

Lismore City Council Financial Reports

For The Year Ended 30 June 2019



Lismore City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	75
On the Financial Statements (Sect 417 [3])	78

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.

Lismore City Council

General Purpose Financial Statements

for the year ended 30 June 2019

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 26 November 2019.



Isaac Smith
Mayor
26 November 2019



Darlene Cook
Councillor
26 November 2019



Shelley Oldham
General Manager
26 November 2019



Graeme Towers
Responsible Accounting Officer
26 November 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
53,491	Rates and annual charges	3a	53,838	51,947
26,758	User charges and fees	3b	29,438	28,982
1,447	Interest and investment revenue	3c	1,809	1,844
7,500	Other revenues	3d	9,214	7,847
15,464	Grants and contributions provided for operating purposes	3e,3f	20,037	17,720
13,221	Grants and contributions provided for capital purposes	3e,3f	17,295	17,599
<u>Other income:</u>				
–	Net share of interests in joint ventures and associates using the equity method	15	–	62
117,881	Total income from continuing operations		131,631	126,001
Expenses from continuing operations				
30,965	Employee benefits and on-costs	4a	31,356	30,108
3,220	Borrowing costs	4b	3,341	3,560
35,296	Materials and contracts	4c	40,695	37,027
23,397	Depreciation and amortisation	4d	27,076	22,661
9,067	Other expenses	4e	9,491	13,420
1,175	Net losses from the disposal of assets	5	10,880	3,488
–	Net share of interests in joint ventures and associates using the equity method	15	5	–
103,120	Total expenses from continuing operations		122,844	110,264
14,761	Operating result from continuing operations		8,787	15,737
14,761	Net operating result for the year		8,787	15,737
14,761	Net operating result attributable to council		8,787	15,737
1,540	Net operating result for the year before grants and contributions provided for capital purposes		(8,508)	(1,862)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		8,787	15,737
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	9	18,643	37,736
Total items which will not be reclassified subsequently to the operating result		18,643	37,736
Total other comprehensive income for the year		18,643	37,736
Total comprehensive income for the year		27,430	53,473
Total comprehensive income attributable to Council		27,430	53,473

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	21,436	28,151
Investments	6(b)	49,000	26,000
Receivables	7	18,210	18,354
Inventories	8a	4,421	3,685
Other	8b	12	15
Total current assets		<u>93,079</u>	<u>76,205</u>
Non-current assets			
Investments	6(b)	8,000	6,000
Receivables	7	3,618	3,121
Inventories	8a	174	183
Infrastructure, property, plant and equipment	9	1,404,239	1,387,717
Intangible assets	10	95	146
Investments accounted for using the equity method	15	1,161	1,166
Total non-current assets		<u>1,417,287</u>	<u>1,398,333</u>
TOTAL ASSETS		<u>1,510,366</u>	<u>1,474,538</u>
LIABILITIES			
Current liabilities			
Payables	11	14,338	10,378
Income received in advance	11	1,233	898
Borrowings	11	8,177	4,829
Provisions	12	8,052	7,233
Total current liabilities		<u>31,800</u>	<u>23,338</u>
Non-current liabilities			
Borrowings	11	60,666	62,509
Provisions	12	4,116	2,337
Total non-current liabilities		<u>64,782</u>	<u>64,846</u>
TOTAL LIABILITIES		<u>96,582</u>	<u>88,184</u>
Net assets		<u>1,413,784</u>	<u>1,386,354</u>
EQUITY			
Accumulated surplus	13a	507,614	498,827
Revaluation reserves	13a	906,170	887,527
Council equity interest		<u>1,413,784</u>	<u>1,386,354</u>
Total equity		<u>1,413,784</u>	<u>1,386,354</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		498,827	887,527	1,386,354	482,964	849,917	1,332,881
Net operating result for the year		8,787	–	8,787	15,737	–	15,737
Other comprehensive income							
– Gain (loss) on revaluation of infrastructure, property, plant and equipment	9	–	18,643	18,643	–	37,736	37,736
– Other movements – Associates Opening Revaluation Reserve Adjustments – Richmond Tweed Regional Library		–	–	–	126	(126)	–
Other comprehensive income		–	18,643	18,643	126	37,610	37,736
Total comprehensive income		8,787	18,643	27,430	15,863	37,610	53,473
Equity – balance at end of the reporting period		507,614	906,170	1,413,784	498,827	887,527	1,386,354

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
52,564	Rates and annual charges		55,138	51,776
29,432	User charges and fees		32,093	31,848
1,479	Investment and interest revenue received		796	2,254
29,530	Grants and contributions		29,474	32,687
–	Bonds, deposits and retention amounts received		798	–
2,290	Other		11,358	12,016
<u>Payments</u>				
(30,831)	Employee benefits and on-costs		(31,132)	(30,952)
(37,867)	Materials and contracts		(40,886)	(44,676)
(3,220)	Borrowing costs		(3,546)	(3,512)
–	Bonds, deposits and retention amounts refunded		–	(1,198)
(5,233)	Other		(9,336)	(11,893)
38,144	Net cash provided by (or used in) operating activities	14b	44,757	38,350
Cash flows from investing activities				
<u>Receipts</u>				
2,473	Sale of investment securities		–	18,000
–	Sale of real estate assets		–	649
2,726	Sale of infrastructure, property, plant and equipment		2,596	2,078
–	Deferred debtors receipts		8	9
<u>Payments</u>				
–	Purchase of investment securities		(25,000)	–
(50,321)	Purchase of infrastructure, property, plant and equipment		(30,590)	(42,956)
–	Purchase of real estate assets		9	–
–	Purchase of interests in joint ventures and associates		–	(1,104)
(45,122)	Net cash provided by (or used in) investing activities		(52,977)	(23,324)
Cash flows from financing activities				
<u>Receipts</u>				
5,490	Proceeds from borrowings and advances		6,334	1,749
<u>Payments</u>				
(4,996)	Repayment of borrowings and advances		(4,829)	(4,583)
494	Net cash flow provided by (used in) financing activities		1,505	(2,834)
(6,484)	Net increase/(decrease) in cash and cash equivalents		(6,715)	12,192
12,781	Plus: cash and cash equivalents – beginning of year	14a	28,151	15,959
6,297	Cash and cash equivalents – end of the year	14a	21,436	28,151
Additional Information:				
36,354	plus: Investments on hand – end of year	6(b)	57,000	32,000
42,651	Total cash, cash equivalents and investments		78,436	60,151

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	15
4	Expenses from continuing operations	21
5	Gains or losses from the disposal, replacement and de-recognition of assets	25
6(a)	Cash and cash equivalent assets	26
6(b)	Investments	26
6(c)	Restricted cash, cash equivalents and investments – details	28
7	Receivables	29
8	Inventories and other assets	31
9	Infrastructure, property, plant and equipment	33
10	Intangible assets	36
11	Payables and borrowings	37
12	Provisions	39
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	42
14	Statement of cash flows – additional information	44
15	Interests in other entities	45
16	Commitments	47
17	Contingencies and other assets/liabilities not recognised	48
18	Financial risk management	51
19	Material budget variations	55
20	Fair Value Measurement	57
21	Related Party Transactions	65
22	Events occurring after the reporting date	66
23	Statement of developer contributions	67
24	Financial result and financial position by fund	71
25(a)	Statement of performance measures – consolidated results	73
25(b)	Statement of performance measures – by fund	74

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 November 2019. Council has the power to amend and reissue these financial statements.

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

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

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 19 – Material budget variations

and are clearly marked.

In the current financial year, Council has separately disclosed income received in advance as a current liability in the statement of financial position. Comparative figures have been adjusted to conform to the current year's presentation.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated asset remediation provisions – refer Note 12

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

(iii) employee benefit provisions – refer Note 12.

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.

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position. Based upon Council's investigation and analysis, Council identified leases which require adjustment to their current accounting treatment under AASB 16. Council does not consider the impact of adopting AASB 16 to be material on the financial statements for the 2019/2020 financial year due to the leases identified being immaterial or Council is able to apply the short-term and low-value asset exemption.

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

AASB15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. These standards may affect the timing of the recognition of some grants and donations. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. There is not expected to be a material impact from transition to this standard.

The specific impacts of AASB 1058 for Council are expected to be:

As at 30 June 2019 Council has received \$7,624,500 of grant funding in advance where works had not been finalised.

These grant funds have been assessed as:-

1. \$356,600 - AASB 1058 - Income recognised when control over funding is obtained
2. \$7,267,900 - AASB 1058 - Income recognised when performance obligation is satisfied
3. The deliverables associated with advance payments are expected to be finalised by 30 June 2020.

The expected 2019/20 impact can be summarised as follows:-

1 July 2019:

Contract Liability	\$7,267,900 Increase
Accumulated Surplus	\$7,267,900 Decrease

During the 2019-2020 financial year as performance obligations are achieved for these fund:

Contract Liability	\$7,267,900 Decrease
Grant Income	\$7,267,900 Increase

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
An inclusive and healthy community	16,016	19,492	19,881	26,098	(3,865)	(6,606)	10,848	14,373	107,846	115,435
A prosperous and vibrant city	1,329	1,462	2,871	3,825	(1,542)	(2,363)	414	837	12,637	15,806
Our natural environment	19,876	16,614	24,082	18,947	(4,206)	(2,333)	1,458	916	13,457	11,455
Our built environment	56,392	51,042	65,546	44,094	(9,154)	6,948	5,963	7,868	1,301,410	1,266,494
Leadership and participation	38,018	37,391	10,464	17,300	27,554	20,091	4,867	4,954	75,016	65,348
Total functions and activities	131,631	126,001	122,844	110,264	8,787	15,737	23,550	28,948	1,510,366	1,474,538

Notes to the Financial Statements

for the year ended 30 June 2019

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 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	19,464	18,885
Farmland	4,522	4,443
Business	5,782	5,425
Less: pensioner rebates	(756)	(916)
Rates levied to ratepayers	29,012	27,837
Pensioner rate subsidies received	415	406
Total ordinary rates	29,427	28,243
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	4,932	4,774
Stormwater management services	382	381
Water supply services	4,519	4,382
Sewerage services	13,239	12,784
Waste management services (non-domestic)	571	615
Less: pensioner rebates	(612)	(474)
Nimbin transfer station	54	54
Waste minimisation	994	849
Annual charges levied	24,079	23,365
Pensioner subsidies received:		
– Water	124	125
– Sewerage	123	123
– Domestic waste management	85	91
Total annual charges	24,411	23,704
TOTAL RATES AND ANNUAL CHARGES	53,838	51,947

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.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	10,056	9,229
Sewerage services	164	189
Total specific user charges	10,220	9,418
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	1,077	1,065
Building services – other	73	109
Section 603 certificates	75	93
Other	10	10
Dog registration fees	161	167
Health control	537	508
Planning services	669	640
Total fees and charges – statutory/regulatory	2,602	2,592
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	200	210
Caravan park	26	25
Community centres	7	13
Parking fees	253	241
Quarry revenues	625	3,860
RMS (formerly RTA) charges (state roads not controlled by Council)	5,170	3,850
Tourism	58	77
Art gallery	46	27
Library	2	1
Parks, gardens and lakes	179	220
Public cemeteries	1,056	1,029
Road services	2	61
Share cropping	68	102
Sporting grounds	1,891	1,887
Other	2,301	620
Swimming pools	305	203
Waste disposal	4,264	4,377
Water charges	163	169
Total fees and charges – other	16,616	16,972
TOTAL USER CHARGES AND FEES	29,438	28,982

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	316	353
– Cash and investments	1,493	1,491
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,809</u>	<u>1,844</u>

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

Overdue rates and annual charges (general fund)	316	353
General Council cash and investments	123	103

Restricted investments/funds – external:

Development contributions		
– Section 7.11	132	121
Water fund operations	359	301
Sewerage fund operations	879	966
Total interest and investment revenue	<u>1,809</u>	<u>1,844</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	551	377
Fines – parking	129	124
Fines – other	12	28
Commissions and agency fees	57	46
Container Deposit Scheme	2,071	663
Insurance claims recoveries	408	1,851
Master games	74	50
Recycling income (non-domestic)	5,075	3,958
Other	535	501
Other events	302	249
<u>TOTAL OTHER REVENUE</u>	<u>9,214</u>	<u>7,847</u>

Accounting policy for other revenue

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

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

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

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

Other income 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 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,138	2,163	–	–
Financial assistance – local roads component	964	956	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,216	2,215	–	–
Financial assistance – local roads component	1,001	982	–	–
Total general purpose	6,319	6,316	–	–
Specific purpose				
Environmental programs	–	81	–	–
Floodplain management	1,640	–	–	–
Library – special projects	–	–	–	198
Recreation and culture	141	206	1,198	7,971
Street lighting	167	170	–	–
Transport (roads to recovery)	874	1,765	–	–
Transport (other roads and bridges funding)	–	6	3,101	3,606
Airport	–	–	43	392
Art gallery	108	118	–	–
Community services	127	114	–	–
Diesel rebate	380	541	–	–
Domestic waste management	–	–	158	674
Library services	108	129	–	–
Natural disaster emergency funding	8,260	6,496	–	–
Other	286	165	640	–
Total specific purpose	12,091	9,791	5,140	12,841
Total grants	18,410	16,107	5,140	12,841
Grant revenue is attributable to:				
– Commonwealth funding	6,711	6,859	390	1,686
– State funding	10,576	9,228	4,750	11,155
– Other funding	1,123	20	–	–
	18,410	16,107	5,140	12,841

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,457	940
S 64 – water supply contributions		–	–	158	184
S 64 – sewerage service contributions		–	–	1,028	883
Other developer contributions		–	–	–	245
Total developer contributions – cash		–	–	2,643	2,252
Total developer contributions	23	–	–	2,643	2,252
Other contributions:					
Cash contributions					
Recreation and culture		–	–	279	410
RMS contributions (regional roads, block grant)		1,627	1,591	136	136
Other		–	15	173	22
Art gallery		–	7	–	–
Total other contributions – cash		1,627	1,613	588	568
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	5,116	1,938
Sewerage (excl. section 64 contributions)		–	–	2,873	–
Water supplies (excl. section 64 contributions)		–	–	935	–
Total other contributions – non-cash		–	–	8,924	1,938
Total other contributions		1,627	1,613	9,512	2,506
Total contributions		1,627	1,613	12,155	4,758
TOTAL GRANTS AND CONTRIBUTIONS		20,037	17,720	17,295	17,599

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	1,621	447
Add: operating grants recognised in the current period but not yet spent	2,111	1,586
Less: operating grants recognised in a previous reporting period now spent	(1,524)	(412)
Unexpended and held as restricted assets (operating grants)	2,208	1,621

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.

Capital grants

Unexpended at the close of the previous reporting period	6,461	1,066
Add: capital grants recognised in the current period but not yet spent	1,972	6,461
Less: capital grants recognised in a previous reporting period now spent	(3,017)	(1,066)
Unexpended and held as restricted assets (capital grants)	5,416	6,461

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 Lismore Flood Diversion Channel, CBD CCTV cameras, 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	5,075	4,762
Add: contributions recognised in the current period but not yet spent	1,602	1,512
Less: contributions recognised in a previous reporting period now spent	(496)	(1,199)
Unexpended and held as restricted assets (contributions)	6,181	5,075

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 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	25,120	24,552
Employee leave entitlements	5,421	5,214
Superannuation	2,983	2,906
Workers' compensation insurance	904	693
Fringe benefit tax	39	40
Payroll tax	227	233
Training costs (other than salaries and wages)	306	400
Total employee costs	35,000	34,038
Less: capitalised costs	(3,644)	(3,930)
TOTAL EMPLOYEE COSTS EXPENSED	31,356	30,108

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,256	3,508
Other debts		40	4
Total interest bearing liability costs expensed		3,296	3,512
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	45	48
Total other borrowing costs		45	48
TOTAL BORROWING COSTS EXPENSED		3,341	3,560

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	40,296	36,624
Auditors remuneration ¹	78	75
Legal expenses:		
– Legal expenses: planning and development	142	119
– Legal expenses: debt recovery	29	51
Operating leases:		
– Operating lease rentals: minimum lease payments	150	158
Total materials and contracts	<u>40,695</u>	<u>37,027</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>40,695</u>	<u>37,027</u>

Accounting policy for operating leases

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

1. 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	77	70
Remuneration for audit and other assurance services	<u>77</u>	<u>70</u>
Total Auditor-General remuneration	<u>77</u>	<u>70</u>

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

Audit of grant acquittals (Thomas Noble & Russell)	1	5
Remuneration for audit and other assurance services	<u>1</u>	<u>5</u>
Total remuneration of non NSW Auditor-General audit firms	<u>1</u>	<u>5</u>
Total Auditor remuneration	<u>78</u>	<u>75</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		2,963	3,058
Office equipment		34	37
Furniture and fittings		70	4
Land improvements (depreciable)		2,628	978
Infrastructure:			
– Buildings		1,368	944
– Other structures		582	356
– Roads		6,426	6,619
– Bridges		924	917
– Footpaths		243	214
– Stormwater drainage		852	836
– Water supply network		3,039	3,125
– Sewerage network		5,208	5,304
– Swimming pools		64	69
– Other open space/recreational assets		75	107
Other assets:			
– Other		49	32
Reinstatement, rehabilitation and restoration assets:			
- Tip Assets	9,12	2,492	–
- Quarry assets	9,12	7	2
Intangible assets	10	52	59
Total depreciation and amortisation costs		27,076	22,661
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>27,076</u>	<u>22,661</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible 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. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	14	–
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	60	76
– NSW fire brigade levy	465	469
– NSW rural fire service levy	274	282
– Rous County Council	303	438
– Waste levy	2,225	3,500
– Richmond Tweed Regional Library	1,523	1,499
Councillor expenses – mayoral fee	43	56
Councillor expenses – councillors' fees	288	212
Councillors' expenses (incl. mayor) – other (excluding fees above)	129	160
Donations, contributions and assistance to other organisations (Section 356)	428	265
Electricity and heating	1,094	1,363
Insurance	1,175	1,102
Street lighting	1,191	387
Telephone and communications	279	299
Other – net RTRL assets transferred to other councils	15(b) –	3,312
Total other expenses	9,491	13,420
TOTAL OTHER EXPENSES	9,491	13,420

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 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	1,265
Less: carrying amount of property assets sold/written off		–	(1,684)
Net gain/(loss) on disposal		–	(419)
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		2,596	813
Less: carrying amount of plant and equipment assets sold/written off		(2,689)	(580)
Net gain/(loss) on disposal		(93)	233
Infrastructure			
	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(10,193)	(2,534)
Net gain/(loss) on disposal		(10,193)	(2,534)
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		–	649
Less: carrying amount of real estate assets sold/written off		–	(335)
Net gain/(loss) on disposal		–	314
Other Structures			
Proceeds from disposal – Other Structures		–	–
Less: carrying amount of Other Structures assets sold/written off		(199)	(371)
Net gain/(loss) on disposal		(199)	(371)
Land Improvements - Depreciable			
Proceeds from disposal – Land Improvements-Depreciable		–	–
Less: carrying amount of Land Improvements-Depreciable assets sold/written off		(127)	(711)
Net gain/(loss) on disposal		(127)	(711)
Buildings			
Proceeds from disposal – Buildings assets		–	–
Less: carrying amount of Buildings assets sold/written off		(268)	–
Net gain/(loss) on disposal		(268)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(10,880)	(3,488)

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 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	382	341
Cash-equivalent assets		
– Deposits at call	18,054	16,810
– Short-term deposits	3,000	11,000
Total cash and cash equivalents	21,436	28,151

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	–	–	26,000	6,000
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	49,000	8,000	–	–
Total Investments	49,000	8,000	26,000	6,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	70,436	8,000	54,151	6,000
Financial assets at fair value through the profit and loss				
Long term deposits	–	–	26,000	6,000
Total	–	–	26,000	6,000
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	49,000	8,000	–	–
Total	49,000	8,000	–	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise 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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

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

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	70,436	8,000	54,151	6,000
attributable to:				
External restrictions	52,297	8,000	50,206	6,000
Internal restrictions	17,119	–	3,945	–
Unrestricted	1,020	–	–	–
	<u>70,436</u>	<u>8,000</u>	<u>54,151</u>	<u>6,000</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Art gallery gift account	224	18
Trust account	1,098	1,359
External restrictions – included in liabilities	<u>1,322</u>	<u>1,377</u>

External restrictions – other

Developer contributions – general	6,181	5,075
Specific purpose unexpended grants	6,986	8,082
Water supplies	10,983	8,979
Water supplies – employee leave entitlements	95	89
Sewerage services	31,156	29,720
Sewerage services – employee leave entitlements	92	87
Domestic waste management	1,523	1,132
Stormwater management	1,930	1,638
Waste minimisation	29	27
External restrictions – other	<u>58,975</u>	<u>54,829</u>

Total external restrictions

	<u>60,297</u>	<u>56,206</u>
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Internal restrictions

Employees leave entitlement	2,068	2,534
Carry forward and revoke works	3,699	505
Held for other parties	–	24
Specific purpose unexpended loans	4,205	534
SRV related	439	348
Annual Budget	1,875	–
Other Council Resolutions	4,833	–
Total internal restrictions	<u>17,119</u>	<u>3,945</u>

TOTAL RESTRICTIONS

	<u>77,416</u>	<u>60,151</u>
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,573	1,620	4,013	1,480
Interest and extra charges	827	646	389	195
User charges and fees	3,036	907	2,482	969
Accrued revenues				
– Interest on investments	559	–	435	–
– Other income accruals	1,903	–	–	–
Deferred debtors	8	232	8	240
Government grants and subsidies	373	–	1,439	–
Loans to sporting clubs	25	200	25	225
Miscellaneous works and services	1,893	–	2,987	–
Net GST receivable	772	–	920	–
Roads and Maritime Services	4,544	–	3,682	–
Tender deposits and bonds	1,478	–	682	–
Other debtors – Insurance Claim	183	–	1,282	–
Other debtors	86	13	60	12
Total	18,260	3,618	18,404	3,121
Less: provision of impairment				
User charges and fees	(50)	–	(50)	–
Total provision for impairment – receivables	(50)	–	(50)	–
TOTAL NET RECEIVABLES	18,210	3,618	18,354	3,121
Externally restricted receivables				
Water supply				
– Rates and availability charges	1,037	358	967	414
– Other	3,074	926	2,480	969
Sewerage services				
– Rates and availability charges	788	550	914	436
Domestic waste management	55	45	224	111
Total external restrictions	4,954	1,879	4,585	1,930
Unrestricted receivables	13,256	1,739	13,769	1,191
TOTAL NET RECEIVABLES	18,210	3,618	18,354	3,121

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.

Accounting policy under AASB 9 applicable from 1 July 2018

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	930	174	930	183
Stores and materials	1,016	–	915	–
Total inventories at cost	1,946	174	1,845	183
(ii) Inventories at net realisable value (NRV)				
Trading stock	2,475	–	1,840	–
Total inventories at net realisable value (NRV)	2,475	–	1,840	–
TOTAL INVENTORIES	4,421	174	3,685	183

(b) Other assets

Prepayments	12	–	15	–
TOTAL OTHER ASSETS	12	–	15	–

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	193	–	221	–
Total water	193	–	221	–
Sewerage				
Stores and materials	376	–	380	–
Total sewerage	376	–	380	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	569	–	601	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	3,864	174	3,099	183
TOTAL INVENTORIES AND OTHER ASSETS	4,433	174	3,700	183

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Industrial/commercial		930	174	930	183
Total real estate for resale		930	174	930	183
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		28	6	28	6
Development costs		902	168	902	177
Total costs		930	174	930	183
Total real estate for resale		930	174	930	183
Movements:					
Real estate assets at beginning of the year		930	183	1,265	183
– WDV of sales (expense)	5	–	–	(335)	–
– Other		–	(9)	–	–
Total real estate for resale		930	174	930	183

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

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

\$ '000	2019	2018
Real estate for resale	299	299
	299	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.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

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

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	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 12):													
– 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 2019

Note 9. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	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	18,323	–	18,323	18,570	10,073	–	–	(9,805)	–	–	37,161	–	37,161
Plant and equipment	39,485	(20,874)	18,611	3,135	–	(878)	(3,058)	838	(2)	–	40,239	(21,593)	18,646
Office equipment	6,489	(6,072)	417	–	–	(279)	(37)	–	–	–	3,828	(3,727)	101
Furniture and fittings	680	(561)	119	–	335	(84)	(4)	–	–	–	723	(357)	366
Land:													
– Operational land	76,507	–	76,507	–	–	(1,504)	–	–	–	(5,326)	69,677	–	69,677
– Community land	31,779	–	31,779	–	–	–	–	–	(1)	582	32,360	–	32,360
– Land under roads (post 30/6/08)	34	–	34	–	–	–	–	–	–	6	40	–	40
Land improvements – non-depreciable	8,197	–	8,197	–	35	–	–	–	–	–	8,232	–	8,232
Land improvements – depreciable	28,104	(10,769)	17,335	–	132	(711)	(978)	140	–	–	26,823	(10,905)	15,918
Infrastructure:													
– Buildings	79,543	(16,898)	62,645	–	750	(1,616)	(944)	6,075	–	9,202	107,071	(30,959)	76,112
– Other structures	15,264	(5,440)	9,824	741	2,075	(371)	(356)	890	1	–	18,205	(5,401)	12,804
– Roads	366,018	(183,666)	182,352	7,541	1,040	(539)	(6,619)	846	–	3,799	378,863	(190,443)	188,420
– Bridges	85,095	(36,230)	48,865	–	–	–	(917)	–	–	1,039	86,941	(37,954)	48,987
– Footpaths	17,627	(2,137)	15,490	–	190	(29)	(214)	33	–	332	18,201	(2,399)	15,802
– Bulk earthworks (non-depreciable)	322,336	–	322,336	–	221	–	–	–	–	6,994	329,551	–	329,551
– Stormwater drainage	80,036	(29,044)	50,992	–	590	(6)	(836)	2	–	1,090	82,354	(30,522)	51,832
– Water supply network	266,959	(93,093)	173,866	2,273	339	(1,828)	(3,125)	775	–	4,204	273,326	(96,822)	176,504
– Sewerage network	458,471	(172,948)	285,523	552	85	(129)	(5,304)	206	–	15,290	478,772	(182,549)	296,223
– Swimming pools	5,737	(1,940)	3,797	–	–	–	(69)	–	–	–	5,737	(2,009)	3,728
– Other open space/recreational assets	1,776	(776)	1,000	–	–	(2)	(107)	–	–	–	1,766	(875)	891
Other assets:													
– Heritage collections	1,952	–	1,952	–	4	–	–	–	–	524	2,480	–	2,480
– Library books	4,945	(2,613)	2,332	–	–	(2,332)	–	–	–	–	–	–	–
– Other	918	(298)	620	–	63	–	(32)	–	–	–	981	(330)	651
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	270	–	270	–	70	–	–	–	–	–	340	–	340
– Quarry assets	863	(75)	788	–	–	–	(2)	–	105	–	968	(77)	891
Total Infrastructure, property, plant and equipment	1,917,408	(583,434)	1,333,974	32,812	16,002	(10,308)	(22,602)	–	103	37,736	2,004,639	(616,922)	1,387,717

(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 2019

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	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 15	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	12 to 25	Bulk earthworks	infinite
Sealed roads: Base	45 to 75	Swimming pools	40
Sealed roads - sub base	90 to 150	Other open space/recreational assets	20
Unsealed Roads	55	Other Infrastructure	50
Bridge: concrete	100		
Bridge: other	60		
Kerb, gutter and footpaths	50 to 100		

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

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment (continued)

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

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

Crown reserves

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

Rural Fire Service assets

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

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	1,589	1,616
Accumulated amortisation	(1,443)	(1,398)
Net book value – opening balance	146	218
Movements for the year		
– RTRL transferred to Associate – Note 15	–	(13)
– Amortisation charges	(52)	(59)
Closing values at 30 June		
Gross book value	1,590	1,589
Accumulated amortisation	(1,495)	(1,443)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>95</u>	<u>146</u>
The net book value of intangible assets represents:		
– Software	95	146
	<u>95</u>	<u>146</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 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	7,388	–	3,262	–
Goods and services – capital expenditure	1,862	–	2,996	–
Accrued expenses:				
– Borrowings	225	–	249	–
– Other expenditure accruals	2,258	–	1,821	–
Security bonds, deposits and retentions	1,480	–	682	–
Contribution to works	1,096	–	1,359	–
Other	29	–	9	–
Total payables	14,338	–	10,378	–
Income received in advance				
Payments received in advance	1,233	–	898	–
Total income received in advance	1,233	–	898	–
Borrowings				
Loans – secured ¹	8,177	60,666	4,829	62,509
Total borrowings	8,177	60,666	4,829	62,509
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>23,748</u>	<u>60,666</u>	<u>16,105</u>	<u>62,509</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 18.

\$ '000	2019	2018
(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	1,480	682
Contributions to Works	1,096	1,359
Total payables and borrowings	2,576	2,041

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	67,338	1,505	–	–	–	68,843	
TOTAL	67,338	1,505	–	–	–	68,843	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	70,172	(2,834)	–	–	–	67,338	
TOTAL	70,172	(2,834)	–	–	–	67,338	

\$ '000	2019	2018
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(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	45	30
Total drawn financing arrangements	45	30

Undrawn facilities as at balance date:

– Bank overdraft facilities	750	750
– Credit cards/purchase cards	205	220
Total undrawn financing arrangements	955	970

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,790	–	2,754	–
Long service leave	4,325	346	4,249	241
Other leave	55	–	48	–
Sub-total – aggregate employee benefits	<u>7,170</u>	<u>346</u>	<u>7,051</u>	<u>241</u>
Asset remediation/restoration:				
Asset remediation/restoration (future works)	882	3,770	182	2,096
Sub-total – asset remediation/restoration	<u>882</u>	<u>3,770</u>	<u>182</u>	<u>2,096</u>
<u>TOTAL PROVISIONS</u>	<u>8,052</u>	<u>4,116</u>	<u>7,233</u>	<u>2,337</u>

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

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

Provisions – employee benefits	3,457	4,273
	<u>3,457</u>	<u>4,273</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,278	2,278
Changes to provision:		
– 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 period	4,652	4,652
2018		
At beginning of year	2,060	2,060
Revised Costs	170	170
Unwinding of discount	48	48
Total other provisions at end of period	2,278	2,278

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

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

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. 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 2019

Note 13. 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, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

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

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

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

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition Adjustments

The impacts to reserves and accumulated surplus on adoption of AASB 9 at 1 July 2018 are nil. The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost	28,151	–	–	28,151
Term Deposits	At fair value through profit & loss	Amortised Cost	32,000	–	–	32,000
Trade and Other Receivables	Loans and Receivables	Amortised Cost	21,475	–	–	21,475
Total financial assets under AASB 9 at 1 July 2018			81,626	–	–	81,626
Financial liabilities						
Bank Overdraft	Other Financial Liabilities	Other Financial Liabilities	–	–	–	–
Secured Loans	Other Financial Liabilities	Other Financial Liabilities	67,338	–	–	67,338
Tade and Other Payables	Other Financial Liabilities	Other Financial Liabilities	10,378	–	–	10,378
Total financial liabilities under AASB 9 at 1 July 2018			77,716	–	–	77,716

Notes to the table above**Reclassification from 'at fair value through profit & loss' to 'amortised cost'**

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

(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 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	21,436	28,151
Balance as per the Statement of Cash Flows		21,436	28,151
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		8,787	15,737
Adjust for non-cash items:			
Depreciation and amortisation		27,076	22,661
Net losses/(gains) on disposal of assets		10,880	3,488
Non-cash capital grants and contributions		(8,924)	(1,938)
Unwinding of discount rates on reinstatement provisions		44	48
Share of net (profits)/losses of associates/joint ventures using the equity method		5	(62)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(361)	(228)
Decrease/(increase) in inventories		(736)	670
Decrease/(increase) in other current assets		3	-
Increase/(decrease) in payables		4,126	(766)
Increase/(decrease) in accrued interest payable		(24)	-
Increase/(decrease) in other accrued expenses payable		437	803
Increase/(decrease) in other liabilities		890	(1,389)
Increase/(decrease) in provision for employee benefits		224	(844)
Increase/(decrease) in other provisions		2,330	170
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		44,757	38,350
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		8,924	1,938
Total non-cash investing and financing activities		8,924	1,938

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. 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	
			2019	2018	2019	2018
(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	2019	2018
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	43	31
Current liabilities	(37)	(26)
Property, plant and equipment	10	14
Total net assets - jointly owned with other partners	16	19
Total net assets employed – Council and jointly owned	40	43

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 2019

Note 15. 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.

In the prior year, Council entered into a new agreement with other local councils to operate regional library services. Richmond Tweed Regional Library was previously controlled by Lismore City Council. The execution of the new agreement has resulted in council relinquishing 75% for no consideration. The loss which equates to the transfer of assets and liabilities to other councils of \$3.312 million is disclosed at Note 4e.

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

\$ '000	2019	2018
Individually immaterial associates		
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(5)	62
Total comprehensive income – individually immaterial associates	(5)	62
Carrying amount of investments in associates that are not individually material	1,161	1,166
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 2019

Note 16. Commitments

\$ '000	2019	2018
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(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

Buildings elevator	–	54
Plant and equipment – Truck & Trailers	–	1,171
South Lismore Sewerage Treatment Plant	–	2,450
Nimbin Water Treatment Plant	–	914
Road rehabilitation	–	850
Albert Park Redevelopment	3,074	–
Stronger Country Community Projects	454	–
Public Library Infrastructure Grant Project	198	–
CCTV Camera Network	371	–
Waste Facility - Cell 2B	3,234	–
Total commitments	7,331	5,439

These expenditures are payable as follows:

Within the next year	7,331	5,439
Total payable	7,331	5,439

Sources for funding of capital commitments:

Unrestricted general funds	–	1,171
Unexpended grants	4,097	–
Internally restricted reserves	–	850
Unexpended loans	3,234	3,364
Other funding – Insurance	–	54
Total sources of funding	7,331	5,439

Details of capital commitments

Capital works commenced in 2018/19 continuing into 2019/20 year.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	800	187
Later than one year and not later than 5 years	1,071	49
Total non-cancellable operating lease commitments	1,871	236

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

Light Plant and Office Rentals

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 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times member contributions for non-180 Point Members, & NIL for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times member contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$692,129.52. The last valuation of the Scheme was performed by Richard Boyfield, FIAA on 31 December, 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

Council's expected contribution to the plan for the next annual reporting period is \$701,712.24.

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

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

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

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

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.

Other guarantees

A bank guarantee for \$916,500 has been issued to the Former NSW Department of Planning and Environment for a bond for the rehabilitation/biodiversity offset and conservation works relating to the Blakebrook Quarry project.

Other liabilities**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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

NORPOOL Insurance Claim

For the period 31/12/93 to 30/06/97, the firm HIH was the underwriter for NORPOOL in respect to claims from \$100,000 to \$20M. The collapse of HIH leaves NORPOOL & ultimately Council exposed to such claims.

A similar situation arises in respect to claims between \$2M and \$20M for the period 30/06/97-30/06/99. For the period 30/06/97 - 30/06/00, a London Firm, Independent Insurance Company Ltd, provided coverage for 50% of any claim up to \$2m. This company has been placed in liquidation.

At this stage, Council is unaware of any outstanding claims relating to these periods of insurances.

The liability period extends to 30 June 2021.

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 ground contamination has been identified. Technical reporting has classified the waste stockpile as 'hazardous waste' due to the presence of bonded asbestos material. Council has received a report from a suitable expert on options to remediate the site.

There are a number of options available of varying complexity and scope and these range in cost from approximately \$300,000 to \$930,000. The upper cost is representative of a remediation strategy involving the excavation and removal of a waste to a licenced waste facility. A cost/tonne of \$155 is assumed for such works. This rate is representative of expected current 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.

Beardow Street Road Reserve – Slip Rehabilitation

The remediation of the Beardow Street Road Reserve landslip in Lismore Heights is nearing completion.

The landslip happened as a result of flooding in March 2017 and during repairs contamination was discovered in the area that meant almost all soil on site had to be removed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

The works were being funded by Roads and Maritime Services (RMS) through the Natural Disaster Relief and Recovery Arrangements (NDRRA).

Council has been working with RMS and the Environmental Protection Authority (EPA) throughout this project to manage the landslip contamination and understand any further implications. It is unclear at this moment what costs, if any, will be incurred by Council to resolve this issue.

GST on EPA Levy

The Council has not been charging GST on the Environment Protection Authority (EPA) waste levy at the Waste Facility since 2010. On investigation it appears that GST is payable on all transactions attributable to non-council customers. A consultant is to be appointed to independently assess the Council liability and potentially manage the negotiation with the ATO. Based on payments to the EPA during this period of approximately \$16 million, and assuming non-council customer equate to 70%, the estimated liability is approximately \$1 million.

Note 18. 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 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	21,436	28,151	21,436	28,151
Receivables	21,828	21,475	21,828	21,475
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	57,000	–	57,000	–
– 'Designated at fair value on initial recognition'	–	32,000	–	32,000
Total financial assets	100,264	81,626	100,264	81,626
Financial liabilities				
Payables	14,338	10,378	14,338	10,378
Loans/advances	68,843	67,338	71,288	70,476
Total financial liabilities	83,181	77,716	85,626	80,854

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **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 and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(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
2019				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	214	214	(214)	(214)
2018				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	282	282	(282)	(282)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk 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
2019						
Gross carrying amount	–	4,193	–	–	–	4,193
2018						
Gross carrying amount	–	4,595	–	–	–	4,595

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 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,480	12,858	–	–	14,338	14,338
Loans and advances	4.40%	–	8,439	26,617	36,817	71,873	68,843
Total financial liabilities		1,480	21,297	26,617	36,817	86,211	83,181
2018							
Trade/other payables	0.00%	682	9,696	–	–	10,378	10,378
Loans and advances	4.64%	–	5,088	23,028	42,349	70,465	67,338
Total financial liabilities		682	14,784	23,028	42,349	80,843	77,716

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 19/06/2018 and is unaudited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and the decisions made by council.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	53,491	53,838	347	1% F
User charges and fees	26,758	29,438	2,680	10% F
Council received natural disaster funding for the emergency flood works associated the 2017 flood. Council also received higher than budgeted Roads & Maritime funding for ordered works.				
Interest and investment revenue	1,447	1,809	362	25% F
Council's investment portfolio maintained a higher balance throughout the year due to major capital projects or budgeted events being delayed or final costs being lower than original budget estimates. As a result of having the larger investment portfolio Council was able to achieve better than forecast returns. The rate of return on Council's investments was also better than anticipated which has also contributed the improved investments returns.				
Other revenues	7,500	9,214	1,714	23% F
Council received better than forecast income from its participation in the container deposit scheme \$1.77 million, at the preparation of the budget the operation of the scheme was not certain hence the conservative original estimates. Insurance refunds were received during the year better than forecast by \$305k. Council's waste recycling operations achieved higher income than forecast \$875k.				
Operating grants and contributions	15,464	20,037	4,573	30% F
Council received funding for flood works (diversion channel) of \$1.6 million which was not budgeted. Natural Disaster funding was better than forecast by \$2 million. Council was able to secure additional grants for environmental projects during the year of \$300k. Financial assistance grant funding was better than forecast by \$180k.				
Capital grants and contributions	13,221	17,295	4,074	31% F
Council received better than forecast non-cash dedications (infrastructure) of \$8.22 million; being drainage \$1million, roads \$3.1million, Wastewater infrastructure \$2.8million and Water infrastructure of \$900k. Higher than forecast road grants were received from State & Federal Governments of \$2.2 million. Developer cash contributions were higher than budget by \$1.42 million. Council also received the 1st milestone payment of the Stronger Country Communities Grants of \$1 million. This was originally anticipated to be recieved in the previous year (2018). There were a number of major projects planned by Council which were subject to grant funding, these projects did not proceed as grant funding was not successful (\$9.7) million.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	30,965	31,356	(391)	(1)% U
Borrowing costs	3,220	3,341	(121)	(4)% U
Materials and contracts	35,296	40,695	(5,399)	(15)% U
Additional operational grants and contributions; container scheme has resulted in increased materials and contracts. Increase costs associated with transportation of waste to Queensland due to the closure of Council's waste disposal cell and a new cell not having been commissioned. Additional operational costs at Council's waste facility were also incurred as a result of a review and the need to address outstanding compliance issues. Natural disaster funding for the restoration of roads damaged during previous floods has also increased materials and contracts.				
Depreciation and amortisation	23,397	27,076	(3,679)	(16)% U
Council fully depreciated the current waste disposal cell as it has reached full capacity, this has impacted depreciation expenses by \$1.6million. Council fully depreciated its Reinstatement, rehabilitation and restoration assets - Tips as they have all reached their full capacity, this has increased depreciation by \$2.4 million.				
Other expenses	9,067	9,491	(424)	(5)% U
Net losses from disposal of assets	1,175	10,880	(9,705)	(826)% U
Wastewater Infrastructure (\$8.4) million unfavourable - majority of movement being assets associated with the construction of the South Lismore Treatment Plant brought to account and the disposing of the existing assets. Water infrastructure (\$1.22) million unfavourable - being water valves, pipes and mains assets replaced and the impact of disposing of existing assets. Properties (\$584)k unfavourable - assets were replaced (hence the old assets were disposed of). The major assets being Goonellebah Sports & Aquatic Centre Lift and various assets associated with the Albert Park upgrade.				
Joint ventures and associates – net losses	–	5	(5)	∞ U

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	38,144	44,757	6,613	17% F
Council received higher than forecast revenues in user charges and fees, other income, grants and contributions which has been partially offset by increased operational expenses. The additional revenue was not budgeted as it could not have been reasonably or reliably quantified during the budget process.				
Net cash provided from (used in) investing activities	(45,122)	(52,977)	(7,855)	17% U
Council planned capital works program was lower than forecast <ul style="list-style-type: none"> • due to grant projects not proceeding as a result of funding not being secured • capital program being delayed or • estimated project timeline and cashflows not correctly forecast. Additional investments securities were purchased during 2019 as a result of the additional funding and delay in project timing.				
Net cash provided from (used in) financing activities	494	1,505	1,011	205% F
Proceed of borrowings \$844k favourable - An amended 2019 loan program was adopted by Council. The revised program was revised due grant projects not proceeding (thus Council's matching funding not required), revised sources for Council's LED street lighting upgrade and the removal of some capital projects. Repayments of borrowings \$167k favourable - Council draw down of the 2019 loan program was later than original forecast which has resulted in savings in repayments. In addition Council was able to achieve better than forecast rates on its 2019 program.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. 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

2019	Notes	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
	9				
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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
	9				
Plant & Equipment		–	–	18,646	18,646
Office Equipment		–	–	101	101
Furniture & Fittings		–	–	366	366
Operational Land		–	69,677	–	69,677
Community Land		–	–	32,360	32,360
Land Under Roads (Post 30/06/08)		–	–	40	40
Land Improvement (Non-Depreciable)		–	–	8,232	8,232
Land Improvement (Depreciable)		–	–	15,918	15,918
Buildings		–	–	76,112	76,112
Other Structures		–	–	12,804	12,804
Roads		–	–	188,420	188,420
Bridges		–	–	48,987	48,987
Footpaths		–	–	15,802	15,802
Bulk Earthworks (Non-Depreciable)		–	–	329,551	329,551
Stormwater Drainage		–	–	51,832	51,832
Water Supply Network		–	–	176,504	176,504
Sewerage Network		–	–	296,223	296,223
Swimming Pools		–	–	3,728	3,728
Other Open Space/Recreational Assets		–	–	891	891
Other		–	–	651	651
Heritage Collection		–	–	2,480	2,480
Tip Assets		–	–	340	340
Quarry Assets		–	–	891	891
Total infrastructure, property, plant and equipment		–	69,677	1,280,879	1,350,556

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. 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 2017.

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

Valuation techniques remain the same for this reporting period.

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 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.

Roads

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. 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 2019

Note 20. 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. Valuation techniques remained the same for this reporting period.

Bridges

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. 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. Valuation techniques remained the same for this reporting period.

Footpaths

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. 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. Valuation techniques remained the same for this reporting period.

Bulk Earthworks

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. 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 the same for this reporting period.

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. Valuation techniques remained the same for this reporting period.

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 the Office of 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 Office of Water.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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.

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.

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 2019

Note 20. 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
2018					
Opening balance	18,611	417	119	31,779	34
Transfers from/(to) another asset class	836	–	–	–	–
Purchases (GBV)	3,135	–	335	–	–
Disposals (WDV)	(878)	(279)	(84)	–	–
Depreciation and impairment	(3,058)	(37)	(4)	–	–
Revaluation increment to equity	–	–	–	582	6
Other movement	–	–	–	(1)	–
Closing balance	18,646	101	366	32,360	40
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

\$ '000	Land improvements (Depreciable)	Buildings	Other structures	Roads	Bridges
2018					
Opening balance	17,335	62,645	9,824	182,352	48,865
Transfers from/(to) another asset class	140	6,075	891	846	–
Purchases (GBV)	132	750	2,816	8,581	–
Disposals (WDV)	(711)	(570)	(371)	(539)	–
Depreciation and impairment	(978)	(944)	(356)	(6,619)	(917)
Revaluation increment to equity	–	9,202	–	3,799	1,039
Other movement - RTRL	–	(1,046)	–	–	–
Closing balance	15,918	76,112	12,804	188,420	48,987
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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Footpaths	Bulk earthworks (Non-Deprec)	Stormwater drainage	Water supply network	Sewerage network
2018					
Opening balance	15,490	322,336	50,992	173,866	285,523
Transfers from/(to) another asset class	33	–	2	775	206
Purchases (GBV)	190	221	590	2,612	637
Disposals (WDV)	(29)	–	(6)	(1,828)	(129)
Depreciation and impairment	(214)	–	(836)	(3,125)	(5,304)
Revaluation increment to equity	332	6,994	1,090	4,204	15,290
Closing balance	15,802	329,551	51,832	176,504	296,223
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
Other open space and recreation assets					
\$ '000	Swimming pools	Other open space and recreation assets	Heritage collection	Library books	Other
2018					
Opening balance	3,797	1,000	1,952	2,332	620
Purchases (GBV)	–	–	4	–	63
Disposals (WDV)	–	(2)	–	–	–
Depreciation and impairment	(69)	(107)	–	–	(32)
Revaluation increment to equity	–	–	524	(2,332)	–
Closing balance	3,728	891	2,480	–	651
2019					
Opening balance	3,728	891	2,480	–	651
Purchases (GBV)	–	–	–	–	80
Disposals (WDV)	(2)	(14)	–	–	–
Depreciation and impairment	(64)	(75)	–	–	(49)
Closing balance	3,662	802	2,480	–	682

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Tip assets	Quarry assets	Land improv- ements (Non-Deprec)	Total
2018				
Opening balance	270	788	8,197	1,239,144
Transfers from/(to) another asset class	–	–	–	9,804
Purchases (GBV)	70	–	35	20,171
Disposals (WDV)	–	–	–	(5,426)
Depreciation and impairment	–	(2)	–	(22,602)
Revaluation increment to equity	–	–	–	40,730
Other movement - RTRL	–	–	–	(1,046)
Other movement	–	105	–	104
Closing balance	340	891	8,232	1,280,879
2019				
Opening balance	340	891	8,232	1,280,879
Transfers from/(to) another asset class	2,152	113	–	35,214
Purchases (GBV)	–	–	–	29,696
Disposals (WDV)	–	–	–	(13,476)
Depreciation and impairment	(2,492)	(7)	–	(27,024)
Revaluation increment to equity	–	–	–	18,643
Closing balance	–	997	8,232	1,323,932

(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 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,083	1,011
Post-employment benefits	97	84
Other long-term benefits	9	9
Total	1,189	1,104

(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.

Council policy requires disclosure of material and significant Related Party Transactions in its annual Financial Statements if the aggregate amount involved exceeds \$10,000 in any financial year. During the 2018/19 year transactions to the value of \$11,770 were carried out with Workforce Skills and Training which is a business owned by a KMP of Council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Events occurring after the reporting date

Beardow Street Road Reserve

In August 2019, the Environmental Protection Authority (EPA) issued a Preliminary Investigation Order on Council to appoint a contaminated land consultant to undertake investigations on specified land to determine i) the nature and extent of the contamination in the soil, ii) origins of the waste materials and iii) identify any human or environmental health risks from the presence of the contamination. Council has submitted a response to the EPA however, as the outcome of the investigation is not known it is not possible to quantify any potential remediation costs.

Lismore Recycling & Recovery Centre

Due to a fire, the Lismore Recycling & Recovery Centre was closed from Sunday, 11 August 2019, and opened with limited services on Wednesday, 28 August, 2019. Significant damage was sustained to the Materials Recovery Facility (MRF), compost piles and recyclables. Due to the closure and damage to the MRF, there were also major disruptions to the waste collection and disposal services provided by the Council. The closure also impacted commercial operators and the general public.

The cost of the event is not known however an insurance claim for the property damage and business interruption will be prepared. The insurance claim is not expected to meet all costs or lost revenues associated with the event.

Waste Service Facility

Due to delays in the completion of Cell 2B at the Waste Service Facility, material costs are expected to be incurred in transporting waste interstate. It is unclear at this point in time what costs will be incurred.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. 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 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Emergency Services	125	12	–	3	(15)	–	125	–
Community Services & Facilities	283	98	–	8	–	–	389	–
Public Domain Facilities	90	38	–	2	–	–	130	–
Open Space & Recreation Facilities	794	96	–	22	–	–	912	–
Cycleways Facilities	286	37	–	8	–	–	331	–
Rural North & South Traffic Management Facilities	386	177	–	–	(563)	–	–	–
Urban Traffic Management Facilities	1,523	511	–	46	–	–	2,080	–
Carparking	74	–	–	2	–	–	76	–
Stormwater	(78)	9	–	–	–	–	(69)	–
Street Trees	165	7	–	4	(58)	–	118	–
Heavy Haulage	1,182	459	–	36	(35)	–	1,642	–
Section 94 Plan Administration	–	13	–	–	(13)	–	–	–
S7.11 contributions – under a plan	4,830	1,457	–	131	(684)	–	5,734	–
Total S7.11 and S7.12 revenue under plans	4,830	1,457	–	131	(684)	–	5,734	–
S7.4 planning agreements	245	–	–	–	202	–	447	–
S64 contributions	–	1,186	–	–	(1,186)	–	–	–
Total contributions	5,075	2,643	–	131	(1,668)	–	6,181	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
Emergency Services								
Bushfire	39	7	–	1	–	–	47	–
SES	86	5	–	2	(15)	–	78	–
Total	125	12	–	3	(15)	–	125	–
Community Services & Facilities								
CBD, North & South	283	98	–	8	–	–	389	–
Total	283	98	–	8	–	–	389	–
Public Domain Facilities								
Lismore CBD-Residential	73	36	–	2	–	–	111	–
Lismore CBD-Commercial	17	2	–	–	–	–	19	–
Total	90	38	–	2	–	–	130	–
Open Space & Recreation Facilities								
Tucki Tucki - Residential	755	23	–	20	–	–	798	–
Lismore Park	39	73	–	2	–	–	114	–
Total	794	96	–	22	–	–	912	–
Cycleways Facilities								
Cycleways	286	37	–	8	–	–	331	–
Total	286	37	–	8	–	–	331	–
Rural North & South Traffic Management Facilities								
Rural - North	(28)	152	–	–	(124)	–	–	–
Rural - South	414	25	–	–	(439)	–	–	–
Total	386	177	–	–	(563)	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Urban Traffic Management Facilities								
Residential/Commercial/Industrial	1,523	511	–	46	–	–	2,080	–
Total	1,523	511	–	46	–	–	2,080	–
Carparking								
Lismore & Nimbin	74	–	–	2	–	–	76	–
Total	74	–	–	2	–	–	76	–
Stormwater								
Residential	(78)	9	–	–	–	–	(69)	–
Total	(78)	9	–	–	–	–	(69)	–
Street Trees								
Residential/Commercial/Industrial	165	7	–	4	(58)	–	118	–
Total	165	7	–	4	(58)	–	118	–
Heavy Haulage								
Rural - Quarries	1,182	459	–	36	(35)	–	1,642	–
Total	1,182	459	–	36	(35)	–	1,642	–
Section 94 Plan Administration								
Section 94 Plan Administration	–	13	–	–	(13)	–	–	–
Total	–	13	–	–	(13)	–	–	–

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

Note 23. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year	Cumulative internal borrowings due/(payable)				Held as restricted asset	
\$ '000		Cash	Non-cash					
S64 contributions								
Water Supplies								
Other	–	–	158	–	(158)	–	(158)	–
Total	–	–	158	–	(158)	–	(158)	–
Sewer Supplies								
Other	–	–	1,028	–	(1,028)	–	(1,028)	–
Total	–	–	1,028	–	(1,028)	–	(1,028)	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	36,523	4,585	13,195
User charges and fees	27,200	10,168	208
Interest and investment revenue	571	359	879
Other revenues	9,530	163	197
Grants and contributions provided for operating purposes	19,778	129	130
Grants and contributions provided for capital purposes	12,301	1,093	3,901
Total income from continuing operations	105,903	16,497	18,510
Expenses from continuing operations			
Employee benefits and on-costs	26,531	2,418	2,412
Borrowing costs	1,628	569	1,144
Materials and contracts	45,091	1,491	3,383
Depreciation and amortisation	18,648	3,107	5,321
Other expenses	3,764	5,208	524
Net losses from the disposal of assets	1,290	1,196	8,394
Share of interests in joint ventures and associates using the equity method	5	–	–
Total expenses from continuing operations	96,957	13,989	21,178
Operating result from continuing operations	8,946	2,508	(2,668)
Net operating result for the year	8,946	2,508	(2,668)
Net operating result attributable to each council fund	8,946	2,508	(2,668)
Net operating result for the year before grants and contributions provided for capital purposes	(3,355)	1,415	(6,569)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	16,944	2,010	2,482
Investments	19,166	8,068	21,766
Receivables	13,311	4,111	788
Inventories	3,852	193	376
Other	12	–	–
Total current assets	53,285	14,382	25,412
Non-current assets			
Investments	–	1,000	7,000
Receivables	1,784	1,284	550
Inventories	174	–	–
Infrastructure, property, plant and equipment	897,476	184,460	322,303
Investments accounted for using the equity method	1,161	–	–
Intangible assets	95	–	–
Total non-current assets	900,690	186,744	329,853
TOTAL ASSETS	953,975	201,126	355,265
LIABILITIES			
Current liabilities			
Payables	13,891	120	327
Income received in advance	1,233	–	–
Borrowings	3,376	543	4,258
Provisions	7,480	304	268
Total current liabilities	25,980	967	4,853
Non-current liabilities			
Borrowings	27,307	11,048	22,311
Provisions	4,065	12	39
Total non-current liabilities	31,372	11,060	22,350
TOTAL LIABILITIES	57,352	12,027	27,203
Net assets	896,623	189,099	328,062
EQUITY			
Accumulated surplus	413,687	28,099	65,828
Revaluation reserves	482,936	161,000	262,234
Council equity interest	896,623	189,099	328,062
Total equity	896,623	189,099	328,062

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,377	2.08%	1.44%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	114,336			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	93,552	71.07%	71.36%	>60.00%
Total continuing operating revenue ¹	131,631			
3. Unrestricted current ratio				
Current assets less all external restrictions	34,960	1.56x	1.35x	>1.50x
Current liabilities less specific purpose liabilities	22,377			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	32,794	4.01x	3.41x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,170			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	5,666	9.53%	10.59%	<10.00%
Rates, annual and extra charges collectible	59,484			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	78,436	10.49 mths	7.46 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,477			

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2.44)%	(1.40)%	16.95%	11.19%	12.49%	7.73%	>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	66.28%	64.42%	91.84%	95.54%	77.56%	92.36%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.58x	1.18x	13.09x	13.38x	5.11x	17.35x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.04x	3.33x	5.42x	4.63x	3.29x	3.00x	>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	5.66%	7.13%	24.74%	24.47%	13.34%	13.90%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.93	3.26	13.04	10.86	44.93	41.64	>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 Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

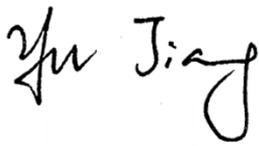
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 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

28 November 2019
SYDNEY



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

Contact: Reiky Jiang
 Phone no: 9275 7281
 Our ref: D1928462/ 1754

28 November 2019

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2019 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 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	53.8	51.9	↑ 3.7
User charges and fees	29.4	29.0	↑ 1.4
Grants and contributions revenue	37.3	35.3	↑ 5.7
Operating result for the year	8.8	15.7	↓ 43.9
Net operating result before capital grants and contributions	(8.5)	(1.9)	↓ 347

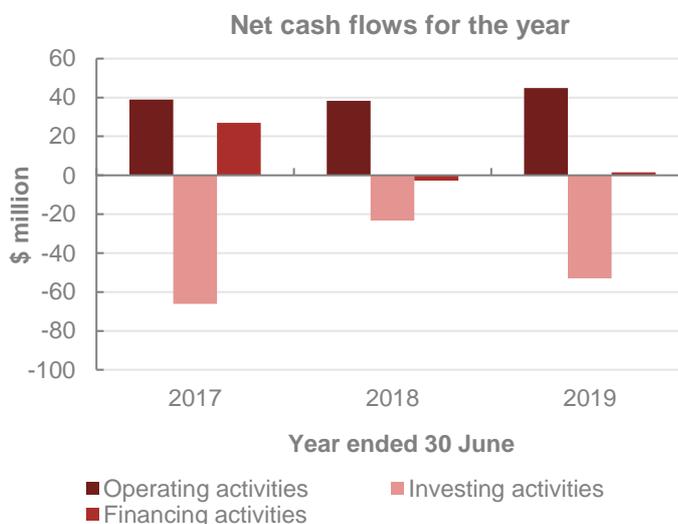
Council's operating surplus (\$8.8 million including the effect of depreciation and amortisation expense of \$27.1 million) was \$6.9 million lower than the 2017–18 result.

The reduced operating surplus is largely attributable to the following:

- Rates and annual charges revenue (\$53.8 million) increased by \$1.9 million (3.7 per cent) in 2018–2019. Rates revenue increased by the allowable rating increase of 2.3 per cent.
- Grants and contributions provided for operating purposes (\$20.0 million) increased by \$2.3 million (13.0 per cent) in 2018–2019. This was due to the receipt of additional funding for natural disaster emergency (\$1.8 million) and floodplain management (\$1.6 million) relating to the March 2017 flooding event.
- Materials and contracts expense (\$40.7 million) increased by \$3.7 million (10.0%) in 2018–19. This was largely attributable to Council incurring additional costs to transfer waste to the Ipswich waste disposal facility.
- Depreciation and amortisation expense (27.1 million) increased by \$4.4 million (19.5%) in 2018–19. Council recorded accelerated depreciation of \$4.3 million on its cells 1 and 2A landfill assets in 2018–19 as they have reached full capacity.
- Other expense (\$9.5 million) decreased by \$3.9 million (29.3%) in 2018–19. A new funding agreement with member councils for the Richmond Tweed Regional Library (the Library) commenced on 1 July 2017, which changed the accounting treatment in 2017–18 leading to a \$3.3 million expense for the transfer of 75 per cent of net assets of the Library.
- Net losses from the disposal of assets (10.9 million) increased by \$7.4 million (212%) in 2018–19. Construction was finalised on the South Lismore Wastewater Treatment Plant in 2018–19 and a loss on disposal of the previous plant totalling \$7.8 million was recognised.

STATEMENT OF CASH FLOWS

- Council has achieved surplus cash from its operating activities over the past three years.
- Net cash used in investing activities increased by \$29.7 million. Council invested \$30.6 million in IPP&E (reduction of \$12.4 million compared to 2017–18) and \$25 million in investment securities (2018: net redemption of \$18 million).
- Net cash provided by financing activities increased by \$4.3 million with additional borrowings totalling \$4.6 million drawn in 2018–19.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	60.3	56.2	• The increase in Council's externally restricted cash and investments of \$4.1 million is predominantly due to \$2.0 million for water supplies and \$1.4 million for sewerage services.
Internal restrictions	17.1	3.9	
Unrestricted	1.0	-	
Cash and investments	78.4	60.1	<ul style="list-style-type: none"> • Internally restricted cash and investments has increased largely due to the increase in carried forward capital works, specific purpose unexpended loans and other Council resolutions for specific purposes. • Unrestricted balances provide liquidity for day-to-day operations.

Debt

Council has total borrowings of \$68.8 million at 30 June 2019 (\$67.3 million at 30 June 2018). Council borrowed \$6.3 million in 2018–19 and made loan repayments of \$4.8 million. Refer to the commentary below on Council's debt service cover ratio.

Council has access to a bank overdraft facility of \$0.75 million. This facility was not used as at 30 June 2019.

PERFORMANCE

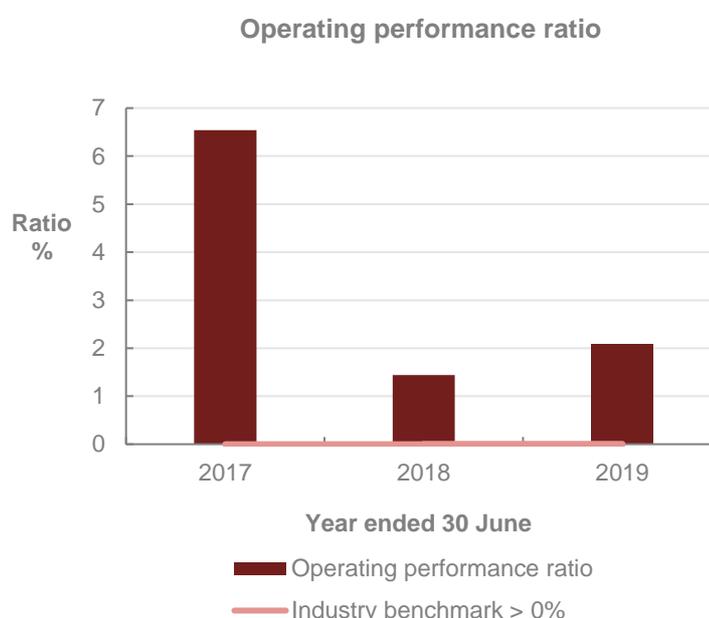
Operating performance ratio

Council has exceeded the industry benchmark for the past three years.

The 2017–18 ratio was adversely impacted by a transfer of \$3.3 million net assets relating to the Richmond Tweed Regional Library on loss of control.

General fund's operating performance ratio is negative 2.44% (2018: negative 1.40%) which is below the benchmark.

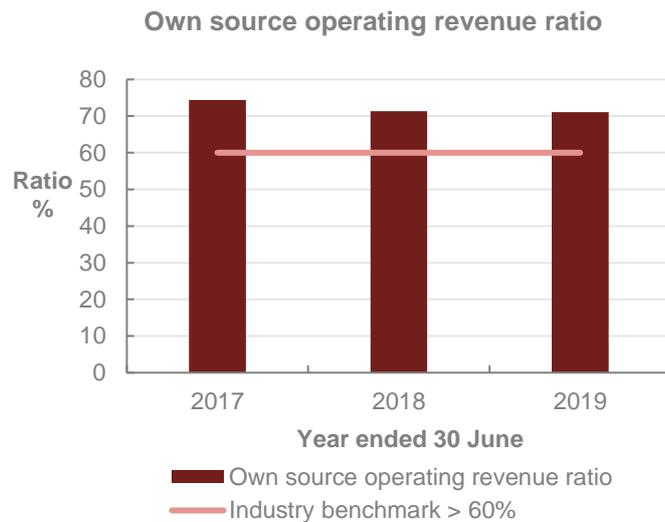
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council continues to exceed the industry benchmark, which illustrates that other revenue streams reduce Council's reliance on government funding.

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

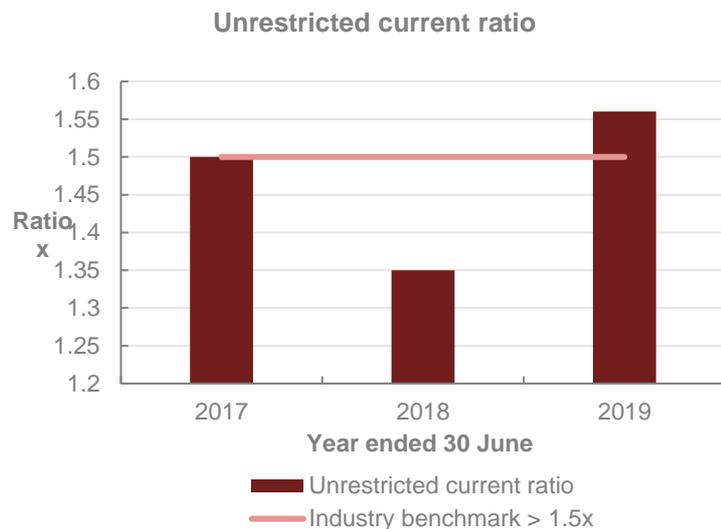


Unrestricted current ratio

Council has exceeded the industry benchmark at 30 June 2019 due mainly to an increased level of unrestricted cash and investments.

Council has \$1.56 in liquid current asset for every \$1 of current liabilities at 30 June 2019.

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

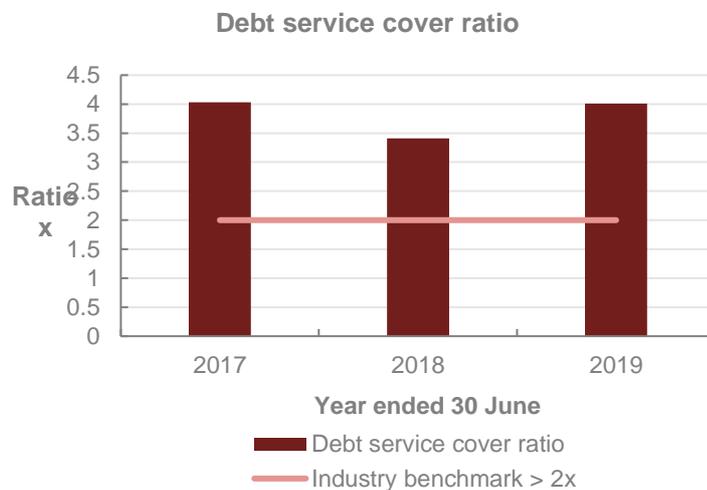


Debt service cover ratio

Council continues to exceed the industry benchmark.

Council's debt levels and debt servicing costs have remained relatively consistent with previous years.

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

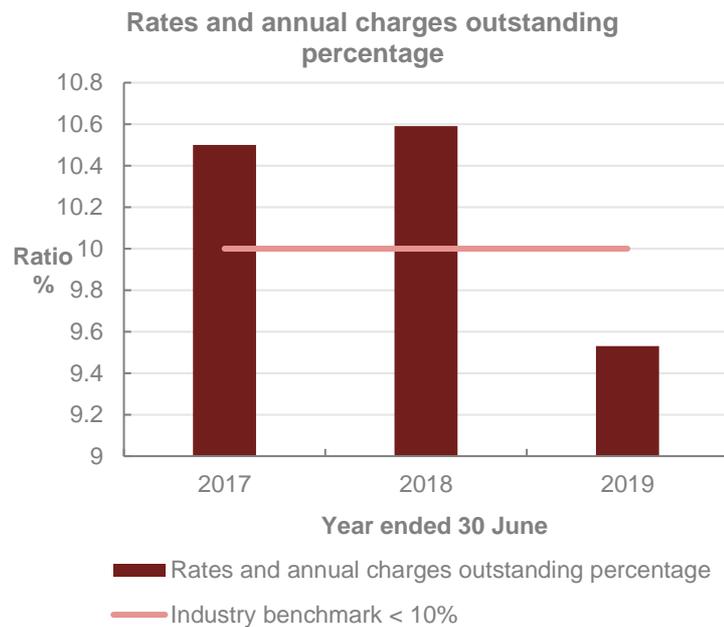


Rates and annual charges outstanding percentage

Council's ratio is at 9.53%. This ratio has fallen within the benchmark set for regional and rural councils in the current year due to an increased focus on improving collection practises.

General fund's ratio is at 5.66%. The water and sewer fund ratios are higher than the general fund ratio (and industry benchmark) as Council levies annual charges in arrears for these funds.

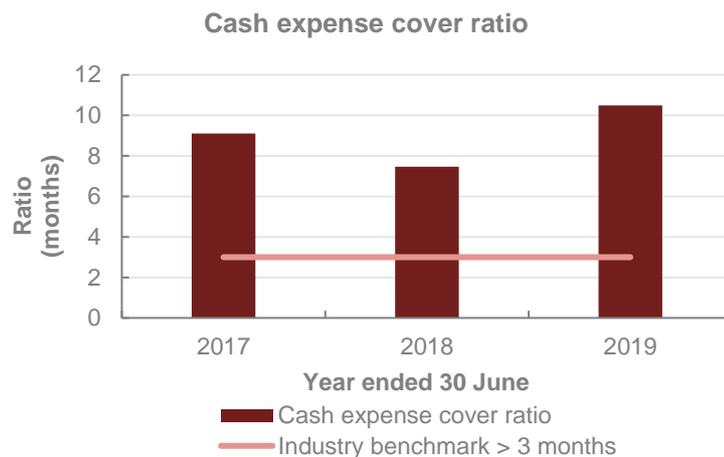
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's ratio is well above the industry benchmark and has increased in line with additional cash and investments of \$18.3 million being held at 30 June 2019.

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



Infrastructure, property, plant and equipment renewals

Council's total asset renewals in the 2018–19 year was \$20.9 million compared to \$32.8 million in 2017–18.

Due to the reduced capital expenditure, Council's renewals did not exceed the rate at which the assets were depreciating.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</p>

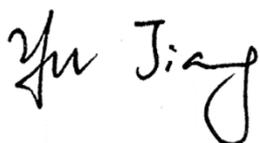
Legislative compliance

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

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

The Council's:

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



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 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Quarry	6
Income Statement – Waste disposal	7
Income Statement – Lismore Crematorium	8
Income Statement – Goonellabah Sports & Aquatic Centre - Gymnasium	9
Income Statement – Swimsations	10
Statement of Financial Position – Water Supply Business Activity	11
Statement of Financial Position – Sewerage Business Activity	12
Statement of Financial Position – Quarry	13
Statement of Financial Position – Waste disposal	14
Statement of Financial Position – Lismore Crematorium	15
Statement of Financial Position – Goonellabah Sports & Aquatic Centre - Gymnasium	16
Statement of Financial Position – Swimsations	17
Prior Period Error - Other Business Activities	18
Note 1 – Significant Accounting Policies	20
Auditor's Report on Special Purpose Financial Statements	24

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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:

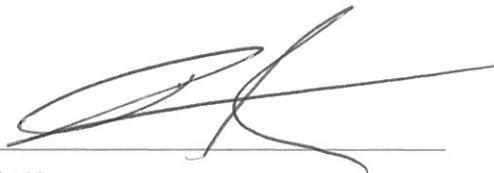
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 26 November 2019.



Isaac Smith
Mayor
26 November 2019



Darlene Cook
Councillor
26 November 2019



Shelley Oldham
General Manager
26 November 2019



Graeme Towers
Responsible Accounting Officer
26 November 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	4,585	4,382
User charges	10,168	9,402
Interest	359	301
Grants and contributions provided for non-capital purposes	129	130
Other income	163	169
Total income from continuing operations	15,404	14,384
Expenses from continuing operations		
Employee benefits and on-costs	2,418	2,391
Borrowing costs	569	593
Materials and contracts	1,491	1,450
Depreciation, amortisation and impairment	3,107	3,243
Water purchase charges	5,124	5,014
Loss on sale of assets	1,196	1,828
Calculated taxation equivalents	36	35
Debt guarantee fee (if applicable)	363	378
Other expenses	84	85
Total expenses from continuing operations	14,388	15,017
Surplus (deficit) from continuing operations before capital amounts	1,016	(633)
Grants and contributions provided for capital purposes	1,093	404
Surplus (deficit) from continuing operations after capital amounts	2,109	(229)
Surplus (deficit) from all operations before tax	2,109	(229)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(279)	–
SURPLUS (DEFICIT) AFTER TAX	1,830	(229)
Plus accumulated surplus	25,598	25,421
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	36	35
– Debt guarantee fees	363	378
– Corporate taxation equivalent	279	–
Less:		
– Tax equivalent dividend paid	(7)	(7)
Closing accumulated surplus	28,099	25,598
Return on capital %	0.9%	0.0%
Subsidy from Council	850	5,124
Calculation of dividend payable:		
Surplus (deficit) after tax	1,830	(229)
Less: capital grants and contributions (excluding developer contributions)	(935)	(220)
Surplus for dividend calculation purposes	895	–
Potential dividend calculated from surplus	447	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	13,195	12,558
User charges	207	235
Liquid trade waste charges	1	–
Interest	879	966
Grants and contributions provided for non-capital purposes	130	127
Other income	197	66
Total income from continuing operations	14,609	13,952
Expenses from continuing operations		
Employee benefits and on-costs	2,412	2,349
Borrowing costs	1,144	1,193
Materials and contracts	3,383	3,489
Depreciation, amortisation and impairment	5,321	5,374
Loss on sale of assets	8,394	225
Calculated taxation equivalents	56	36
Debt guarantee fee (if applicable)	731	762
Other expenses	524	469
Total expenses from continuing operations	21,965	13,897
Surplus (deficit) from continuing operations before capital amounts	(7,356)	55
Grants and contributions provided for capital purposes	3,901	883
Surplus (deficit) from continuing operations after capital amounts	(3,455)	938
Surplus (deficit) from all operations before tax	(3,455)	938
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(15)
SURPLUS (DEFICIT) AFTER TAX	(3,455)	923
Plus accumulated surplus	68,519	66,806
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	56	36
– Debt guarantee fees	731	762
– Corporate taxation equivalent	–	15
Less:		
– Tax equivalent dividend paid	(23)	(23)
Closing accumulated surplus	65,828	68,519
Return on capital %	(1.9)%	0.4%
Subsidy from Council	10,466	7,763
Calculation of dividend payable:		
Surplus (deficit) after tax	(3,455)	923
Less: capital grants and contributions (excluding developer contributions)	(2,873)	–
Surplus for dividend calculation purposes	–	923
Potential dividend calculated from surplus	–	461

Income Statement – Quarry

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	3,737	8,971
Grants and contributions provided for non-capital purposes	13	295
Other income	225	62
Total income from continuing operations	3,975	9,328
Expenses from continuing operations		
Employee benefits and on-costs	961	1,338
Borrowing costs	207	153
Materials and contracts	4,325	7,865
Depreciation, amortisation and impairment	42	172
Calculated taxation equivalents	93	101
Debt guarantee fee (if applicable)	48	55
Other expenses	52	49
Total expenses from continuing operations	5,728	9,733
Surplus (deficit) from continuing operations before capital amounts	(1,753)	(405)
Surplus (deficit) from continuing operations after capital amounts	(1,753)	(405)
Surplus (deficit) from all operations before tax	(1,753)	(405)
SURPLUS (DEFICIT) AFTER TAX	(1,753)	(405)
Plus accumulated surplus	1,306	1,592
Plus/less: other adjustments – Prior period adjustments	–	(1,410)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	93	101
– Debt guarantee fees	48	55
Add:		
– Subsidy paid/contribution to operations	2,028	1,373
Closing accumulated surplus	1,722	1,306
Return on capital %	(59.0)%	(10.2)%
Subsidy from Council	1,581	360

Income Statement – Waste disposal

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	7,630	7,728
Other income	8,934	5,896
Total income from continuing operations	16,564	13,624
Expenses from continuing operations		
Employee benefits and on-costs	2,211	2,066
Borrowing costs	171	146
Materials and contracts	13,060	9,829
Depreciation, amortisation and impairment	4,552	319
Calculated taxation equivalents	132	123
Debt guarantee fee (if applicable)	82	92
Other expenses	25	76
Total expenses from continuing operations	20,233	12,651
Surplus (deficit) from continuing operations before capital amounts	(3,669)	973
Grants and contributions provided for capital purposes	158	674
Surplus (deficit) from continuing operations after capital amounts	(3,511)	1,647
Surplus (deficit) from all operations before tax	(3,511)	1,647
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(268)
SURPLUS (DEFICIT) AFTER TAX	(3,511)	1,379
Plus accumulated surplus	7,847	8,170
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	132	123
– Debt guarantee fees	82	92
– Corporate taxation equivalent	–	268
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– Dividend paid	(383)	(2,185)
Closing accumulated surplus	4,167	7,847
Return on capital %	(29.5)%	8.6%
Subsidy from Council	3,654	–

Income Statement – Lismore Crematorium

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Fees	331	302
Other income	104	74
Total income from continuing operations	435	376
Expenses from continuing operations		
Employee benefits and on-costs	174	153
Materials and contracts	219	128
Depreciation, amortisation and impairment	21	7
Other expenses	5	6
Total expenses from continuing operations	419	294
Surplus (deficit) from continuing operations before capital amounts	16	82
Surplus (deficit) from continuing operations after capital amounts	16	82
Surplus (deficit) from all operations before tax	16	82
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(4)	(23)
SURPLUS (DEFICIT) AFTER TAX	12	59
Plus accumulated surplus	253	135
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	4	23
Add:		
– Subsidy paid/contribution to operations	–	36
Closing accumulated surplus	269	253
Return on capital %	1.8%	13.7%

Income Statement – Goonellabah Sports & Aquatic Centre - Gymnasium

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Fees	662	694
Total income from continuing operations	<u>662</u>	<u>694</u>
Expenses from continuing operations		
Employee benefits and on-costs	356	302
Materials and contracts	616	686
Total expenses from continuing operations	<u>972</u>	<u>988</u>
Surplus (deficit) from continuing operations before capital amounts	(310)	(294)
Surplus (deficit) from continuing operations after capital amounts	<u>(310)</u>	<u>(294)</u>
Surplus (deficit) from all operations before tax	<u>(310)</u>	<u>(294)</u>
SURPLUS (DEFICIT) AFTER TAX	<u>(310)</u>	<u>(294)</u>
Add:		
– Subsidy paid/contribution to operations	310	294
Closing accumulated surplus	<u>–</u>	<u>–</u>
Subsidy from Council	310	294

Income Statement – Swimsations

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Fees	659	604
Total income from continuing operations	<u>659</u>	<u>604</u>
Expenses from continuing operations		
Employee benefits and on-costs	426	489
Materials and contracts	435	433
Total expenses from continuing operations	<u>861</u>	<u>922</u>
Surplus (deficit) from continuing operations before capital amounts	(202)	(318)
Surplus (deficit) from continuing operations after capital amounts	<u>(202)</u>	<u>(318)</u>
Surplus (deficit) from all operations before tax	<u>(202)</u>	<u>(318)</u>
SURPLUS (DEFICIT) AFTER TAX	<u>(202)</u>	<u>(318)</u>
Add:		
– Subsidy paid/contribution to operations	202	318
Closing accumulated surplus	<u>–</u>	<u>–</u>
Subsidy from Council	202	318

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,010	4,262
Investments	8,068	3,899
Receivables	4,111	3,447
Inventories	193	221
Total current assets	14,382	11,829
Non-current assets		
Investments	1,000	907
Receivables	1,284	1,383
Infrastructure, property, plant and equipment	184,460	182,218
Total non-current assets	186,744	184,508
TOTAL ASSETS	201,126	196,337
LIABILITIES		
Current liabilities		
Payables	120	129
Borrowings	543	518
Provisions	304	293
Total current liabilities	967	940
Non-current liabilities		
Borrowings	11,048	11,597
Provisions	12	5
Total non-current liabilities	11,060	11,602
TOTAL LIABILITIES	12,027	12,542
NET ASSETS	189,099	183,795
EQUITY		
Accumulated surplus	28,099	25,598
Revaluation reserves	161,000	158,197
TOTAL EQUITY	189,099	183,795

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,482	14,009
Investments	21,766	12,817
Receivables	788	914
Inventories	376	380
Total current assets	25,412	28,120
Non-current assets		
Investments	7,000	2,981
Receivables	550	436
Infrastructure, property, plant and equipment	322,303	322,994
Total non-current assets	329,853	326,411
TOTAL ASSETS	355,265	354,531
LIABILITIES		
Current liabilities		
Payables	327	308
Borrowings	4,258	1,137
Provisions	268	266
Total current liabilities	4,853	1,711
Non-current liabilities		
Borrowings	22,311	26,569
Provisions	39	24
Total non-current liabilities	22,350	26,593
TOTAL LIABILITIES	27,203	28,304
NET ASSETS	328,062	326,227
EQUITY		
Accumulated surplus	65,828	68,519
Revaluation reserves	262,234	257,708
TOTAL EQUITY	328,062	326,227

Statement of Financial Position – Quarry

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1 Restated
ASSETS		
Current assets		
Receivables	189	305
Inventories	2,140	1,911
Total current assets	2,329	2,216
Non-current assets		
Infrastructure, property, plant and equipment	2,621	2,469
Total non-current assets	2,621	2,469
TOTAL ASSETS	4,950	4,685
LIABILITIES		
Current liabilities		
Borrowings	195	205
Provisions	227	301
Total current liabilities	422	506
Non-current liabilities		
Borrowings	712	908
Provisions	2,094	1,965
Total non-current liabilities	2,806	2,873
TOTAL LIABILITIES	3,228	3,379
NET ASSETS	1,722	1,306
EQUITY		
Accumulated surplus	1,722	1,306
TOTAL EQUITY	1,722	1,306

Statement of Financial Position – Waste disposal

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1 Restated
ASSETS		
Current assets		
Investments	3,401	171
Inventories	383	–
Total current assets	3,784	171
Non-current assets		
Infrastructure, property, plant and equipment	11,854	12,967
Total non-current assets	11,854	12,967
TOTAL ASSETS	15,638	13,138
LIABILITIES		
Current liabilities		
Borrowings	683	478
Provisions	1,059	391
Total current liabilities	1,742	869
Non-current liabilities		
Borrowings	7,204	3,441
Provisions	1,693	149
Total non-current liabilities	8,897	3,590
TOTAL LIABILITIES	10,639	4,459
NET ASSETS	4,999	8,679
EQUITY		
Accumulated surplus	4,167	7,847
Revaluation reserves	832	832
TOTAL EQUITY	4,999	8,679

Statement of Financial Position – Lismore Crematorium

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	888	599
Total non-current assets	888	599
TOTAL ASSETS	888	599
LIABILITIES		
Current liabilities		
Provisions	80	73
Total current liabilities	80	73
Non-current liabilities		
Provisions	2	2
Total non-current liabilities	2	2
TOTAL LIABILITIES	82	75
NET ASSETS	806	524
EQUITY		
Accumulated surplus	269	253
Revaluation reserves	537	271
<u>TOTAL EQUITY</u>	<u>806</u>	<u>524</u>

Lismore City Council

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

Prior period error – Other Business Activities

\$ '000

Quarry

Nature of prior-period error

In prior years Council did not have a detailed asset register which assigned individual assets and their components to the relevant business units of Council. Adjustments due to revaluations were not allocated to individual capital value registers (the financial record for individual assets) and therefore not easily identified with specific business units.

In 2019 Council reassigned its assets in line with individual assets types and components. This has provided Council with a more robust and quantifiable measure of assets against individual businesses.

Council's allocation of Infrastructure, Property, Plant & Equipment to Quarry operations has been revised in line with its updated Capital Asset module.

Comparatives have been changed to reflect the correction of errors.

The impact on each line item is shown in the tables below.

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

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Financial Position			
Infrastructure, Property, Plant and Equipment (IPP&E)	3,879	(1,410)	2,469
Total assets	6,095	(1,410)	4,685
Total liabilities	3,379	–	3,379
Accumulated surplus	2,716	(1,410)	1,306
Revaluation reserves	–	–	–
Total equity	2,716	(1,410)	1,306

Lismore City Council

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

Prior period error – Other Business Activities

\$ '000

Waste Disposal

Nature of prior-period error

In prior years Council did not have a detailed asset register which assigned individual assets and their components to the relevant business units of Council. Adjustments due to revaluations were not allocated to individual capital value registers (the financial record for individual assets) and therefore not easily identified with specific business units.

In 2019 Council reassigned its assets in line with individual assets types and components. This has provided Council with a more robust and quantifiable measure of assets against individual businesses.

Council's allocation of Infrastructure, Property, Plant & Equipment to Waste operations has been revised in line with its updated Capital Asset module.

Comparatives have been changed to reflect the correction of errors.

The impact on each line item is shown in the tables below.

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

	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Statement of Financial Position			
Infrastructure, Property, Plant and Equipment (IPP&E)	16,063	(3,096)	12,967
Total assets	16,234	(3,096)	13,138
Total liabilities	4,459	–	4,459
Accumulated surplus	7,847	–	7,847
Revaluation reserves	3,928	(3,096)	832
Total equity	11,775	(3,096)	8,679

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. 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 2019

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

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

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

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

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

Income tax

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

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

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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 1.32% at 30/6/19.

(iv) Dividends

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

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

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
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 Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water supply
- 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 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

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.

My opinion does not provide assurance:

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



Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY

Lismore City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Special Schedules

for the year ended 30 June 2019

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	30,104	29,230
Plus or minus adjustments ²	b	117	196
Notional general income	c = a + b	30,221	29,426
Permissible income calculation			
Special variation percentage ³	d	0.00%	2.71%
Or rate peg percentage	e	2.70%	0.00%
Less expiring special variation amount	g	–	(115)
Plus special variation amount	h = d x (c + g)	–	794
Or plus rate peg amount	i = e x (c + g)	816	–
Sub-total	k = (c + g + h + i + j)	31,037	30,105
Total permissible income	o = k + n	31,037	30,105
Less notional general income yield	p	31,037	30,104
Catch-up or (excess) result	q = o – p	–	1
Less unused catch-up ⁵	s	–	(1)
Carry forward to next year ⁶	t = q + r + s	–	–

Notes

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



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
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 2020.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

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.

My opinion does not provide assurance:

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

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

Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	10,581	10,581	735	386	74,996	107,282	52.0%	22.0%	13.0%	12.0%	1.0%
	Sub-total	10,581	10,581	735	386	74,996	107,282	52.0%	22.0%	13.0%	12.0%	1.0%
Other structures	Other structures	1,691	1,691	209	–	16,811	22,604	48.0%	25.0%	25.0%	2.0%	0.0%
	Sub-total	1,691	1,691	209	–	16,811	22,604	48.0%	25.0%	25.0%	2.0%	0.0%
Roads	Sealed roads	41,184	41,184	4,702	4,275	193,175	372,845	26.0%	26.0%	22.0%	16.0%	10.0%
	Unsealed roads	7,064	7,064	639	1,302	3,866	16,753	0.0%	1.0%	43.0%	43.0%	13.0%
	Bridges	9,311	9,311	348	393	48,879	87,757	36.0%	32.0%	18.0%	12.0%	2.0%
	Footpaths	397	397	174	146	17,805	20,445	43.0%	39.0%	11.0%	7.0%	0.0%
	Bulk earthworks	–	–	–	–	330,366	330,366	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	57,956	57,956	5,863	6,116	594,091	828,166	16.6%	16.1%	13.0%	9.5%	44.8%
Water supply network	Water supply network	21,082	21,082	1,857	1,883	180,682	280,325	35.0%	44.0%	13.0%	8.0%	0.0%
	Sub-total	21,082	21,082	1,857	1,883	180,682	280,325	35.0%	44.0%	13.0%	8.0%	0.0%
Sewerage network	Sewerage network	38,841	38,841	2,594	2,064	316,993	483,911	37.0%	41.0%	15.0%	6.0%	1.0%
	Sub-total	38,841	38,841	2,594	2,064	316,993	483,911	37.0%	41.0%	15.0%	6.0%	1.0%
Stormwater drainage	Stormwater drainage	2,280	2,280	268	290	63,874	100,989	17.0%	47.0%	33.0%	3.0%	0.0%
	Sub-total	2,280	2,280	268	290	63,874	100,989	17.0%	47.0%	33.0%	3.0%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	307	307	–	–	3,662	5,520	2.0%	87.0%	0.0%	11.0%	0.0%
	Other Open Space/Recreation	304	304	–	–	802	1,736	16.0%	35.0%	33.0%	10.0%	6.0%
	Sub-total	611	611	–	–	4,464	7,256	5.3%	74.6%	7.9%	10.8%	1.4%
TOTAL - ALL ASSETS		133,042	133,042	11,526	10,739	1,251,911	1,830,533	27.2%	29.3%	14.7%	8.1%	20.7%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	40,658	216.48%	74.14%	>=100.00%
Depreciation, amortisation and impairment	18,781			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	133,042	10.63%	13.63%	<2.00%
Net carrying amount of infrastructure assets	1,251,911			
Asset maintenance ratio				
Actual asset maintenance	10,739	93.17%	92.64%	>100.00%
Required asset maintenance	11,526			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	133,042	7.27%	9.01%	
Gross replacement cost	1,830,533			

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	142.00%	102.99%	149.62%	85.15%	406.16%	12.93%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	9.69%	12.30%	11.67%	13.23%	12.25%	17.13%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	96.00%	95.46%	101.40%	100.82%	79.57%	79.11%	>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	6.86%	8.42%	7.52%	8.54%	8.03%	10.60%	

(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.