connections, and a feeling of belonging and acceptance.

A prosperous and vibrant city

A prosperous and vibrant city has a resilient economy with a diversity of business, a thriving cultural and artistic life, and an attractive, welcoming city centre.

Our natural environment

We value our natural environment and actively work to protect and enhance our natural assets, use our resources wisely, and grow sustainability.

Our built environment

Our built environment creates a liveable community where our basic needs and services are met now and into the future.

Leadership and participation

We are committed to good governance, empowering our community through engagement, and fostering partnerships to do more with less.

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)	20,128	19,464
Farmland	1058 (1)	4,638	4,522
Business	1058 (1)	5,936	5,782
Less: pensioner rebates	1058 (1)	(732)	(756)
Rates levied to ratepayers		29,970	29,012
Pensioner rate subsidies received	1058 (1)	395	415
Total ordinary rates		30,365	29,427
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	5,109	4,932
Stormwater management services	1058 (1)	374	382
Water supply services	1058 (1)	4,577	4,519
Sewerage services	1058 (1)	13,490	13,239
Waste management services (non-domestic)	1058 (1)	573	571
Less: pensioner rebates	1058 (1)	(637)	(612)
Nimbin transfer station	1058 (1)	54	54
Waste minimisation	1058 (1)	1,055	994
Annual charges levied		24,595	24,079
Pensioner subsidies received:			
– Water	1058 (1)	125	124
– Sewerage	1058 (1)	118	123
– Domestic waste management	1058 (1)	85	85
Total annual charges		24,923	24,411
TOTAL RATES AND ANNUAL CHARGES		55,288	53,838

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

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

Council has used 01/07/2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

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)	9,897	10,056
Sewerage services	15 (2)	222	164
Total specific user charges		10,119	10,220
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	1,217	1,077
Building services – other	15 (1)	–	73
Section 603 certificates	15 (1)	80	75
Other	15 (1)	12	10
Dog registration fees	15 (1)	164	161
Health control	15 (1)	537	537
Planning services	15 (1)	676	669
Total fees and charges – statutory/regulatory		2,686	2,602
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	161	200
Caravan park	15 (1)	33	26
Community centres		4	7
Leisure centre	15 (1)	1,319	1,883
Parking fees	15 (1)	217	253
Quarry revenues	15 (1)	1,498	625
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	6,862	5,170
Tourism	1058 (1) & 15 (1)	73	58
Art gallery	1058 (1) & 15 (1)	21	46
Library	1058 (1)	4	2
Parks, gardens and lakes	15 (1)	123	179
Public cemeteries	15 (1)	931	1,056
Road services	15 (1)	25	2
Share cropping	1058 (1)	33	68
Sporting grounds	1058 (1) & 15 (1)	4	8
Other		394	2,301
Swimming pools	15 (1)	254	305
Waste disposal	15 (1)	4,262	4,264
Water charges	15 (1)	180	163
Total fees and charges – other		16,398	16,616
TOTAL USER CHARGES AND FEES		29,203	29,438

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties	15 (2)	526	551
Fines – parking	1058 (1)	173	129
Fines – other	1058 (1)	20	12
Commissions and agency fees	15 (1)	37	57
Container Deposit Scheme	15 (1)	954	2,071
Insurance claims recoveries		3,195	408
Master games	1058 (1)	92	74
Other	15 (1)	1,283	535
Recycling income (non-domestic)	15 (1)	1,726	5,075
Other events	1058 (1)	225	302
<u>TOTAL OTHER REVENUE</u>		<u>8,231</u>	<u>9,214</u>

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 and recycling 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)	2,190	2,138	–	–
Financial assistance – local roads component	1058 (1)	991	964	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,319	2,216	–	–
Financial assistance – local roads component	1058 (1)	1,052	1,001	–	–
Total general purpose		6,552	6,319	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	1,574	–	–	–
Community centres	1058 (2)	–	–	90	–
Economic development	1058 (1)	269	–	–	–
Environmental programs	1058 (1) & (2)	939	–	–	–
Floodplain management	15 (2)	4,614	1,640	–	–
Recreation and culture	1058 (1) & (2)	56	141	3,584	1,198
Street lighting	1058 (1)	167	167	–	–
Transport (roads to recovery)	1058 (1)	1,228	874	–	–
Transport (other roads and bridges funding)	1058 (1) & (2)	40	–	2,751	3,101
Airport	1058 (1)	–	–	6	43
Art gallery	1058 (1)	87	108	610	–
Community services	1058 (1)	5	127	–	–
Diesel rebate	1058 (1)	323	380	–	–
Domestic waste management	1058 (1)	–	–	82	158
Library services	1058 (1)	167	108	–	–
Natural disaster emergency funding	1058 (2)	6,034	8,260	–	–
Other	1058 (1)	70	286	371	640
Total specific purpose		15,573	12,091	7,494	5,140
Total grants		22,125	18,410	7,494	5,140
Grant revenue is attributable to:					
– Commonwealth funding		8,321	6,711	1,029	390
– State funding		13,804	10,576	6,465	4,750
– Other funding		–	1,123	–	–
		22,125	18,410	7,494	5,140

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

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

1058 (1) indicates income recognised under AASB 1058 "at a point in time",

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)	–	–	1,193	1,457
S 64 – water supply contributions		1058 (1)	–	–	216	158
S 64 – sewerage service contributions		1058 (1)	–	–	1,377	1,028
Total developer contributions – cash			–	–	2,786	2,643
Total developer contributions	26		–	–	2,786	2,643
Other contributions:						
Cash contributions						
Recreation and culture		1058 (1) & (2)	–	–	353	279
RMS contributions (regional roads, block grant)		1058 (1) & (2)	1,663	1,627	136	136
Other		1058 (1)	–	–	576	173
Total other contributions – cash			1,663	1,627	1,065	588
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	6,453	5,116
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	3,554	2,873
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	1,947	935
Total other contributions – non-cash			–	–	11,954	8,924
Total other contributions			1,663	1,627	13,019	9,512
Total contributions			1,663	1,627	15,805	12,155
TOTAL GRANTS AND CONTRIBUTIONS			23,788	20,037	23,299	17,295

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

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

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

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreements. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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
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(f) Unspent grants and contributions – external restrictions

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

Operating grants

Unexpended at the close of the previous reporting period	1,806	1,621
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,530
Add: operating grants received for the provision of goods and services in a future period	4,245	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(1,345)
Less: operating grants received in a previous reporting period now spent and recognised as income	(1,714)	–
Unexpended and held as externally restricted assets (operating grants)	4,337	1,806

Unexpended operating grants as at year end are for projects that were not complete and will continue into the new financial year. These are mainly roads maintenance works along with Library, Art Gallery and Environmental projects, Bushfire Community Resilience and Economic Recovery projects and the Flood Diversion Channel.

Capital grants

Unexpended at the close of the previous reporting period	5,179	6,461
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,921
Add: capital grants received for the provision of goods and services in a future period	405	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(3,203)
Less: capital grants received in a previous reporting period now spent and recognised as income	(3,596)	–
Unexpended and held as externally restricted assets (capital grants)	1,988	5,179

Unexpended capital grants as at year end are for projects that were not complete and will continue into the new financial year. The main projects included in unexpended capital grants are the Stronger Country Community Projects, road capital works projects, Albert Park refurbishment and some waste projects.

Contributions

Unexpended at the close of the previous reporting period	6,181	5,075
Add: contributions recognised as income in the current period but not yet spent	1,630	1,602
Less: contributions recognised in a previous reporting period now spent	(1,735)	(496)
Unexpended and held as externally restricted assets (contributions)	6,076	6,181

Unspent contributions as at year end will continue to be spent into the new financial year as required. These funds will be spent in accordance with the plan in areas for which they were collected such as Heavy Haulage, Urban Traffic Management Facilities and Cycleway Facilities.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	278	316
– Cash and investments	1,380	1,493
<u>Total Interest and investment income</u>	<u>1,658</u>	<u>1,809</u>

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	25,479	25,120
Employee leave entitlements	5,170	5,421
Superannuation	3,006	2,983
Workers' compensation insurance	564	904
Fringe benefit tax	41	39
Payroll tax	176	227
Training costs (other than salaries and wages)	292	306
Total employee costs	34,728	35,000
Less: capitalised costs	(3,618)	(3,644)
TOTAL EMPLOYEE COSTS EXPENSED	31,110	31,356

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 20 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		43	–
Interest on loans		3,056	3,256
Other debts		19	40
Total interest bearing liability costs		3,118	3,296
Total interest bearing liability costs expensed		3,118	3,296
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	15	222	45
Total other borrowing costs		222	45
TOTAL BORROWING COSTS EXPENSED		3,340	3,341

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	49,281	40,296
Auditors remuneration ¹	79	78
Legal expenses:		
Expenses from short-term leases (2020 only)	305	–
Expenses from leases of low value assets (2020 only)	33	–
– Legal expenses: planning and development	195	142
– Legal expenses: debt recovery	1	29
– Legal expenses: other	175	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments	–	150
Total materials and contracts	50,069	40,695
TOTAL MATERIALS AND CONTRACTS	50,069	40,695

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. 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	79	77
Remuneration for audit and other assurance services	79	77
Total Auditor-General remuneration	79	77

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

Audit of grant acquittals (Thomas Noble & Russell)	–	1
Remuneration for audit and other assurance services	–	1
Total remuneration of non NSW Auditor-General audit firms	–	1
Total Auditor remuneration	79	78

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	10	2,116	2,963
Office equipment	10	27	34
Furniture and fittings	10	70	70
Land improvements (depreciable)	10	811	2,628
Infrastructure:	10		
– Buildings		1,336	1,368
– Other structures		797	582
– Roads		6,895	6,426
– Bridges		933	924
– Footpaths		260	243
– Stormwater drainage		558	852
– Water supply network		3,217	3,039
– Sewerage network		5,601	5,208
– Swimming pools		64	64
– Other open space/recreational assets		74	75
Right of use assets	13	466	–
Other assets:			
– Other		59	49
Reinstatement, rehabilitation and restoration assets:			
- Tip Assets	10,15	–	2,492
- Quarry assets	10,15	–	7
Intangible assets	11	28	52
Total depreciation and amortisation costs		23,312	27,076
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>23,312</u>	<u>27,076</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 10 for IPPE assets and Note 11 for intangible assets and Note 13 for right of use assets.

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

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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		
Bad and doubtful debts	–	14
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	73	60
– NSW fire brigade levy	511	465
– NSW rural fire service levy	280	274
– Rous County Council	310	303
– Waste levy	652	2,225
– Richmond Tweed Regional Library	1,575	1,523
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	292	288
Councillors' expenses (incl. mayor) – other (excluding fees above)	183	129
Donations, contributions and assistance to other organisations (Section 356)	59	428
Electricity and heating	1,270	1,094
Insurance	1,182	1,175
Street lighting	483	1,191
Telephone and communications	315	279
Total other expenses	7,229	9,491
<u>TOTAL OTHER EXPENSES</u>	<u>7,229</u>	<u>9,491</u>

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		638	–
Less: carrying amount of property assets sold/written off		(1,347)	–
Net gain/(loss) on disposal		(709)	–
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		450	2,596
Less: carrying amount of plant and equipment assets sold/written off		(512)	(2,689)
Net gain/(loss) on disposal		(62)	(93)
Infrastructure			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(3,102)	(10,193)
Net gain/(loss) on disposal		(3,102)	(10,193)
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		897	–
Less: carrying amount of real estate assets sold/written off		(689)	–
Net gain/(loss) on disposal		208	–
Other Structures			
Proceeds from disposal – Other Structures		–	–
Less: carrying amount of Other Structures assets sold/written off		(21)	(199)
Net gain/(loss) on disposal		(21)	(199)
Land Improvements - Depreciable			
Proceeds from disposal – Land Improvements-Depreciable		–	–
Less: carrying amount of Land Improvements-Depreciable assets sold/written off		–	(127)
Net gain/(loss) on disposal		–	(127)
Buildings			
Proceeds from disposal – Buildings assets		887	–
Less: carrying amount of Buildings assets sold/written off		(1,006)	(268)
Net gain/(loss) on disposal		(119)	(268)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,805)	(10,880)

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	339	382
Cash-equivalent assets		
– Deposits at call	14,997	18,054
– Short-term deposits	9,000	3,000
Total cash and cash equivalents	24,336	21,436

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				
b. 'Debt securities at amortised cost'	55,000	7,000	49,000	8,000
Total Investments	55,000	7,000	49,000	8,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	79,336	7,000	70,436	8,000
Debt securities at amortised cost				
Term deposits	55,000	7,000	49,000	8,000
Total	55,000	7,000	49,000	8,000

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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 term deposits, trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	79,336	7,000	70,436	8,000
attributable to:				
External restrictions	56,756	7,000	52,297	8,000
Internal restrictions	22,580	–	17,119	–
Unrestricted	–	–	1,020	–
	79,336	7,000	70,436	8,000

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund (2020 only)	4,281	–
Art gallery gift account	14	224
Trust account	1,441	1,098
External restrictions – included in liabilities	5,736	1,322
External restrictions – other		
Developer contributions – general	6,076	6,181
Specific purpose unexpended grants (recognised as revenue) – general fund	2,044	6,986
Water supplies	12,889	10,983
Water supplies – employee leave entitlements	95	95
Sewerage services	32,919	31,156
Sewerage services – employee leave entitlements	92	92
Domestic waste management	1,685	1,523
Stormwater management	1,989	1,930
Waste minimisation	231	29
External restrictions – other	58,020	58,975
Total external restrictions	63,756	60,297
Internal restrictions		
Employees leave entitlement	2,240	2,068
Carry forward and revote works	5,786	3,699
Specific purpose unexpended loans	1,609	4,205
SRV related	804	439
Available Funds	2,450	–
Annual Budget	–	1,875
Other Council Resolutions	9,691	4,833
Total internal restrictions	22,580	17,119
TOTAL RESTRICTIONS	86,336	77,416

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	2,557	1,755	2,573	1,620
Interest and extra charges	726	619	827	646
User charges and fees	2,509	904	3,036	907
Accrued revenues				
– Interest on investments	567	–	559	–
– Other income accruals	–	–	1,903	–
Deferred debtors	9	224	8	232
Government grants and subsidies	–	–	373	–
Loans to sporting clubs	25	174	25	200
Miscellaneous works and services	2,553	–	1,893	–
Net GST receivable	896	–	772	–
Roads and Maritime Services	331	–	4,544	–
Tender deposits and bonds	1,901	–	1,478	–
Other debtors – Insurance Claim	–	–	183	–
Other debtors	20	12	86	13
Total	12,094	3,688	18,260	3,618
Less: provision of impairment				
User charges and fees	(50)	–	(50)	–
Total provision for impairment – receivables	(50)	–	(50)	–
TOTAL NET RECEIVABLES	12,044	3,688	18,210	3,618
Externally restricted receivables				
Water supply				
– Rates and availability charges	1,019	387	1,037	358
– Other	2,544	921	3,074	926
Sewerage services				
– Rates and availability charges	699	586	788	550
Domestic waste management	136	121	55	45
Total external restrictions	4,398	2,015	4,954	1,879
Unrestricted receivables	7,646	1,673	13,256	1,739
TOTAL NET RECEIVABLES	12,044	3,688	18,210	3,618

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, 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	240	174	930	174
Stores and materials	1,119	–	1,016	–
Total inventories at cost	1,359	174	1,946	174
(ii) Inventories at net realisable value (NRV)				
Trading stock	1,697	–	2,475	–
Total inventories at net realisable value (NRV)	1,697	–	2,475	–
TOTAL INVENTORIES	3,056	174	4,421	174
(b) Other assets				
Prepayments	68	–	12	–
TOTAL OTHER ASSETS	68	–	12	–
Externally restricted assets				
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Stores and materials	232	–	193	–
Total water	232	–	193	–
Sewerage				
Stores and materials	419	–	376	–
Total sewerage	419	–	376	–
Total externally restricted assets	651	–	569	–
Total unrestricted assets	2,473	174	3,864	174
TOTAL INVENTORIES AND OTHER ASSETS	3,124	174	4,433	174

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		–	174	–	174
Industrial/commercial		240	–	930	–
Total real estate for resale		240	174	930	174
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		21	6	28	6
Development costs		219	168	902	168
Total costs		240	174	930	174
Total real estate for resale		240	174	930	174
Movements:					
Real estate assets at beginning of the year		930	174	930	183
– Purchases and other costs		(1)	–	–	–
– WDV of sales (expense)	6	(689)	–	–	–
– Other		–	–	–	(9)
Total real estate for resale		240	174	930	174

(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	240	299
	240	299

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

\$ '000	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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	9,675	–	9,675	7,771	1,943	–	–	(8,346)	(54)	–	10,989	–	10,989
Plant and equipment	34,256	(19,558)	14,698	302	–	(512)	(2,116)	2,101	–	–	33,730	(19,257)	14,473
Office equipment	3,832	(3,762)	70	1	–	–	(27)	–	–	–	3,833	(3,789)	44
Furniture and fittings	720	(425)	295	24	–	–	(70)	–	–	–	744	(495)	249
Land:													
– Operational land	70,632	–	70,632	–	–	(951)	–	–	459	–	70,140	–	70,140
– Community land	31,239	–	31,239	–	–	(396)	–	21	(460)	4,682	35,086	–	35,086
– Land under roads (post 30/6/08)	47	–	47	–	–	–	–	–	–	20	67	–	67
Land improvements – non-depreciable	8,232	–	8,232	–	–	–	–	–	–	–	8,232	–	8,232
Land improvements – depreciable	26,656	(13,375)	13,281	2,418	10	–	(811)	1,270	–	–	30,354	(14,186)	16,168
Infrastructure:													
– Buildings	107,282	(32,286)	74,996	98	1	(1,006)	(1,336)	274	–	–	105,873	(32,846)	73,027
– Other structures	22,604	(5,793)	16,811	191	552	(21)	(797)	1,010	–	–	24,298	(6,552)	17,746
– Roads	389,598	(192,557)	197,041	5,332	6,177	(415)	(6,895)	2,266	–	194,225	628,941	(231,210)	397,731
– Bridges	87,757	(38,878)	48,879	–	–	–	(933)	–	–	22,573	123,356	(52,837)	70,519
– Footpaths	20,445	(2,640)	17,805	519	180	(222)	(260)	186	–	3,463	30,169	(8,498)	21,671
– Bulk earthworks (non-depreciable)	330,366	–	330,366	1,379	–	(536)	–	–	–	12,673	343,882	–	343,882
– Stormwater drainage	100,989	(37,115)	63,874	41	1,529	(84)	(558)	80	–	379	103,104	(37,843)	65,261
– Water supply network	280,325	(99,643)	180,682	2,069	2,425	(1,694)	(3,217)	1,014	–	1,685	283,578	(100,614)	182,964
– Sewerage network	483,911	(166,918)	316,993	41	3,561	(146)	(5,601)	124	–	2,980	491,912	(173,960)	317,952
– Swimming pools	5,520	(1,858)	3,662	–	–	–	(64)	–	–	–	5,520	(1,922)	3,598
– Other open space/recreational assets	1,736	(934)	802	–	–	(5)	(74)	–	–	–	1,723	(1,000)	723
Other assets:													
– Heritage collections	2,480	–	2,480	–	1,000	–	–	–	–	–	3,480	–	3,480
– Other	1,061	(379)	682	–	–	–	(59)	–	–	–	1,061	(438)	623
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	2,492	(2,492)	–	–	1,931	–	–	–	–	–	4,423	(2,492)	1,931
– Quarry assets	1,081	(84)	997	–	–	–	–	–	(92)	–	989	(84)	905
Total Infrastructure, property, plant and equipment	2,022,936	(618,697)	1,404,239	20,186	19,309	(5,988)	(22,818)	–	(147)	242,680	2,345,484	(688,023)	1,657,461

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	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	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	37,161	–	37,161	3,449	2,961	–	–	(33,896)	–	–	9,675	–	9,675
Plant and equipment	40,239	(21,593)	18,646	1,689	–	(2,689)	(2,963)	–	15	–	34,256	(19,558)	14,698
Office equipment	3,828	(3,727)	101	4	–	–	(34)	–	(1)	–	3,832	(3,762)	70
Furniture and fittings	723	(357)	366	–	–	–	(70)	–	(1)	–	720	(425)	295
Land:													
– Operational land	69,677	–	69,677	–	–	–	–	–	955	–	70,632	–	70,632
– Community land	32,360	–	32,360	–	242	–	–	–	(955)	(408)	31,239	–	31,239
– Land under roads (post 30/6/08)	40	–	40	–	–	–	–	–	–	7	47	–	47
Land improvements – non-depreciable	8,232	–	8,232	–	–	–	–	–	–	–	8,232	–	8,232
Land improvements – depreciable	26,823	(10,905)	15,918	70	20	(127)	(2,628)	30	(2)	–	26,656	(13,375)	13,281
Infrastructure:													
– Buildings	107,071	(30,959)	76,112	19	454	(268)	(1,368)	47	–	–	107,282	(32,286)	74,996
– Other structures	18,205	(5,401)	12,804	1,863	720	(199)	(582)	2,207	(2)	–	22,604	(5,793)	16,811
– Roads	378,863	(190,443)	188,420	5,922	4,846	(486)	(6,426)	4,766	(1)	–	389,598	(192,557)	197,041
– Bridges	86,941	(37,954)	48,987	509	–	–	(924)	307	–	–	87,757	(38,878)	48,879
– Footpaths	18,201	(2,399)	15,802	376	92	(26)	(243)	1,804	–	–	20,445	(2,640)	17,805
– Bulk earthworks (non-depreciable)	329,551	–	329,551	–	815	–	–	–	–	–	330,366	–	330,366
– Stormwater drainage	82,354	(30,522)	51,832	64	1,063	(23)	(852)	54	–	11,736	100,989	(37,115)	63,874
– Water supply network	273,326	(96,822)	176,504	1,782	1,110	(1,228)	(3,039)	2,771	–	2,782	280,325	(99,643)	180,682
– Sewerage network	478,772	(182,549)	296,223	5,077	2,879	(8,414)	(5,208)	21,910	–	4,526	483,911	(166,918)	316,993
– Swimming pools	5,737	(2,009)	3,728	–	–	(2)	(64)	–	–	–	5,520	(1,858)	3,662
– Other open space/recreational assets	1,766	(875)	891	–	–	(14)	(75)	–	–	–	1,736	(934)	802
Other assets:													
– Heritage collections	2,480	–	2,480	–	–	–	–	–	–	–	2,480	–	2,480
– Other	981	(330)	651	80	–	–	(49)	–	–	–	1,061	(379)	682
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	340	–	340	–	–	–	(2,492)	–	2,152	–	2,492	(2,492)	–
– Quarry assets	968	(77)	891	–	–	–	(7)	–	113	–	1,081	(84)	997
Total Infrastructure, property, plant and equipment	2,004,639	(616,922)	1,387,717	20,904	15,202	(13,476)	(27,024)	–	2,273	18,643	2,022,936	(618,697)	1,404,239

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Pipes, Culverts & Channels	120
Reticulation pipes: PVC	80	Pits	100
Reticulation pipes: other	25 to 75	Treatment Devices	100
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 100	Bulk earthworks	infinite
Sealed roads: Base	45	Swimming pools	40
Sealed roads - sub base	90	Other open space/recreational assets	20
Unsealed Roads	45	Other Infrastructure	50
Bridge: concrete	100		
Bridge: other	100		
Kerb, gutter and footpaths	50 to 100		

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Land under roads

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

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

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement. Where the Crown Reserves are under a lease arrangement they are accounted for under AASB 16 Leases.

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". Council recognises rural fire service assets including land, buildings, plant and vehicles where it is considered that council has control of the assets. Only land and building assets have been recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	1,590	1,589
Accumulated amortisation	(1,495)	(1,443)
Net book value – opening balance	95	146
Movements for the year		
– Other movements	–	1
– Amortisation charges	(28)	(52)
Closing values at 30 June		
Gross book value	1,590	1,590
Accumulated amortisation	(1,523)	(1,495)
Total software – net book value	67	95
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>67</u>	<u>95</u>

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

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

Costs capitalised include external direct costs of materials and 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 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	2,897	–
Total Contract assets	2,897	–

(i) Externally restricted assets**Externally restricted assets**

Other	2,459	–
Total externally restricted assets	2,459	–
Total restricted assets	2,459	–
Total unrestricted assets	438	–
Total contract assets	2,897	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,545	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,736	–
Total grants received in advance		4,281	–
Total contract liabilities		4,281	–

Notes

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	4,281	–
Contract liabilities relating to externally restricted assets	4,281	–
Total contract liabilities relating to restricted assets	4,281	–
Total contract liabilities	4,281	–

\$ '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)	2,234
Operating grants (received prior to performance obligation being satisfied)	1,469
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	3,703

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 13. Leases

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

(i) Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings for areas of their business; the leases are generally between 1 and 5 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Vehicles

Council leases vehicles and equipment with lease terms varying from 1 to 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

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.

\$ '000	Land and Buildings	Vehicles	Total
Opening balance at 30 June 2019	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	26	1,207	1,233
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 11(a)	–	–	–
Additions to right-of-use assets	45	–	45
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	–
Depreciation charge	(27)	(439)	(466)
Impairment of right-of-use assets	–	–	–
<u>RIGHT OF USE ASSETS</u>	<u>44</u>	<u>768</u>	<u>812</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	339	492
<u>TOTAL LEASE LIABILITIES</u>	<u>339</u>	<u>492</u>

(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	339	451	41	831	831

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Externally restricted assets		
Water	28	2
Sewer	24	14
Lease liabilities relating to externally restricted assets	<u>52</u>	<u>16</u>
Total lease liabilities relating to restricted assets	<u>52</u>	<u>16</u>
Total lease liabilities relating to unrestricted assets	<u>287</u>	<u>476</u>
<u>Total lease liabilities</u>	<u>339</u>	<u>492</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
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(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	43
Variable lease payments based on usage not included in the measurement of lease liabilities	–
Income from sub-leasing right of use assets	–
Depreciation of right of use assets	466
Impairment of right of use assets	–
Expenses relating to short-term leases	305
Expenses relating to low-value leases	33
Expenses relating to Peppercorn leases	–
Other	–
	847

(d) Statement of Cash Flows

Total cash outflow for leases	447
	447

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition. Council leases some Crown and free-hold land at below market-value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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

Refer to Note 5c and Note 14.

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	4,642	–	7,388	–
Goods and services – capital expenditure	916	–	1,862	–
Accrued expenses:				
– Borrowings	523	–	565	–
– Other expenditure accruals	2,290	–	1,918	–
Security bonds, deposits and retentions	1,916	–	1,480	–
Contribution to works	1,425	–	1,096	–
Other	25	–	29	–
Total payables	11,737	–	14,338	–
Income received in advance				
Payments received in advance	1,457	–	1,233	–
Total income received in advance	1,457	–	1,233	–
Borrowings				
Loans – secured ¹	4,432	58,248	8,177	60,666
Total borrowings	4,432	58,248	8,177	60,666
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>17,626</u>	<u>58,248</u>	<u>23,748</u>	<u>60,666</u>

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

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

\$ '000	2020	2019
(a) 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	1,916	1,480
Contributions to Works	1,425	1,096
Total payables and borrowings	3,341	2,576

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) 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	68,843	(6,163)	–	–	–	–	62,680
Lease liabilities	–	(447)	45	–	1,233	–	831
TOTAL	68,843	(6,610)	45	–	1,233	–	63,511

\$ '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	67,338	1,505	–	–	–	68,843
TOTAL	67,338	1,505	–	–	–	68,843

\$ '000	2020	2019
---------	------	------

(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	750	750
Credit cards/purchase cards	250	250
Total financing arrangements	1,000	1,000

Drawn facilities as at balance date:

– Credit cards/purchase cards	35	45
Total drawn financing arrangements	35	45

Undrawn facilities as at balance date:

– Bank overdraft facilities	750	750
– Credit cards/purchase cards	215	205
Total undrawn financing arrangements	965	955

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

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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 borrowing costs.

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

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,795	–	2,790	–
Long service leave	4,499	275	4,325	346
Other leave	27	–	55	–
Sub-total – aggregate employee benefits	7,321	275	7,170	346
Asset remediation/restoration:				
Asset remediation/restoration (future works)	458	6,255	882	3,770
Sub-total – asset remediation/restoration	458	6,255	882	3,770
TOTAL PROVISIONS	7,779	6,530	8,052	4,116

\$ '000	2020	2019
---------	------	------

(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 – employee benefits	3,560	3,457
	3,560	3,457

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	4,652	4,652
Changes to provision:		
– Revised discount rate	(676)	(676)
Additional provisions	2,957	2,957
Unwinding of discount	(222)	(222)
Total other provisions at end of year	6,713	6,713
2019		
At beginning of year	2,278	2,278
– Revised costs	3,269	3,269
– Revised life	(6)	(6)
– Revised discount rate	(933)	(933)
Unwinding of discount	44	44
Total other provisions at end of year	4,652	4,652

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

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

Accounting policy for provisions

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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.

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

(i) 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.

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	(361)
– Under AASB 1058	(6,236)
Total Contract liabilities	<u>(6,597)</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	Notes	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Current assets					
Cash and cash equivalents		24,336	–	–	24,336
Investments		55,000	–	–	55,000
Receivables	(i)	12,044	2,897	–	14,941
Inventories		3,056	–	–	3,056
Contract assets	(i)	2,897	(2,897)	–	–
Other		68	–	–	68
Total current assets		<u>97,401</u>	<u>–</u>	<u>–</u>	<u>97,401</u>
Current liabilities					
Payables		11,737	–	–	11,737
Income received in advance		1,457	–	–	1,457
Contract liabilities	(ii)	4,281	–	(4,281)	–
Lease liabilities		339	–	–	339
Borrowings		4,432	–	–	4,432
Provisions		7,779	–	–	7,779
Total current liabilities		<u>30,025</u>	<u>–</u>	<u>(4,281)</u>	<u>25,744</u>
Non-current assets					
Investments		7,000	–	–	7,000
Receivables		3,688	–	–	3,688
Inventories		174	–	–	174
Infrastructure, property, plant and equipment		1,657,461	–	–	1,657,461
Intangible assets		67	–	–	67
Right of use assets		812	–	–	812
Investments accounted for using equity method		1,223	–	–	1,223
Total non-current assets		<u>1,670,425</u>	<u>–</u>	<u>–</u>	<u>1,670,425</u>

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Non-current liabilities					
Lease liabilities		492	–	–	492
Borrowings		58,248	–	–	58,248
Provisions		6,530	–	–	6,530
Total Non-current liabilities		65,270	–	–	65,270
Net assets		1,672,531	–	4,281	1,676,812
Equity					
Accumulated surplus		523,681	–	4,281	527,962
Revaluation reserves		1,148,850	–	–	1,148,850
Council equity interest		1,672,531	–	4,281	1,676,812
Total equity		1,672,531	–	4,281	1,676,812

(i) Transfer of the contract asset from receivables which arises under AASB 1058 for grant funds receivable to construct a recognisable non-financial asset to be controlled by Council. The funds are received after Council has spent funds.

(ii) Transfer of funds under AASB 15 which have been received prior to the satisfaction of performance obligations and to transfer funds received to construct an asset to be controlled by Council.

Income Statement

\$ '000	Notes	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges		55,288	–	55,288
User charges and fees		29,203	–	29,203
Other revenues	(i)	8,231	–	8,231
Grants and contributions provided for operating purposes		23,788	(2,736)	21,052
Grants and contributions provided for capital purposes		23,299	(1,545)	21,754
Interest and investment income		1,658	–	1,658
Net share of interests in joint ventures and associates using the equity method		62	–	62
Total Income from continuing operations		141,529	(4,281)	137,248

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)Expenses from continuing operations

Employee benefits and on-costs	31,110	–	31,110
Borrowing costs	3,340	–	3,340
Materials and contracts	50,069	–	50,069
Depreciation and amortisation	23,312	–	23,312
Other expenses	7,229	–	7,229
Net losses from the disposal of assets	3,805	–	3,805
Total Expenses from continuing operations	118,865	–	118,865
Total Operating result from continuing operations	22,664	(4,281)	18,383
Net operating result for the year	22,664	(4,281)	18,383
Total comprehensive income	265,344	–	265,344

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

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 liabilities	–	6,597	6,597
Total liabilities	96,582	6,597	103,179
Accumulated surplus	507,614	(6,597)	501,017
Total equity	1,413,784	(6,597)	1,407,187

(ii) 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 adjusted by 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

- 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 \$1.233 million at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	1,871
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	1,849
Add:	
Contracts not accounted for as operating lease commitments last year	–
Finance lease liabilities	–
Extension options reasonably certain to be exercised not included in the commitments note	–
Variable lease payments linked to an index	–
Other	–
Less:	
Short-term leases included in commitments note	(194)
Leases for low-value assets included in commitments note	(327)
Other	(95)
Lease liabilities recognised at 1 July 2019	<u>1,233</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.

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	1,233	1,233
Total assets	<u>1,510,366</u>	<u>1,233</u>	<u>1,511,599</u>
Lease Liabilities	–	1,233	1,233
Total liabilities	<u>96,582</u>	<u>1,233</u>	<u>97,815</u>
Total equity	<u>1,413,784</u>	<u>–</u>	<u>1,413,784</u>

(c) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. 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)	24,336	21,436
Balance as per the Statement of Cash Flows		24,336	21,436
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		22,664	8,787
Adjust for non-cash items:			
Depreciation and amortisation		23,312	27,076
Net losses/(gains) on disposal of assets		3,805	10,880
Non-cash capital grants and contributions		(11,954)	(8,924)
Adoption of AASB 15/1058		(6,597)	–
Unwinding of discount rates on reinstatement provisions		(222)	44
Share of net (profits)/losses of associates/joint ventures using the equity method		(62)	5
Revised discount rate		(676)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		6,089	(361)
Decrease/(increase) in inventories		675	(736)
Decrease/(increase) in other current assets		(56)	3
Decrease/(increase) in contract assets		(2,897)	–
Increase/(decrease) in payables		(2,746)	4,126
Increase/(decrease) in accrued interest payable		(42)	(24)
Increase/(decrease) in other accrued expenses payable		372	437
Increase/(decrease) in other liabilities		985	890
Increase/(decrease) in contract liabilities		4,281	–
Increase/(decrease) in provision for employee benefits		80	224
Increase/(decrease) in other provisions		2,959	2,330
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		39,970	44,757
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		11,954	8,924
Total non-cash investing and financing activities		11,954	8,924

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

(a) Joint arrangements

(i) Joint ventures

Council has no interest in any joint ventures.

(ii) Joint operations

\$ '000	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2020	2019	2020	2019
(a) Council is involved in the following joint operations (JO's)						
Name of joint operation:						
Blue Hills Residential Estate	Development & Sale of Land	Goonellabah	50%	50%	50%	50%
North East Weight of Loads Group	Reduce Damage to Council Roads	Ballina	15%	15%	13%	13%

(b) Council assets employed in the joint operations

\$ '000	2020	2019
Council's own assets employed in the operations		
Blue Hills Residential Estate		
Current assets:		
Inventories	15	15
Other assets	9	9
Total assets – Council owned	24	24
Council's share of assets jointly owned with other partners		
North East Weight of Loads Group		
Current assets	56	43
Current liabilities	(39)	(37)
Property, plant and equipment	7	10
Total net assets - jointly owned with other partners	16	19
Total net assets employed – Council and jointly owned	48	40

Accounting policy for joint arrangements

Council has determined that it has joint operations.

Council has an interest in two joint operations, North East Weight of Loads Group (NEWLOG) and Blue Hills Residential Estate. NEWLOG is responsible for reducing damage to council roads and Blue Hills Residential Estate is responsible for the development and sale of lands.

Joint operations:

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(b) Associates

(a) Summarised financial information for individually immaterial associates

Council has incorporated the following associates into its consolidated financial statements.

Council's 25% interest in Richmond Tweed Regional Library is recognised as an associate.

\$ '000	2020	2019
Individually immaterial associates		
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	62	(5)
Total comprehensive income – individually immaterial associates	62	(5)
Carrying amount of investments in associates that are not individually material	1,223	1,161
Council's share in the associate:	25%	25%

(b) The nature and extent of significant restrictions relating to associates

Council can only access or conduct business in accordance with the Deed of Agreement that became effective in 2018. Allocation of funds and cash is made by a Committee comprised of 4 member Councils, being Ballina, Byron, Tweed Shire Councils and Lismore City Council.

Accounting policy for associates

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Riverview Park Amenities Upgrade	228	–
Goonellabah Community Centre Upgrade	42	–
Albert Park Redevelopment	1,084	3,074
Stronger Country Community Projects	1,025	454
Public Library Infrastructure Grant Project	11	198
CCTV Camera Network	6	371
Waste Facility - Cell 2B	–	3,234
Oakes/Crozier Upgrade	11,297	–
Total commitments	13,693	7,331
These expenditures are payable as follows:		
Within the next year	9,381	7,331
Later than one year and not later than 5 years	4,312	–
Total payable	13,693	7,331
Sources for funding of capital commitments:		
Unexpended grants	11,984	4,097
Internally restricted reserves	82	–
Unexpended loans	1,627	3,234
Total sources of funding	13,693	7,331
Details of capital commitments		
Capital works commenced in 2019/20 continuing into 2020/21 year.		

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	800
Later than one year and not later than 5 years	–	1,071
Total non-cancellable operating lease commitments	–	1,871

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

Light Plant and Office Rentals

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

Conditions relating to operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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**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 future service employer contributions and past service employer contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other 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 20. 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 \$ 692,837.26. The last valuation of the Scheme was performed by Richard Boyfield FIAA and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$369,800.00. Council's expected contribution to the plan for the next annual reporting period is \$645,430.52.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$480,783 as at 30 June 2020.

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

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

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

* Plus promotional increases

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

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.

StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

Other guarantees

A bank guarantee for \$2,163,177 has been issued to the Former NSW Department of Planning Industry and Environment for a bond for the rehabilitation/biodiversity offset and conservation works relating to the Blakebrook Quarry project.

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.

S7.11 Plans

Council levies Section 7.11 Contributions upon various developments across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Fund.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in the Plans.

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.

Ground Contamination - North Lismore Quarry

Council is aware of an issue at one of its stockpile sites in North Lismore where site contamination has been identified. Technical reporting has classified the waste stockpile as 'special waste' due to the presence of bonded asbestos material. Council received a report from a suitable expert on options to remediate the site.

There are a number of remedial options available as a management response to the site contaminator of varying complexity and scope (site capping to excavation and removal of waste material) and these range in cost from approximately \$1,677,000 to \$2,235,000. The upper cost is representative of a remediation strategy involving the excavation and removal of waste to a licensed waste facility. A cost/tonne of \$225 (plus environmental monitoring and reporting) is assumed for such works. This rate is representative of recent clean-up costs at other sites.

Negotiations have been undertaken with NSW EPA (Appropriate Regulatory Authority) as to the preferred remediation strategy for the site. Capping of the site is the preferred remedial option however any commencement of works is being complicated by the management of land claims by the Department of Primary Industries – Lands. The land in question is Crown Land and subject to both an Indigenous Land Rights Claim and a Native Title Claim. Whilst the relevant process to resolve these claims are in progress, Council is very limited in what it can do on the site, and is unable to progress with the preferred remediation option (capping - most cost effective) of the site. Council continues to negotiate with Department of Primary Industries – Lands and NSW EPA to enable an appropriate management response to the stockpile.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

South Lismore Sewage Treatment Plant Upgrade

In mid 2016 Council awarded a design and construct contract for the upgrade of the South Lismore Sewage Treatment Plant. Work has been progressing since that time and construction was substantially completed in December 2019.

Since that time Council and the contractor have been working through contractual processes to resolve outstanding defects with the construction. The contractor as part of their May 2020 payment claim lodged a claim for substantial variations to the contract to a significant value. Council rejected these claims and the contractor subsequently lodged an application for Adjudication under the Security of Payments Act.

As at 30 June 2020, the decision on this application had not been handed down but Council had a potential liability for the full amount of the claim, plus the cost of rectifying any defects that the contractor was refusing to attend to.

On 11 November 2020, the Adjudicator handed down their decision, which found in favour of Council for the majority of variations however found in favour of the Contractor for a smaller number of high value items representing approximately half the amount claimed. Council's preliminary review of this decision has indicated a reasonable basis for appeal on a significant proportion of this amount via the Expert Determination Process established under the Contract between Council and the Contractor. Council has commenced the process to trigger these contractual provisions and begin the Expert Determination process, and has put the contractor on notice of same. As at 30 June 2020, Council's legal costs relating to this contractual dispute were \$133,280.72. The matter is ongoing and will unlikely to be resolved prior to 30 June 2021.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	24,336	21,436	24,336	21,436
Receivables	15,732	21,828	15,732	21,828
Investments				
– 'Financial assets at amortised cost'	62,000	57,000	62,000	57,000
Total financial assets	102,068	100,264	102,068	100,264
Financial liabilities				
Measured at amortised cost				
Payables	11,737	14,338	11,737	14,338
Borrowings	62,680	68,843	66,946	71,288
Lease liabilities	831	–	831	–
Total financial liabilities	75,248	83,181	79,514	85,626

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 Ministerial Investment Order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(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 1% movement in interest rates	243	243	(243)	(243)
2019				
Possible impact of a 1% movement in interest rates	214	214	(214)	(214)

(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 other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to NSW council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality

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	–	4,312	–	–	–	4,312
2019						
Gross carrying amount	–	4,193	–	–	–	4,193

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 impact is not considered material.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	1,916	9,821	–	–	11,737	11,737
Borrowings	4.48%	–	5,350	27,723	32,416	65,489	62,680
Total financial liabilities		<u>1,916</u>	<u>15,171</u>	<u>27,723</u>	<u>32,416</u>	<u>77,226</u>	<u>74,417</u>
2019							
Trade/other payables	0.00%	1,480	12,858	–	–	14,338	14,338
Borrowings	4.40%	–	8,439	26,617	36,817	71,873	68,843
Total financial liabilities		<u>1,480</u>	<u>21,297</u>	<u>26,617</u>	<u>36,817</u>	<u>86,211</u>	<u>83,181</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 2019/20 was adopted by the Council on 16/06/2020 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	55,008	55,288	280	1% F
User charges and fees	28,057	29,203	1,146	4% F
Other revenues	7,820	8,231	411	5% F
Operating grants and contributions	25,643	23,788	(1,855)	(7)% U
Capital grants and contributions	6,945	23,299	16,354	235% F
Non cash contributions were recognised in the year of \$11.954 million being for dedications, subdivisions - \$6.453 million, Sewerage infrastructure - \$3.554 million and water infrastructure \$1.947 million compared to Council estimates of \$700k. Dedications vary from year therefore Council uses a conservative estimate in its budgets. Council adopted AASB1058 and AASB15 in 2020, with the transition requirements being that income for grants held as 30 June 2019 and not completed requires income to be recognised again in 2020 and adjusted against equity. This was unknown at the time of the preparation of the 2020 budget - approximately \$5million.				
Interest and investment revenue	1,574	1,658	84	5% F
Joint ventures and associates – net profits	109	62	(47)	(43)% U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	36,273	31,110	5,163	14% F
Council had a significant lower than budgeted workers compensation of \$1million and superannuation costs of \$1.1 million. Council budget estimates were based on full employment and therefore were reflective of final costs. Workers Compensation was also impacted due to improved claims history and better management of claims.				
Borrowing costs	3,226	3,340	(114)	(4)% U
Materials and contracts	45,568	50,069	(4,501)	(10)% U
Council received additional grants in 2020 that required materials and contracts. Council was also required to source an alternative option for its disposal of waste product, being QLD, as a result of its new Cell not being commissioned. This has required additional costs. There were some offsetting savings in its normal operations. These were not known at the time of budget preparation.				
Depreciation and amortisation	25,251	23,312	1,939	8% F
Other expenses	9,557	7,229	2,328	24% F
The actual NSW EPA levy was lower than budget by \$1.8 million due to the delay in the commissioning of Council's new waste cell. There were additional costs incurred in materials and contracts associated with the disposal of Council's waste to QLD.				
Net losses from disposal of assets	2,458	3,805	(1,347)	(55)% U
Assets were disposed of during 2020 depending on when new assets were commissioned or when opportunities arose. The budget is prepared using a 3 year average as a guide thus the final disposals will vary from year to year.				
Joint ventures and associates – net losses	-	-	-	∞ F

STATEMENT OF CASH FLOWS

Cash flows from operating activities	34,798	39,970	5,172	15% F
Council employee costs were lower than forecast due to lower workers compensation of \$1.5 million in costs and superannuation costs of \$1 million. Council budgeted on full employment and assumptions from 2019 historical data, these estimates were not correct.				
Cash flows from investing activities	(27,738)	(30,460)	(2,722)	10% U
Council sold a property during the year that was not forecast in budget preparations - \$897k. In addition Council's works program as budgeted was lower than forecast by \$5 million as works were not completed as at 30 June 2020, this provided Council with cash available for purchase of securities - \$5million. Council had forecast that it would need to sell securities to complete its budget program.				
Cash flows from financing activities	(6,006)	(6,610)	(604)	10% U
Council adopted a new accounting standard during the year in relation to accounting for leases. The effect of the new accounting standard was not included in the budgeted figure.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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).

The tables below show the assigned level for each asset and liability held at fair value by Council.

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

2020	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
\$ '000				
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	14,473	14,473
Office Equipment	–	–	44	44
Furniture & Fittings	–	–	249	249
Operational Land	–	70,140	–	70,140
Community Land	–	–	35,086	35,086
Land Under Roads (Post 30/06/08)	–	–	67	67
Land Improvement (Non-Depreciable)	–	–	8,232	8,232
Land Improvement (Depreciable)	–	–	16,168	16,168
Buildings	–	–	73,027	73,027
Other Structures	–	–	17,746	17,746
Roads	–	–	397,731	397,731
Bridges	–	–	70,519	70,519
Footpaths	–	–	21,671	21,671
Bulk Earthworks (Non-Depreciable)	–	–	343,882	343,882
Stormwater Drainage	–	–	65,261	65,261
Water Supply Network	–	–	182,964	182,964
Sewerage Network	–	–	317,952	317,952
Swimming Pools	–	–	3,598	3,598
Other Open Space/Recreational Assets	–	–	723	723
Other	–	–	623	623
Heritage Collection	–	–	3,480	3,480
Tip Assets	–	–	1,931	1,931
Quarry Assets	–	–	905	905
Total infrastructure, property, plant and equipment	–	70,140	1,576,332	1,646,472

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
\$ '000				
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	14,698	14,698
Office Equipment	–	–	70	70
Furniture & Fittings	–	–	295	295
Operational Land	–	70,632	–	70,632
Community Land	–	–	31,239	31,239
Land Under Roads (Post 30/06/08)	–	–	47	47
Land Improvement (Non-Depreciable)	–	–	8,232	8,232
Land Improvement (Depreciable)	–	–	13,281	13,281
Buildings	–	–	74,996	74,996
Other Structures	–	–	16,811	16,811
Roads	–	–	197,041	197,041
Bridges	–	–	48,879	48,879
Footpaths	–	–	17,805	17,805
Bulk Earthworks (Non-Depreciable)	–	–	330,366	330,366
Stormwater Drainage	–	–	63,874	63,874
Water Supply Network	–	–	180,682	180,682
Sewerage Network	–	–	316,993	316,993
Swimming Pools	–	–	3,662	3,662
Other Open Space/Recreational Assets	–	–	802	802
Other	–	–	682	682
Heritage Collection	–	–	2,480	2,480
Tip Assets	–	–	–	–
Quarry Assets	–	–	997	997
Total infrastructure, property, plant and equipment	–	70,632	1,323,932	1,394,564

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

(2) 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:

Infrastructure, property, plant and equipment (IPP&E)**Plant & Equipment, Office Equipment and Furniture & Fittings**

These asset categories include:

Plant & Equipment – Motor vehicles, trucks, mowers, rollers, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are carried at cost which approximates to fair value due to the nature of these items. The cost of these assets are based on current invoices and contracts which are observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all land classified as operational land under Local Government Act 1993. Liquid Pacific Holding P/L completed a comprehensive valuation in June 2018. In accordance with accounting standards Council's assets are assessed on an annual basis and when required a revaluation is undertaken.

It is valued at market (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting a price including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

businesses. This asset class is categorised as Level 2 as the most significant input into this valuation approach is price per square metre. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Community Land

Assets within the "Community Land" class are:

- a) Council owned land and
- b) Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General and revalued at 30 June 2020.

These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Land Under Roads (post 30/6/08)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. The Land under Roads was valued in accordance with AASB 116, the Code of Accounting Practice and Financial Reporting June 2017. Values were determined using the Englobo methodology. This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Valuation techniques remained the same for this reporting period.

Land Improvements Non-Depreciable

The land improvements non-depreciable asset class consists of the runway earthworks for the Lismore Regional Airport. The last revaluation was completed by Jeff Roorda & associates in 2015/16. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are dimensions, components and type of assets.

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. Valuation techniques remained.

Land Improvements Depreciable

The land improvements asset class consists of landscaping, mounding and land improvement assets surrounding buildings. The last revaluation was completed by Jeff Roorda & Associates in 2015/16. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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. Valuation techniques remained the same for this reporting period.

Buildings

A revaluation of buildings was undertaken by Council in 2017/18 using the cost approach.

This 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. All buildings were physically inspected and the unit rates based on square metres could be supported from market evidence.

Other inputs required extensive professional judgement and impacted on the final determination of fair value.

Other Structures

The other structure asset class consists of garages, gazebos, shelters, fencing, lighting, etc. assets.

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2015/16. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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. Valuation techniques remained the same for this reporting period.

Roads

Council's roads are componentised into the pavement, surface, base, sub base, seal and major culverts.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value Council roads. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of road.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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.

Bridges

Council's bridges register consists of all vehicle access bridges.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value Council bridges. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of bridge.

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.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value Council footpaths. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of footpath.

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.

Bulk Earthworks

Council's bulk earthworks are located within the road reserve of all Council roads.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value these assets. One of the significant inputs considered in the valuation of these assets is dimensions.

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.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits, pipes, culverts, channels and treatment devices.

The last revaluation was completed by Australis Asset Advisory Group in 2018/19. The cost approach was adopted to value Council stormwater drainage. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of stormwater drainage.

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.

Water Supply Network

The Water Supply Network asset class comprise reservoirs, pumping stations and water pipelines. The Network was last revalued by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17.

The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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. These assets are indexed each year in line with the NSW Reference Rates Manual as published by Department of Planning, Industry and Environment - Water.

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

Sewerage Network

The Sewerage Network assets within this class comprise treatment works, pumping stations and, sewerage mains.

The Network was last revalued by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17.

The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. 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. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Planning, Industry and Environment - Water.

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

Swimming Pools

The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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. Valuation techniques remained the same for this reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Open Space / Recreational

The Open Space/Recreation assets within this class comprise playground equipment, equipment and landscaping. The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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. Valuation techniques remained the same for this reporting period.

Heritage Collection

This asset category comprises art works. The last revaluation was completed by McWilliam & Associates Pty Ltd in 2017/18 and the fair retail replacement value method was adopted to value these assets.

Other

The Other assets within this class comprise fibre optic cabling, telecommunication poles, computer servers and switches and parking meter machines.

These assets are valued at cost but are disclosed at fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Tip Assets

The Lismore Resource Recovery Facility is located at Wyrallah Road, Lismore. The facility encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycling products and waste management educational activities. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site. Closure of the landfill site will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post closure, and fencing sensitive infrastructure. An Evaluation of costs for Landfill Closure and Post Closure Management plan is reviewed annually. 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.

Quarry Assets

There are 6 quarries located within the local government area. These facilities encompass quarry operations currently in use as well as old unused facilities currently being used for stockpiling. It has been recognised that there will be significant costs associated with the closure and post closure management of the quarry sites.

Closure of the quarry sites will involve a wide range of activities including the establishment of open woodland/forest across the quarry benches and provision of access areas into the pits once completed. It will also include decommissioning and removing of infrastructure and equipment that will not be required post closure, and fencing of sensitive infrastructure. An Evaluation of costs for Quarry Closures and Post Closure Management Plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been an increase in the value of future funds required for remediation during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Land under Roads Post 30/6/08
2019					
Opening balance	18,646	101	366	32,360	40
Transfers from/(to) another asset class	15	(1)	(1)	(955)	–
Purchases (GBV)	1,689	4	–	242	–
Disposals (WDV)	(2,689)	–	–	–	–
Depreciation and impairment	(2,963)	(34)	(70)	–	–
Revaluation increment to equity	–	–	–	(408)	7
Closing balance	14,698	70	295	31,239	47
2020					
Opening balance	14,698	70	295	31,239	47
Transfers from/(to) another asset class	2,101	–	–	(439)	–
Purchases (GBV)	302	1	24	–	–
Disposals (WDV)	(512)	–	–	(396)	–
Depreciation and impairment	(2,116)	(27)	(70)	–	–
Revaluation increment to equity	–	–	–	4,682	20
Closing balance	14,473	44	249	35,086	67

\$ '000	Land improvement (Depreciable)	Buildings	Other structures	Roads	Bridges
2019					
Opening balance	15,918	76,112	12,804	188,420	48,987
Transfers from/(to) another asset class	28	47	2,205	4,765	307
Purchases (GBV)	90	473	2,583	10,768	509
Disposals (WDV)	(127)	(268)	(199)	(486)	–
Depreciation and impairment	(2,628)	(1,368)	(582)	(6,426)	(924)
Closing balance	13,281	74,996	16,811	197,041	48,879
2020					
Opening balance	13,281	74,996	16,811	197,041	48,879
Transfers from/(to) another asset class	1,270	274	1,010	2,266	–
Purchases (GBV)	2,428	99	743	11,509	–
Disposals (WDV)	–	(1,006)	(21)	(415)	–
Depreciation and impairment	(811)	(1,336)	(797)	(6,895)	(933)
Revaluation increment to equity	–	–	–	194,225	22,573
Closing balance	16,168	73,027	17,746	397,731	70,519

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Footpaths	Bulk earthworks (Non-Deprec)	Stormwater drainage	Water supply network	Sewerage network
2019					
Opening balance	15,802	329,551	51,832	176,504	296,223
Transfers from/(to) another asset class	1,804	–	54	2,771	21,910
Purchases (GBV)	468	815	1,127	2,892	7,956
Disposals (WDV)	(26)	–	(23)	(1,228)	(8,414)
Depreciation and impairment	(243)	–	(852)	(3,039)	(5,208)
Revaluation increment to equity	–	–	11,736	2,782	4,526
Closing balance	17,805	330,366	63,874	180,682	316,993
2020					
Opening balance	17,805	330,366	63,874	180,682	316,993
Transfers from/(to) another asset class	186	–	80	1,014	124
Purchases (GBV)	699	1,379	1,570	4,494	3,602
Disposals (WDV)	(222)	(536)	(84)	(1,694)	(146)
Depreciation and impairment	(260)	–	(558)	(3,217)	(5,601)
Revaluation increment to equity	3,463	12,673	379	1,685	2,980
Closing balance	21,671	343,882	65,261	182,964	317,952

\$ '000	Swimming pools	Other open space and recreation assets	Heritage collection	Other	Tip assets
2019					
Opening balance	3,728	891	2,480	651	340
Transfers from/(to) another asset class	–	–	–	–	2,152
Purchases (GBV)	–	–	–	80	–
Disposals (WDV)	(2)	(14)	–	–	–
Depreciation and impairment	(64)	(75)	–	(49)	(2,492)
Closing balance	3,662	802	2,480	682	–
2020					
Opening balance	3,662	802	2,480	682	–
Purchases (GBV)	–	–	1,000	–	1,931
Disposals (WDV)	–	(5)	–	–	–
Depreciation and impairment	(64)	(74)	–	(59)	–
Closing balance	3,598	723	3,480	623	1,931

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Quarry assets	Land improvements (Non-Deprec)	Total
2019			
Opening balance	891	8,232	1,280,879
Transfers from/(to) another asset class	113	–	35,214
Purchases (GBV)	–	–	29,696
Disposals (WDV)	–	–	(13,476)
Depreciation and impairment	(7)	–	(27,024)
Revaluation increment to equity	–	–	18,643
Closing balance	997	8,232	1,323,932
2020			
Opening balance	997	8,232	1,323,932
Transfers from/(to) another asset class	(92)	–	7,794
Purchases (GBV)	–	–	29,781
Disposals (WDV)	–	–	(5,037)
Depreciation and impairment	–	–	(22,818)
Revaluation increment to equity	–	–	242,680
Closing balance	905	8,232	1,576,332

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of the council are those 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	1,246	1,083
Post-employment benefits	107	97
Other long-term benefits	36	9
Total	1,389	1,189

(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.

KMP and their related parties attend various functions from time to time as part of their position held within Council. Tickets, meals and small tokens of appreciation that are provided at these functions are considered immaterial and will not be disclosed.

There have been no other material transactions between KMP and Council during the year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Events occurring after the reporting date

Council has disclosed the impact that COVID 19 has had on operations and financial reporting for the year ended 30 June 2020 at Note 1. COVID 19 is ongoing, however it is not practicable to estimate the potential impact, positive or negative, after 30 June 2020. There are no other known events occurring after the reporting date that would have a significant affect on the financial report.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '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					
Emergency Services	125	9	–	2	(30)	–	106	–
Community Services & Facilities	389	90	–	8	–	–	487	–
Public Domain Facilities	130	103	–	3	–	–	236	–
Open Space & Recreation Facilities	912	57	–	18	–	–	987	–
Cycleways Facilities	331	103	–	7	–	–	441	–
Rural North & South Traffic Management Facilities	–	137	–	–	(60)	–	77	–
Urban Traffic Management Facilities	2,080	532	–	44	–	–	2,656	–
Carparking	76	–	–	2	–	–	78	–
Stormwater	(69)	7	–	–	–	–	(62)	–
Street Trees	118	12	–	2	(63)	–	69	–
Heavy Haulage	1,642	121	–	16	(1,740)	–	39	–
Section 94 Plan Administration	–	22	–	–	(9)	–	13	–
S7.11 contributions – under a plan	5,734	1,193	–	102	(1,902)	–	5,127	–
Total S7.11 and S7.12 revenue under plans	5,734	1,193	–	102	(1,902)	–	5,127	–
S7.4 planning agreements	447	489	–	13	–	–	949	–
S64 contributions	–	1,593	–	–	(1,593)	–	–	–
Total contributions	6,181	3,275	–	115	(3,495)	–	6,076	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
Emergency Services								
Bushfire	47	5	–	1	(15)	–	38	–
SES	78	4	–	1	(15)	–	68	–
Total	125	9	–	2	(30)	–	106	–
Community Services & Facilities								
CBD, North & South	389	90	–	8	–	–	487	–
Total	389	90	–	8	–	–	487	–
Public Domain Facilities								
Lismore CBD-Residential	111	98	–	3	–	–	212	–
Lismore CBD-Commercial	19	5	–	–	–	–	24	–
Total	130	103	–	3	–	–	236	–
Open Space & Recreation Facilities								
Tucki Tucki - Residential	798	24	–	16	–	–	838	–
Lismore Park	114	33	–	2	–	–	149	–
Total	912	57	–	18	–	–	987	–
Cycleways Facilities								
Cycleways	331	103	–	7	–	–	441	–
Total	331	103	–	7	–	–	441	–
Rural North & South Traffic Management Facilities								
Rural North & South Traffic Management Facilities	–	137	–	–	(60)	–	77	–
Total	–	137	–	–	(60)	–	77	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Urban Traffic Management Facilities								
Residential/Commercial/Industrial	2,080	532	–	44	–	–	2,656	–
Total	2,080	532	–	44	–	–	2,656	–
Carparking								
Lismore & Nimbin	76	–	–	2	–	–	78	–
Total	76	–	–	2	–	–	78	–
Stormwater								
Residential	(69)	7	–	–	–	–	(62)	–
Total	(69)	7	–	–	–	–	(62)	–
Street Trees								
Residential/Commercial/Industrial	118	12	–	2	(63)	–	69	–
Total	118	12	–	2	(63)	–	69	–
Heavy Haulage								
Rural - Quarries	1,642	121	–	16	(1,740)	–	39	–
Total	1,642	121	–	16	(1,740)	–	39	–
Section 94 Plan Administration								
Section 94 Plan Administration	–	22	–	–	(9)	–	13	–
Total	–	22	–	–	(9)	–	13	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	37,503	4,811	13,454
User charges and fees	24,186	9,793	223
Interest and investment revenue	666	320	672
Other revenues	9,600	181	161
Grants and contributions provided for operating purposes	23,535	129	124
Grants and contributions provided for capital purposes	16,205	2,163	4,931
Share of interests in joint ventures and associates using the equity method	62	–	–
Total income from continuing operations	111,757	17,397	19,565
Expenses from continuing operations			
Employee benefits and on-costs	26,236	2,318	2,556
Borrowing costs	1,758	551	1,031
Materials and contracts	51,250	2,230	3,778
Depreciation and amortisation	14,312	3,257	5,743
Other expenses	1,504	5,533	192
Net losses from the disposal of assets	1,961	1,695	149
Total expenses from continuing operations	97,021	15,584	13,449
Operating result from continuing operations	14,736	1,813	6,116
Net operating result for the year	14,736	1,813	6,116
Net operating result attributable to each council fund	14,736	1,813	6,116
Net operating result for the year before grants and contributions provided for capital purposes	(1,469)	(350)	1,185

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	17,216	3,916	3,204
Investments	23,125	9,068	22,807
Receivables	7,782	3,563	699
Inventories	2,405	232	419
Contract assets	2,897	–	–
Other	68	–	–
Total current assets	53,493	16,779	27,129
Non-current assets			
Investments	–	–	7,000
Receivables	1,794	1,308	586
Inventories	174	–	–
Infrastructure, property, plant and equipment	1,145,828	186,213	325,420
Investments accounted for using the equity method	1,223	–	–
Intangible assets	67	–	–
Right of use assets	759	15	38
Total non-current assets	1,149,845	187,536	333,044
TOTAL ASSETS	1,203,338	204,315	360,173
LIABILITIES			
Current liabilities			
Payables	11,133	287	317
Income received in advance	1,457	–	–
Contract liabilities	4,281	–	–
Lease liabilities	313	14	12
Borrowings	2,691	570	1,171
Provisions	7,079	354	346
Total current liabilities	26,954	1,225	1,846
Non-current liabilities			
Lease liabilities	484	1	7
Borrowings	26,562	10,511	21,175
Provisions	6,508	11	11
Total non-current liabilities	33,554	10,523	21,193
TOTAL LIABILITIES	60,508	11,748	23,039
Net assets	1,142,830	192,567	337,134
EQUITY			
Accumulated surplus	421,859	29,903	71,919
Revaluation reserves	720,971	162,664	265,215
Council equity interest	1,142,830	192,567	337,134
Total equity	1,142,830	192,567	337,134

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,108	2.63%	2.08%	>0.00%
<u>Total continuing operating revenue excluding capital grants and contributions ¹</u>	118,168			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	94,380	66.72%	71.64%	>60.00%
<u>Total continuing operating revenue ¹</u>	141,467			
3. Unrestricted current ratio				
Current assets less all external restrictions	32,897	2.33x	1.56x	>1.50x
<u>Current liabilities less specific purpose liabilities</u>	14,119			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	29,760	2.54x	4.01x	>2.00x
<u>Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)</u>	11,733			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	5,657	9.24%	9.41%	<10.00%
<u>Rates, annual and extra charges collectible</u>	61,232			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	86,336	9.68 mths	10.49 mths	>3.00 mths
<u>Monthly payments from cash flow of operating and financing activities</u>	8,915			

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators 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}	0.49%	(2.44)%	8.83%	16.95%	9.12%	12.49%	>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	61.97%	66.80%	86.83%	92.59%	74.16%	78.22%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.90x	1.58x	12.41x	13.09x	13.83x	5.11x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.28x	4.04x	4.43x	5.42x	1.39x	3.29x	>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	7.48%	5.59%	23.03%	24.24%	8.03%	13.23%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.76	5.93	14.09	13.04	33.50	44.93	>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 25a above.

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying financial statements of the Lismore City 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:

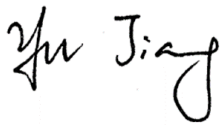
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY



Cr Isaac Smith
Mayor
Lismore City Council
PO Box 23A
LISMORE NSW 2480

Contact: Reiky Jiang
Phone no: 9275 7281
Our ref: D2027140/ 1754

27 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Lismore City Council**

I have audited the general purpose financial statements (GPFS) of the Lismore City 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue and observation during my audit of the Council's financial statements. This issue and observation was addressed as part of my audit.

Inappropriate financial delegations

Audit procedures identified that Council's purchasing system was not enforcing the Council's approved financial delegations. Management has performed a review of purchases made above approved financial delegations during 2019–20 and no instances of inappropriate purchases were noted.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	55.3	53.8	↑ 2.8
Grants and contributions revenue	47.1	37.3	↑ 26.3
Materials and contracts	50.1	40.7	↑ 23.1
Depreciation and amortisation	23.3	27.1	↓ 14.0
Net losses from the disposal of assets	3.8	10.9	↓ 65.1
Operating result from continuing operations	22.7	8.8	↑ 158.0
Net operating result before capital grants and contributions	(0.6)	(8.5)	↑ 92.9

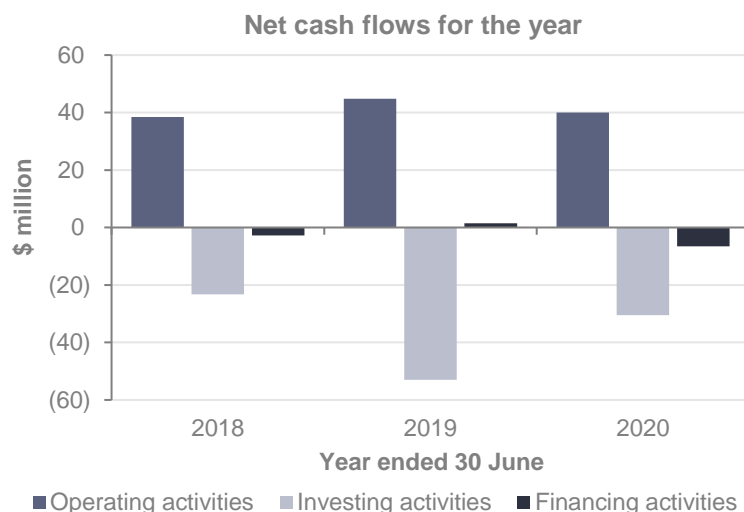
The Council's operating result from continuing operations (\$22.7 million including depreciation and amortisation expense of \$23.3 million) was \$13.9 million higher than the 2018–19 result. The increase is largely attributable to the following:

- Rates and annual charges revenue (\$55.3 million) increased by \$1.5 million (2.8 per cent) in 2019–20. Rates revenue increased by the allowable rating increase of 2.7 per cent.
- Grants and contributions revenue (\$47.1 million) increased by \$9.8 million (26.3 per cent) in 2019–20 due to:
 - \$3.6 million increase in non-cash developer dedications received
 - \$3.5 million increase in specific purpose operating grants including funding for bushfire resilience and recovery and floodplain management
 - \$2.4 million increase in capital grants. This includes funding for the Oakes and Crozier Oval upgrades.
- Materials and contracts expense (\$50.1 million) increased by \$9.4 million (23.1 per cent) in 2019–20. Significant movements included:
 - \$4.4 million increase in expenses relating to Lismore flood plain management
 - \$2.8 million increase in expenses associated with transport and disposal of waste in Ipswich
 - \$4.9 million increase in expenses associated with the closure of the waste facility as result of a fire event
 - \$2.9 million reduction in expenses relating to repair of flood damage to roads.

- Depreciation and amortisation expense (\$23.3 million) decreased by \$3.8 million (14.0 per cent) in 2019–20. The 2018–19 year included accelerated depreciation of \$4.3 million on assets associated with landfill cells 1 and 2A that reached full capacity in that year.
- Net loss on disposal of assets (\$3.8 million) decreased by \$7.1 million (65.1 per cent) in 2019–20. The 2018–19 year included a loss on disposal of \$7.8 million for the former South Lismore Wastewater Treatment Plant.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by \$4.8 million. This is largely due to an increase in materials and contracts payments as outlined above.
- Net cash used in investing activities decreased by \$22.5 million. This is largely due to a \$20 million decrease in the purchase of investment securities.
- Net cash used in financing activities increased by \$8.1 million. This is largely due to an increase in loan repayments of \$3.1 million, and reduction in new borrowings of \$4.6 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	63.7	60.3	<ul style="list-style-type: none"> • Externally restricted cash and investments increased by \$3.4 million largely as a result of increases in cash held within water fund (\$1.9 million increase) and sewerage funds (\$1.8 million increase). • Internally restricted cash and investments increased by \$5.5 million largely as a result of increases in reserves for available funds (\$2.5 million) and other Council resolutions (\$4.9 million). • The Council has no unrestricted cash and investments.
Internal restrictions	22.6	17.1	
Unrestricted	-	1.0	
Cash and investments	86.3	78.4	

Debt

Council had total borrowings of \$62.7 million at 30 June 2020 (\$68.8 million at 30 June 2019). Council borrowed \$1.8 million in 2019–20 and made loan repayments of \$7.9 million. Refer to the commentary below on Council's debt service cover ratio.

Council has total overdraft financing facilities available of \$1.0 million which consist of a bank overdraft facility with a limit of \$0.75 million and a purchase card facility of \$0.25 million. At 30 June 2020, the bank overdraft facility was undrawn and the purchase card facility was drawn by \$0.035 million.

PERFORMANCE

Performance measures

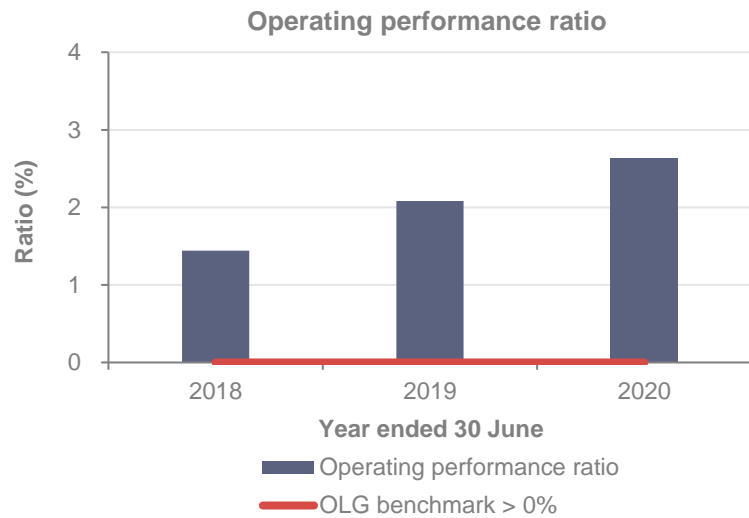
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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 met the OLG benchmark for the current reporting period.

An improvement in Council's 2019–20 operating result (before all capital items) led to an increased ratio.

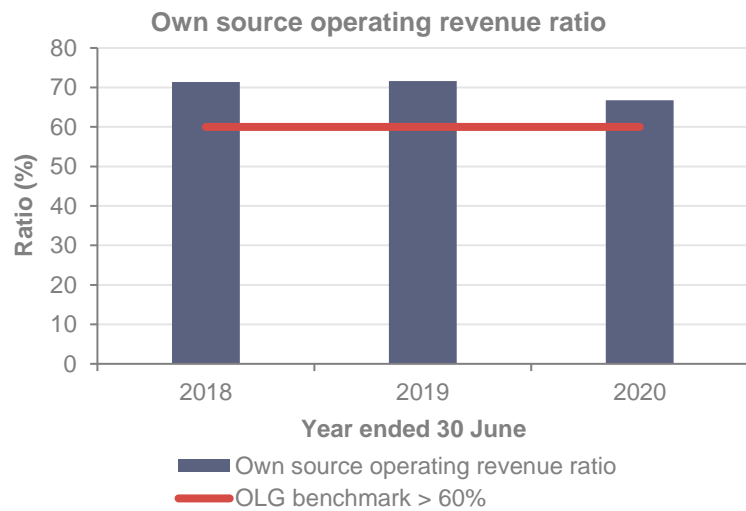


Own source operating revenue ratio

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.

The ratio was negatively impacted in 2019–20 due to higher levels of capital grants and contributions.



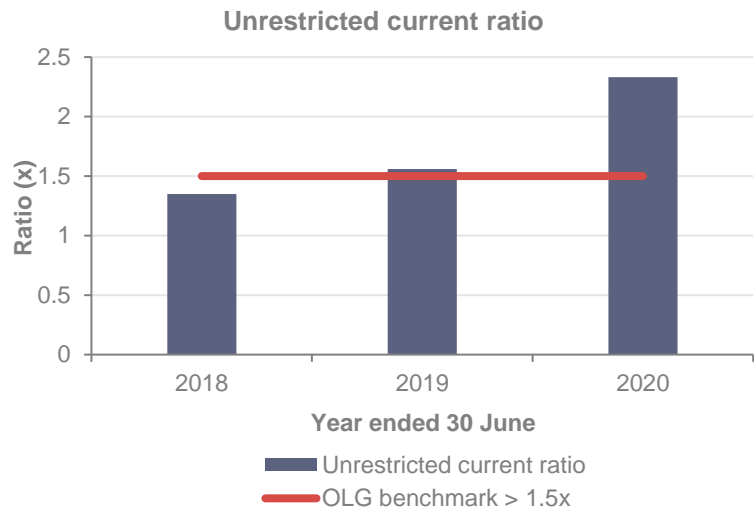
Unrestricted current ratio

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

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

Council's current liabilities (less specific purpose liabilities) has decreased by \$8.3 million, resulting in an increase in the ratio at 30 June 2020.

Council has \$2.33 in liquid current asset for every \$1 of current liabilities at 30 June 2020.



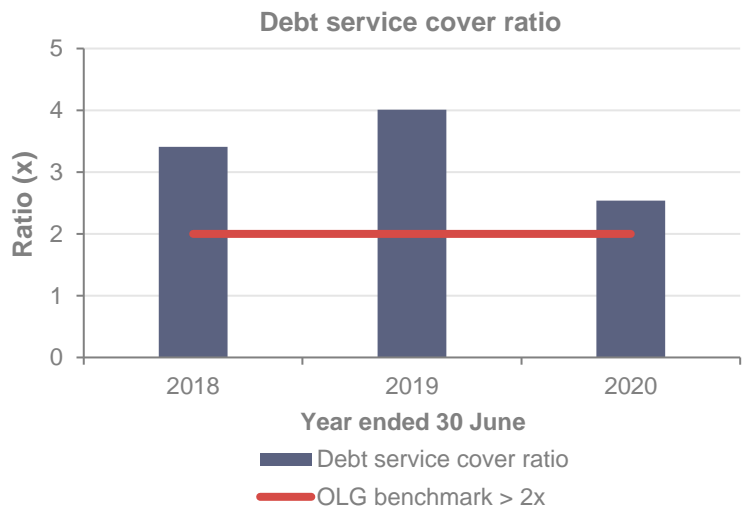
Debt service cover ratio

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

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

The ratio has decreased as a result of an increase in loan and lease principle repayments.

Council's sewer fund (1.39x) is below the OLG benchmark for the current reporting period.

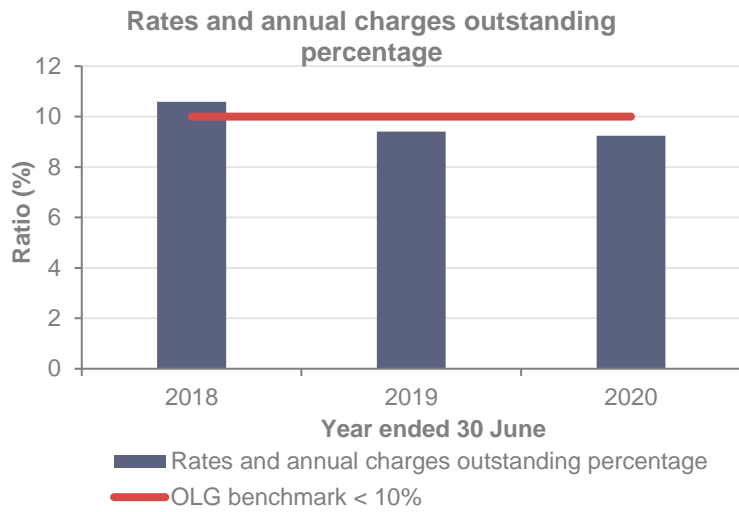


Rates and annual charges outstanding per centage

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.

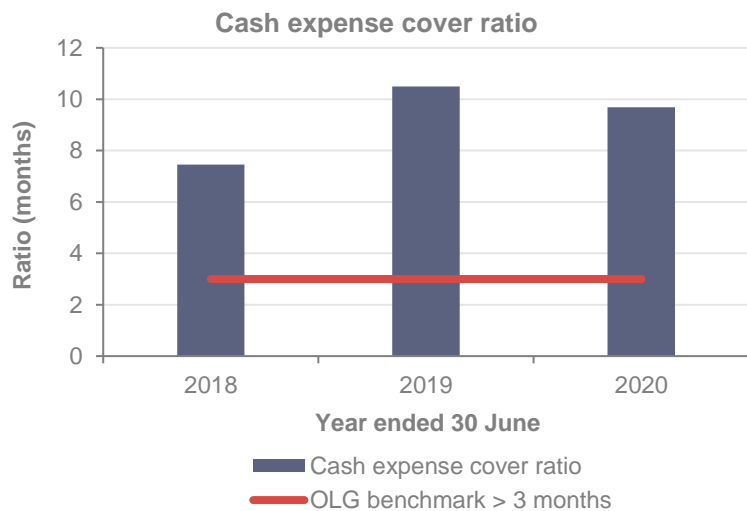
Council's water fund ratio is at 23.03 per cent and higher than the industry benchmark as Council levies annual charges in arrears for this fund.



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 met the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2019–20 year was \$20.2 million (2018–19 - \$20.9 million). In 2019–20 renewal projects largely related to landfill cell 2 expansion, road resurfacing and water main renewal programs.

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 \$6.6 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

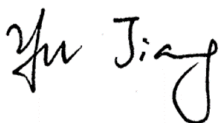
The Council recognised right-of-use assets of \$1.2 million and lease liabilities of \$1.2 million at 1 July 2019 on adoption of AASB 16.

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

Legislative compliance

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

cc: Shelley Oldham, General Manager
Stephen Coates, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Lismore City 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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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 25 November 2020.



Isaac Smith
Mayor
25 November 2020



Neil Marks
Councillor
25 November 2020



Shelley Oldham
General Manager & Responsible Accounting Officer
25 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	4,811	4,585
User charges	9,793	10,168
Interest	320	359
Grants and contributions provided for non-capital purposes	129	129
Other income	181	163
Total income from continuing operations	15,234	15,404
Expenses from continuing operations		
Employee benefits and on-costs	2,318	2,418
Borrowing costs	551	569
Materials and contracts	2,230	1,491
Depreciation, amortisation and impairment	3,257	3,107
Water purchase charges	5,402	5,124
Loss on sale of assets	1,695	1,196
Calculated taxation equivalents	35	36
Debt guarantee fee (if applicable)	346	363
Other expenses	131	84
Total expenses from continuing operations	15,965	14,388
Surplus (deficit) from continuing operations before capital amounts	(731)	1,016
Grants and contributions provided for capital purposes	2,163	1,093
Surplus (deficit) from continuing operations after capital amounts	1,432	2,109
Surplus (deficit) from all operations before tax	1,432	2,109
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(279)
SURPLUS (DEFICIT) AFTER TAX	1,432	1,830
Plus accumulated surplus	28,099	25,598
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	36
– Debt guarantee fees	346	363
– Corporate taxation equivalent	–	279
Less:		
– Tax equivalent dividend paid	(9)	(7)
Closing accumulated surplus	29,903	28,099
Return on capital %	(0.1)%	0.9%
Subsidy from Council	1,819	850
Calculation of dividend payable:		
Surplus (deficit) after tax	1,432	1,830
Less: capital grants and contributions (excluding developer contributions)	(1,947)	(935)
Surplus for dividend calculation purposes	–	895
Potential dividend calculated from surplus	–	447

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	13,454	13,195
User charges	222	207
Liquid trade waste charges	1	1
Interest	672	879
Grants and contributions provided for non-capital purposes	124	130
Other income	161	197
Total income from continuing operations	14,634	14,609
Expenses from continuing operations		
Employee benefits and on-costs	2,556	2,412
Borrowing costs	1,031	1,144
Materials and contracts	3,778	3,383
Depreciation, amortisation and impairment	5,743	5,321
Loss on sale of assets	149	8,394
Calculated taxation equivalents	56	56
Debt guarantee fee (if applicable)	701	731
Other expenses	192	524
Total expenses from continuing operations	14,206	21,965
Surplus (deficit) from continuing operations before capital amounts	428	(7,356)
Grants and contributions provided for capital purposes	4,931	3,901
Surplus (deficit) from continuing operations after capital amounts	5,359	(3,455)
Surplus (deficit) from all operations before tax	5,359	(3,455)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(118)	–
SURPLUS (DEFICIT) AFTER TAX	5,241	(3,455)
Plus accumulated surplus	65,828	68,519
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	56	56
– Debt guarantee fees	701	731
– Corporate taxation equivalent	118	–
Less:		
– Tax equivalent dividend paid	(25)	(23)
Closing accumulated surplus	71,919	65,828
Return on capital %	0.4%	(1.9)%
Subsidy from Council	1,405	10,466
Calculation of dividend payable:		
Surplus (deficit) after tax	5,241	(3,455)
Less: capital grants and contributions (excluding developer contributions)	(3,554)	(2,873)
Surplus for dividend calculation purposes	1,687	–
Potential dividend calculated from surplus	844	–

Income Statement – Quarry

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	3,077	3,737
Grants and contributions provided for non-capital purposes	15	13
Other income	721	225
Total income from continuing operations	3,813	3,975
Expenses from continuing operations		
Employee benefits and on-costs	917	961
Borrowing costs	172	207
Materials and contracts	2,630	4,325
Depreciation, amortisation and impairment	34	42
Calculated taxation equivalents	100	93
Debt guarantee fee (if applicable)	38	48
Other expenses	80	52
Total expenses from continuing operations	3,971	5,728
Surplus (deficit) from continuing operations before capital amounts	(158)	(1,753)
Surplus (deficit) from continuing operations after capital amounts	(158)	(1,753)
Surplus (deficit) from all operations before tax	(158)	(1,753)
SURPLUS (DEFICIT) AFTER TAX	(158)	(1,753)
Plus accumulated surplus	1,722	1,306
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	100	93
– Debt guarantee fees	38	48
Add:		
– Subsidy paid/contribution to operations	–	2,028
Closing accumulated surplus	1,702	1,722
Return on capital %	0.6%	(59.0)%
Subsidy from Council	8	1,581

Income Statement – Waste disposal

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	7,341	7,630
Other income	6,334	8,934
Total income from continuing operations	13,675	16,564
Expenses from continuing operations		
Employee benefits and on-costs	2,341	2,211
Borrowing costs	380	171
Materials and contracts	15,594	13,060
Depreciation, amortisation and impairment	369	4,552
Calculated taxation equivalents	161	132
Debt guarantee fee (if applicable)	236	82
Other expenses	82	25
Total expenses from continuing operations	19,163	20,233
Surplus (deficit) from continuing operations before capital amounts	(5,488)	(3,669)
Grants and contributions provided for capital purposes	82	158
Surplus (deficit) from continuing operations after capital amounts	(5,406)	(3,511)
Surplus (deficit) from all operations before tax	(5,406)	(3,511)
SURPLUS (DEFICIT) AFTER TAX	(5,406)	(3,511)
Plus accumulated surplus	4,167	7,847
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	161	132
– Debt guarantee fees	236	82
Add:		
– Subsidy paid/contribution to operations	4,208	–
Less:		
– Dividend paid	–	(383)
Closing accumulated surplus	3,366	4,167
Return on capital %	(33.6)%	(29.5)%
Subsidy from Council	5,242	3,654

Income Statement – Lismore Crematorium

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Fees	268	331
Profit from the sale of assets	423	–
Other income	55	104
Total income from continuing operations	746	435
Expenses from continuing operations		
Employee benefits and on-costs	129	174
Materials and contracts	211	219
Depreciation, amortisation and impairment	19	21
Other expenses	7	5
Total expenses from continuing operations	366	419
Surplus (deficit) from continuing operations before capital amounts	380	16
Surplus (deficit) from continuing operations after capital amounts	380	16
Surplus (deficit) from all operations before tax	380	16
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(105)	(4)
SURPLUS (DEFICIT) AFTER TAX	275	12
Plus accumulated surplus	269	253
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	105	4
Add:		
– Dividend paid	(423)	–
Closing accumulated surplus	226	269
Return on capital %	85.6%	1.8%

Income Statement – Goonellabah Sports & Aquatic Centre - Gymnasium

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Fees	430	662
Total income from continuing operations	<u>430</u>	<u>662</u>
Expenses from continuing operations		
Employee benefits and on-costs	207	356
Materials and contracts	563	616
Total expenses from continuing operations	<u>770</u>	<u>972</u>
Surplus (deficit) from continuing operations before capital amounts	(340)	(310)
Surplus (deficit) from continuing operations after capital amounts	(340)	(310)
Surplus (deficit) from all operations before tax	(340)	(310)
SURPLUS (DEFICIT) AFTER TAX	<u>(340)</u>	<u>(310)</u>
Add:		
– Subsidy paid/contribution to operations	340	310
Closing accumulated surplus	<u>–</u>	<u>–</u>
Subsidy from Council	340	310

Income Statement – Swimsations

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Fees	444	659
Total income from continuing operations	<u>444</u>	<u>659</u>
Expenses from continuing operations		
Employee benefits and on-costs	285	426
Materials and contracts	412	435
Total expenses from continuing operations	<u>697</u>	<u>861</u>
Surplus (deficit) from continuing operations before capital amounts	(253)	(202)
Surplus (deficit) from continuing operations after capital amounts	<u>(253)</u>	<u>(202)</u>
Surplus (deficit) from all operations before tax	(253)	(202)
SURPLUS (DEFICIT) AFTER TAX	<u>(253)</u>	<u>(202)</u>
Add:		
– Subsidy paid/contribution to operations	253	202
Closing accumulated surplus	<u>–</u>	<u>–</u>
Subsidy from Council	253	202

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	3,916	2,010
Investments	9,068	8,068
Receivables	3,563	4,111
Inventories	232	193
Total current assets	16,779	14,382
Non-current assets		
Right of use assets	15	–
Investments	–	1,000
Receivables	1,308	1,284
Infrastructure, property, plant and equipment	186,213	184,460
Total non-current assets	187,536	186,744
TOTAL ASSETS	204,315	201,126
LIABILITIES		
Current liabilities		
Lease liabilities	14	–
Payables	287	120
Borrowings	570	543
Provisions	354	304
Total current liabilities	1,225	967
Non-current liabilities		
Lease liabilities	1	–
Borrowings	10,511	11,048
Provisions	11	12
Total non-current liabilities	10,523	11,060
TOTAL LIABILITIES	11,748	12,027
NET ASSETS	192,567	189,099
EQUITY		
Accumulated surplus	29,903	28,099
Revaluation reserves	162,664	161,000
TOTAL EQUITY	192,567	189,099

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	3,204	2,482
Investments	22,807	21,766
Receivables	699	788
Inventories	419	376
Total current assets	27,129	25,412
Non-current assets		
Right of use assets	38	–
Investments	7,000	7,000
Receivables	586	550
Infrastructure, property, plant and equipment	325,420	322,303
Total non-current assets	333,044	329,853
TOTAL ASSETS	360,173	355,265
LIABILITIES		
Current liabilities		
Lease liabilities	12	–
Payables	317	327
Borrowings	1,171	4,258
Provisions	346	268
Total current liabilities	1,846	4,853
Non-current liabilities		
Lease liabilities	7	–
Borrowings	21,175	22,311
Provisions	11	39
Total non-current liabilities	21,193	22,350
TOTAL LIABILITIES	23,039	27,203
NET ASSETS	337,134	328,062
EQUITY		
Accumulated surplus	71,919	65,828
Revaluation reserves	265,215	262,234
TOTAL EQUITY	337,134	328,062

Statement of Financial Position – Quarry

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	538	189
Inventories	1,680	2,140
Total current assets	2,218	2,329
Non-current assets		
Infrastructure, property, plant and equipment	2,545	2,621
Total non-current assets	2,545	2,621
TOTAL ASSETS	4,763	4,950
LIABILITIES		
Current liabilities		
Borrowings	180	195
Provisions	249	227
Total current liabilities	429	422
Non-current liabilities		
Borrowings	533	712
Provisions	2,099	2,094
Total non-current liabilities	2,632	2,806
TOTAL LIABILITIES	3,061	3,228
NET ASSETS	1,702	1,722
EQUITY		
Accumulated surplus	1,702	1,722
TOTAL EQUITY	1,702	1,722

Statement of Financial Position – Waste disposal

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	983	3,401
Inventories	50	383
Total current assets	1,033	3,784
Non-current assets		
Infrastructure, property, plant and equipment	15,183	11,854
Total non-current assets	15,183	11,854
TOTAL ASSETS	16,216	15,638
LIABILITIES		
Current liabilities		
Borrowings	712	683
Provisions	643	1,059
Total current liabilities	1,355	1,742
Non-current liabilities		
Borrowings	6,492	7,204
Provisions	4,171	1,693
Total non-current liabilities	10,663	8,897
TOTAL LIABILITIES	12,018	10,639
NET ASSETS	4,198	4,999
EQUITY		
Accumulated surplus	3,366	4,167
Revaluation reserves	832	832
TOTAL EQUITY	4,198	4,999

Statement of Financial Position – Lismore Crematorium

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	444	888
Total non-current assets	<u>444</u>	<u>888</u>
TOTAL ASSETS	<u>444</u>	<u>888</u>
LIABILITIES		
Current liabilities		
Provisions	80	80
Total current liabilities	<u>80</u>	<u>80</u>
Non-current liabilities		
Provisions	2	2
Total non-current liabilities	<u>2</u>	<u>2</u>
TOTAL LIABILITIES	<u>82</u>	<u>82</u>
NET ASSETS	<u>362</u>	<u>806</u>
EQUITY		
Accumulated surplus	226	269
Revaluation reserves	136	537
<u>TOTAL EQUITY</u>	<u>362</u>	<u>806</u>

Statement of Financial Position – Goonellabah Sports & Aquatic Centre -
Gymnasium
as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Other	—	—
Total current assets	<u>—</u>	<u>—</u>
Non-current assets		
Infrastructure, property, plant and equipment	—	—
Total non-current assets	<u>—</u>	<u>—</u>
TOTAL ASSETS	<u>—</u>	<u>—</u>
LIABILITIES		
Current liabilities		
Provisions	—	—
Total current liabilities	<u>—</u>	<u>—</u>
Non-current liabilities		
Provisions	—	—
Total non-current liabilities	<u>—</u>	<u>—</u>
TOTAL LIABILITIES	<u>—</u>	<u>—</u>
NET ASSETS	<u>—</u>	<u>—</u>
EQUITY		
Accumulated surplus	—	—
Revaluation reserves	—	—
TOTAL EQUITY	<u>—</u>	<u>—</u>

Statement of Financial Position – Swimsations

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Inventories	—	—
Total current assets	—	—
Non-current assets		
Infrastructure, property, plant and equipment	—	—
Total non-current assets	—	—
TOTAL ASSETS	—	—
LIABILITIES		
Current liabilities		
Provisions	—	—
Total current liabilities	—	—
Non-current liabilities		
Provisions	—	—
Total non-current liabilities	—	—
TOTAL LIABILITIES	—	—
NET ASSETS	—	—
EQUITY		
Accumulated surplus	—	—
Revaluation reserves	—	—
TOTAL EQUITY	—	—

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water

Provision of safe drinking water to customers

b. Sewerage

Provision of sewerage services to customers

c. Quarries

Supply of aggregate, road base and asphalt products

d. Waste Disposal

To provide waste disposal services

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

Note 1. Significant Accounting Policies (continued)

Category 2

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

a. Lismore Crematorium

Provide cremation services

b. Swimsations

Provide learn to swim classes

c. Goonellabah Sports and Aquatic Centre - Gymnasium

Provide gym facilities

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

The payment of taxation equivalent charges, referred to in the 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 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 corporate base 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 Department of Industry – Water 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 Best Practice Management of Water Supply and Sewer 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
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the Lismore City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Quarry
- Waste disposal
- Lismore Crematorium
- Goonellabah Sports and Aquatic Centre – Gymnasium
- Swimsations.

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.



Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY

Lismore City 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	31,037	30,104
Plus or minus adjustments ²	b	90	117
Notional general income	c = a + b	31,127	30,221
Permissible income calculation			
Rate peg percentage	e	2.60%	2.70%
Plus rate peg amount	i = e x (c + g)	809	816
Sub-total	k = (c + g + h + i + j)	31,936	31,037
Total permissible income	o = k + n	31,936	31,037
Less notional general income yield	p	31,936	31,037
Catch-up or (excess) result	q = o - p	-	-
Less unused catch-up ³	s	1	-
Carry forward to next year ⁴	t = q + r + s	1	-

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 (NSW).
- (3) 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.
- (4) 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
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Lismore City 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.

A handwritten signature in black ink, appearing to read 'Reiky Jiang'.

Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^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						
(a) Report on Infrastructure Assets as at 30 June 2020													
Buildings	Buildings	9,000	9,000	748	474	73,027	105,873	57.0%	21.0%	9.0%	12.0%	1.0%	
	Sub-total	9,000	9,000	748	474	73,027	105,873	57.0%	21.0%	9.0%	12.0%	1.0%	
Other structures	Other structures	1,679	1,679	213	–	17,746	24,298	51.0%	23.0%	24.0%	1.0%	1.0%	
	Sub-total	1,679	1,679	213	–	17,746	24,298	51.0%	23.0%	24.0%	1.0%	1.0%	
Roads	Sealed roads	66,309	66,309	4,787	4,710	389,946	607,047	32.0%	43.0%	12.0%	5.0%	8.0%	
	Unsealed roads	5,490	5,490	651	1,132	7,785	21,894	0.0%	1.0%	98.0%	1.0%	0.0%	
	Bridges	15,364	15,364	354	513	70,519	123,356	36.0%	26.0%	26.0%	11.0%	1.0%	
	Footpaths	2,545	2,545	177	143	21,671	30,169	7.0%	64.0%	25.0%	4.0%	0.0%	
	Bulk earthworks	–	–	–	–	343,882	343,882	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	89,708	89,708	5,969	6,498	833,803	1,126,348	51.9%	27.8%	11.9%	4.0%	4.4%	
Water supply network	Water supply network	20,416	20,416	1,890	2,113	182,964	283,578	0.0%	45.0%	12.0%	7.0%	36.0%	
	Sub-total	20,416	20,416	1,890	2,113	182,964	283,578	0.0%	45.0%	12.0%	7.0%	36.0%	
Sewerage network	Sewerage network	35,932	35,932	2,641	1,628	317,952	491,912	36.0%	43.0%	14.0%	6.0%	1.0%	
	Sub-total	35,932	35,932	2,641	1,628	317,952	491,912	36.0%	43.0%	14.0%	6.0%	1.0%	
Stormwater drainage	Stormwater drainage	2,287	2,287	273	–	65,261	103,104	55.0%	39.0%	2.0%	4.0%	0.0%	
	Sub-total	2,287	2,287	273	–	65,261	103,104	55.0%	39.0%	2.0%	4.0%	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 to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	307	307	–	–	3,598	5,520	2.0%	87.0%	0.0%	11.0%	0.0%
	Other Open Space/Recreation	300	300	–	–	723	1,722	17.0%	35.0%	32.0%	10.0%	6.0%
	Sub-total	607	607	–	–	4,321	7,242	5.6%	74.6%	7.6%	10.8%	1.4%
TOTAL - ALL ASSETS		165,213	165,213	11,734	10,713	1,519,476	2,180,943	41.5%	33.6%	12.3%	5.2%	7.4%

(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	9,670	49.00%	216.48%	>=100.00%
Depreciation, amortisation and impairment	19,735			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	165,213	10.87%	10.63%	<2.00%
Net carrying amount of infrastructure assets	1,519,476			
Asset maintenance ratio				
Actual asset maintenance	10,713	91.30%	93.17%	>100.00%
Required asset maintenance	11,734			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	165,213	7.58%	7.27%	
Gross replacement cost	2,180,943			

(*) 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	59.12%	142.00%	94.84%	149.62%	2.95%	406.16%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	10.69%	9.69%	11.16%	11.67%	11.30%	12.25%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	96.79%	96.00%	111.80%	101.40%	61.64%	79.57%	>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	7.75%	6.86%	7.20%	7.52%	7.30%	8.03%	

(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.