

Byron Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*Culturally rich and thriving communities living in harmony,
responding positively to the challenges of our world, and
leading by example.*



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

70 Station Street
MULLUMBIMBY NSW 2482

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by Council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: <https://www.byron.nsw.gov.au>.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

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 24 October 2019.




Simon Richardson
Mayor
24 October 2019



Sarah Ndiaye
Councillor
24 October 2019



Mark Arnold
General Manager
24 October 2019



James Brickley
Responsible Accounting Officer
24 October 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>				
40,884	Rates and annual charges	3a	41,969	39,288
27,859	User charges and fees	3b	30,570	29,944
1,977	Interest and investment revenue	3c	2,517	2,149
1,904	Other revenues	3d	2,030	3,254
4,259	Grants and contributions provided for operating purposes	3e,3f	8,400	8,468
23,577	Grants and contributions provided for capital purposes	3e,3f	21,109	37,313
100,460	Total income from continuing operations		106,595	120,416
Expenses from continuing operations				
25,344	Employee benefits and on-costs	4a	25,235	24,461
4,358	Borrowing costs	4b	4,425	4,439
31,294	Materials and contracts	4c	40,154	33,163
13,679	Depreciation and amortisation	4d	15,012	14,615
4,653	Other expenses	4e	6,425	6,091
–	Net losses from the disposal of assets	5	2,318	2,352
–	Net share of interests in joint ventures and associates using the equity method	15	4	–
79,328	Total expenses from continuing operations		93,573	85,121
21,132	Operating result from continuing operations		13,022	35,295
21,132	Net operating result for the year		13,022	35,295
21,132	Net operating result attributable to council		13,022	35,295
(2,445)	Net operating result for the year before grants and contributions provided for capital purposes		(8,087)	(2,018)

⁽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)		13,022	35,295
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	8,726	3,510
Total items which will not be reclassified subsequently to the operating result		8,726	3,510
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		–	(99)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(99)
Total other comprehensive income for the year		8,726	3,411
Total comprehensive income for the year		21,748	38,706
Total comprehensive income attributable to Council		21,748	38,706

(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	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	30,589	26,388	13,036
Investments	6(b)	40,570	47,590	63,139
Receivables	7	10,791	9,726	9,947
Inventories	8a	395	402	407
Other	8b	29	16	16
Current assets classified as 'held for sale'	9i	–	992	2,432
Total current assets		82,374	85,114	88,977
Non-current assets				
Investments	6(b)	7,211	3,422	2,665
Receivables	7	396	378	361
Infrastructure, property, plant and equipment	10(a)	822,479	795,258	754,810
Investments accounted for using the equity method	15	1,153	1,157	–
Total non-current assets		831,239	800,215	757,836
TOTAL ASSETS		913,613	885,329	846,813
LIABILITIES				
Current liabilities				
Payables	11	10,312	9,783	11,149
Income received in advance	11	291	227	254
Borrowings	11	2,812	2,719	2,555
Provisions	12	5,422	5,402	5,380
Total current liabilities		18,837	18,131	19,338
Non-current liabilities				
Borrowings	11	61,338	56,520	57,573
Provisions	12	8,139	7,127	5,057
Total non-current liabilities		69,477	63,647	62,630
TOTAL LIABILITIES		88,314	81,778	81,968
Net assets		825,299	803,551	764,845
EQUITY				
Accumulated surplus	13a	563,820	550,798	515,503
Revaluation reserves	13a	261,479	252,753	249,342
Council equity interest		825,299	803,551	764,845
Total equity		825,299	803,551	764,845

(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		558,537	252,118	810,655	523,242	248,707	771,949
Correction of prior period errors ²	13b	(7,739)	635	(7,104)	(7,739)	635	(7,104)
Restated opening balance		550,798	252,753	803,551	515,503	249,342	764,845
Net operating result for the year		13,022	–	13,022	35,295	–	35,295
Restated net operating result for the period		13,022	–	13,022	35,295	–	35,295
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	8,726	8,726	–	3,510	3,510
– Other reserves movements		–	–	–	–	(99)	(99)
Other comprehensive income		–	8,726	8,726	–	3,411	3,411
Total comprehensive income		13,022	8,726	21,748	35,295	3,411	38,706
Equity – balance at end of the reporting period		563,820	261,479	825,299	550,798	252,753	803,551

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

(2) See Note 13(b) for details regarding the restatement as a result of Prior Period Error

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
40,884	Rates and annual charges		41,407	38,700
27,859	User charges and fees		30,141	30,482
1,977	Investment and interest revenue received		2,173	2,262
27,836	Grants and contributions		24,432	16,244
–	Bonds, deposits and retention amounts received		14	15
1,904	Other		1,083	3,623
<u>Payments</u>				
(25,344)	Employee benefits and on-costs		(24,901)	(24,512)
(31,294)	Materials and contracts		(39,538)	(34,387)
(4,358)	Borrowing costs		(4,271)	(4,317)
(4,653)	Other		(5,988)	(6,236)
34,811	Net cash provided (or used in) operating activities	14b	24,552	21,874
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		85,000	67,500
–	Sale of infrastructure, property, plant and equipment		1,651	1,429
–	Deferred debtors receipts		10	10
<u>Payments</u>				
–	Purchase of investment securities		(81,479)	(52,700)
(50,064)	Purchase of infrastructure, property, plant and equipment		(30,444)	(23,871)
(50,064)	Net cash provided (or used in) investing activities		(25,262)	(7,632)
Cash flows from financing activities				
<u>Receipts</u>				
3,899	Proceeds from borrowings and advances		7,669	1,665
<u>Payments</u>				
(2,638)	Repayment of borrowings and advances		(2,758)	(2,555)
1,261	Net cash flow provided (used in) financing activities		4,911	(890)
(13,992)	Net increase/(decrease) in cash and cash equivalents		4,201	13,352
26,388	Plus: cash and cash equivalents – beginning of year	14a	26,388	13,036
12,396	Cash and cash equivalents – end of the year	14a	30,589	26,388
Additional Information:				
51,012	plus: Investments on hand – end of year	6(b)	47,781	51,012
63,408	Total cash, cash equivalents and investments		78,370	77,400

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

(a) New and amended standards adopted by Council

Council adopted the following new and amended Australian Accounting Standards during the year. There was no material impact on the reported financial position, performance or cash flows of the Council although some additional disclosures have been required.

- AASB 9 Financial Instruments and associated amending standards
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1 Amendments to Australian Accounting Standards
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2016-6 Amendments to Australian Accounting Standards - *Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017 - 3 Amendments to Australian Accounting Standards - *Clarifications to AASB 4*
- AASB 2016-5 Amendments to Australian Accounting Standards - *Classification and Measurement of Share-based Payment Transactions*

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

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

New accounting standards and interpretations issued but 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

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$3.165million - refer Note 16.

Of these commitments, all relate to either short-term leases or to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

Council currently expects there will be no material implication to the financial statements due to the introduction of AASB 16 Leases.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council is in the process of assessing the financial reporting impact of AASB 15.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Council is in the process of assessing the financial reporting impact of AASB 1058.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases.

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council considers that this standard is not expected to have a material impact overall.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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										
We have, infrastructure, transport and services which meet our expectations	56,299	34,929	50,012	46,112	6,287	(11,183)	10,791	5,132	559,042	540,899
We cultivate and celebrate our diverse cultures, lifestyle and sense of community	6,581	6,182	15,965	14,261	(9,384)	(8,079)	2,526	2,033	193,973	185,087
We protect and enhance our natural environment	2,486	2,285	5,100	4,737	(2,614)	(2,452)	787	241	19,429	18,798
We manage growth and change responsibly	13,279	53,292	9,667	9,032	3,612	44,260	155	169	38,336	37,502
We have community led decision making which is open and inclusive	27,950	23,728	12,829	10,979	15,121	12,749	2,036	1,696	102,833	103,043
Total functions and activities	106,595	120,416	93,573	85,121	13,022	35,295	16,295	9,271	913,613	885,329

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:

We have infrastructure, transport and services which meet our expectations

Provide a road network which is safe, accessible and maintained to an acceptable level of service. Provide essential services and reliable infrastructure which meet an acceptable community standard. Support, through partnership, a network of integrated sustainable transport options. Provide a regular and acceptable waste and recycling service. Provide continuous urban water and sewerage service within the Shire. Manage traffic and parking in an efficient manner.

We cultivate and celebrate our diverse cultures, lifestyle and sense of community

Support and encourage our vibrant culture and creativity. Support access to a wide range of services and activities that contribute to the wellbeing of all members of the Byron Shire community. Provide accessible, local community spaces and facilities. Enhance community safety and amenity while respecting our shared values. Encourage appreciation of cultural vitality and diversity.

We protect and enhance our natural environment

Partner to protect and enhance our biodiversity, ecosystems and ecology. Strive to become a sustainable community. Partner to protect and enhance the health of the Shire's coastlines, estuaries, waterways and catchments. Support and secure our farming future.

We manage growth and change responsibly

Support the visions and aspirations of local communities through place-based planning and management. Support housing diversity in appropriate locations across the Shire. Promote and support local business development, education and employment opportunities. Support tourism and events that reflect our culture and lifestyle. Work to improve community resilience in our changing environment.

We have community led decision making which is open and inclusive

Engage and involve community in decision making. Create a culture of trust with the community by being open, genuine and transparent. Deliver a high level of customer service. Manage Council's assets and allocate resources in a fair and holistic manner. Manage Council's finances sustainably. Manage Council's resources sustainably.

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	16,621	15,438
Farmland	1,147	1,057
Business	4,469	4,097
Rates levied to ratepayers	22,237	20,592
Pensioner rate subsidies received	227	228
Total ordinary rates	22,464	20,820
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	5,381	4,890
Stormwater management services	293	290
Water supply services	2,322	2,241
Sewerage services	10,505	10,163
Waste management services (non-domestic)	794	675
Annual charges levied	19,295	18,259
Pensioner subsidies received:		
– Water	77	77
– Sewerage	75	75
– Domestic waste management	58	57
Total annual charges	19,505	18,468
TOTAL RATES AND ANNUAL CHARGES	41,969	39,288

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	7,093	6,506
Sewerage services	5,306	4,867
Total specific user charges	12,399	11,373
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	80	152
Private works – section 67	203	222
Regulatory/ statutory fees	74	74
Section 10.7 certificates (EP&A Act)	98	114
Section 603 certificates	58	75
Building inspections	559	701
Building services	413	407
Developer fees	800	871
Dog registration / release	34	69
Engineering services	17	12
Freedom of information	26	28
Health inspection	631	497
Total fees and charges – statutory/regulatory	2,993	3,222
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	47	103
Caravan park	4,712	4,694
Cemeteries	181	226
Child care	714	934
Leaseback fees – Council vehicles	270	251
Parking fees	4,203	4,297
Tourism	(6)	23
Water connection fees	149	130
Administration and financial services	179	169
Property rentals and leases	1,142	1,178
Public halls	269	238
Sewerage charges	232	161
Swimming pools	252	293
Other	306	353
Waste	2,528	2,299
Total fees and charges – other	15,178	15,349
TOTAL USER CHARGES AND FEES	30,570	29,944

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)	159	150
– Cash and investments	2,068	1,991
Fair value adjustments		
– Movements in investments at fair value through profit and loss	290	8
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>2,517</u>	<u>2,149</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	235	150
General Council cash and investments	1,403	819
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	445	475
– Section 64	311	319
Water fund operations	–	171
Sewerage fund operations	123	215
Total interest and investment revenue	<u>2,517</u>	<u>2,149</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Fines	1,643	1,467
Insurance claims recoveries	114	126
Sales – general	151	475
Waste	–	29
Richmond Tweed Regional Library	–	1,157
Legal Fees Recovery - Other	4	–
Workers Compensation	118	–
<u>TOTAL OTHER REVENUE</u>	<u>2,030</u>	<u>3,254</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.

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 revenue 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	2,036	1,900	–	–
Financial assistance – local roads component	1,190	1,123	–	–
Total general purpose	3,226	3,023	–	–
Specific purpose				
Bushfire and emergency services	144	144	–	–
Child care	1,079	936	171	84
Community care	–	36	–	–
Community centres	325	–	600	106
Economic development	50	110	–	–
Employment and training programs	–	4	–	–
Library	26	41	–	–
Library – per capita	62	62	–	–
Storm/flood damage	–	50	–	–
Street lighting	54	53	75	–
Transport (roads to recovery)	–	198	–	–
Transport (other roads and bridges funding)	77	66	9,117	2,893
Waste management	162	297	15	–
Emergency Services	–	–	83	150
Parks & Gardens	–	–	263	399
Other sport and recreation	–	–	76	179
Planning	105	58	–	–
Crown lands maintenance	201	191	–	–
Environmental management	179	164	13	–
Foreshore maintenance	27	27	–	–
Footpaths	–	–	165	–
Total specific purpose	2,491	2,437	10,578	3,811
Total grants	5,717	5,460	10,578	3,811
Grant revenue is attributable to:				
– Commonwealth funding	4,424	2,962	4,316	1,601
– State funding	1,293	2,498	6,262	2,210
	5,717	5,460	10,578	3,811

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		–	–	2,010	2,674
S 7.12 – fixed development consent levies		–	–	345	137
S 64 – water supply contributions		–	–	251	561
S 64 – sewerage service contributions		–	–	1,800	1,871
Total developer contributions – cash		–	–	4,406	5,243
Total developer contributions	23	–	–	4,406	5,243
Other contributions:					
Cash contributions					
Roads and bridges		1,834	2,206	79	156
RMS contributions (regional roads, block grant)		700	678	–	–
Surf lifesaving		119	116	–	–
Other economic development		–	8	6	–
OLG - Crown Lands Contribution		30	–	–	–
Total other contributions – cash		2,683	3,008	85	156
Non-cash contributions					
Crown land devolved		–	–	1,217	–
Dedications – Assets		–	–	4,823	28,103
Total other contributions – non-cash		–	–	6,040	28,103
Total other contributions		2,683	3,008	6,125	28,259
Total contributions		2,683	3,008	10,531	33,502
TOTAL GRANTS AND CONTRIBUTIONS		8,400	8,468	21,109	37,313

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.

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
(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	289	71
Add: operating grants recognised in the current period but not yet spent	325	281
Less: operating grants recognised in a previous reporting period now spent	(326)	(63)
Unexpended and held as restricted assets (operating grants)	288	289
Capital grants		
Unexpended at the close of the previous reporting period	573	402
Add: capital grants recognised in the current period but not yet spent	623	489
Less: capital grants recognised in a previous reporting period now spent	(492)	(318)
Unexpended and held as restricted assets (capital grants)	704	573
Contributions		
Unexpended at the close of the previous reporting period	32,416	37,086
Add: contributions recognised in the current period but not yet spent	17	31
Add: contributions received for the provision of goods and services in a future period	5,159	6,038
Less: contributions recognised in a previous reporting period now spent	(8,891)	(10,739)
Unexpended and held as restricted assets (contributions)	28,701	32,416

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	18,065	18,722
Employee termination costs	382	168
Employee leave entitlements (ELE)	4,797	3,838
Superannuation	2,369	2,135
Workers' compensation insurance	446	700
Fringe benefit tax (FBT)	17	65
Payroll tax	131	151
Training costs (other than salaries and wages)	308	333
Total employee costs	26,515	26,112
Less: capitalised costs	(1,280)	(1,651)
TOTAL EMPLOYEE COSTS EXPENSED	25,235	24,461
Number of 'full-time equivalent' employees (FTE) at year end	304	305

Accounting policy for employee benefits and on-costs

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

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.

Defined benefit superannuation contribution plans

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		4,252	4,315
Total interest bearing liability costs expensed		4,252	4,315
(ii) Other borrowing costs			
– Remediation liabilities	12	173	124
Total other borrowing costs		173	124
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>4,425</u>	<u>4,439</u>

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	28,739	22,325
– Caravan parks	1,406	1,407
– Cleaning	255	252
– Security	45	49
– Surf lifesaving	596	554
– Swimming pools	370	409
– Temporary employment	2,197	2,379
– Waste	4,555	3,972
Auditors remuneration ²	164	132
Infringement notice contract costs (SEINS)	198	185
Legal expenses:		
– Legal expenses: planning and development	239	271
– Legal expenses: other	161	82
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	1,229	1,146
Total materials and contracts	<u>40,154</u>	<u>33,163</u>
TOTAL MATERIALS AND CONTRACTS	<u>40,154</u>	<u>33,163</u>

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Information Technology Hardware	586	513
Parking Meters	643	633
	<u>1,229</u>	<u>1,146</u>

2. Auditor remuneration

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

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

Audit of financial statements	80	76
Remuneration for audit and other assurance services	<u>80</u>	<u>76</u>
Total Auditor-General remuneration	<u>80</u>	<u>76</u>

Non NSW Auditor-General audit firms**(ii) Non-assurance services**

Internal audit services	84	56
Remuneration for non-assurance services	<u>84</u>	<u>56</u>
Total remuneration of non NSW Auditor-General audit firms	<u>84</u>	<u>56</u>
Total Auditor remuneration	<u>164</u>	<u>132</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		1,120	1,084
Office equipment		140	183
Furniture and fittings		19	19
Land improvements (depreciable)		159	160
Infrastructure:			
– Buildings		1,028	1,122
– Other structures		36	36
– Roads		5,166	5,126
– Bridges		553	324
– Footpaths		150	141
– Stormwater drainage		720	623
– Water supply network		1,402	1,387
– Sewerage network		3,048	3,015
– Swimming pools		56	56
– Other open space/recreational assets		452	436
Other assets:			
– Other		221	225
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10(a),12	485	421
– Quarry assets	10(a),12	257	257
Total gross depreciation and amortisation costs		15,012	14,615
Total depreciation and amortisation costs		15,012	14,615
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>15,012</u>	<u>14,615</u>

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 Infrastructure, Property, Plant and Equipment.

Impairment of non-financial assets

Assets 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		
Advertising	77	105
Bad and doubtful debts	8	3
Bank charges	88	79
Computer software charges	804	724
Contributions/levies to other levels of government		
– Bushfire fighting fund	182	187
– Emergency services levy (includes FRNSW, SES, and RFS levies)	44	54
– NSW fire brigade levy	85	86
– Far North Coast Weeds	110	107
– Other contributions/levies	184	116
Councillor expenses – mayoral fee	51	42
Councillor expenses – councillors' fees	178	174
Councillors' expenses (incl. mayor) – other (excluding fees above)	56	59
Donations, contributions and assistance to other organisations (Section 356)	40	40
Richmond Tweed Regional Library	1,310	1,283
Electricity and heating	1,290	1,371
Insurance	942	838
Postage	119	133
Printing and stationery	68	49
Street lighting	402	294
Telephone and communications	294	256
Valuation fees	93	91
Total other expenses	6,425	6,091
<u>TOTAL OTHER EXPENSES</u>	<u>6,425</u>	<u>6,091</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		351	211
Less: carrying amount of plant and equipment assets sold/written off		(309)	(225)
Net gain/(loss) on disposal		<u>42</u>	<u>(14)</u>
Infrastructure	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(2,668)	(2,116)
Net gain/(loss) on disposal		<u>(2,668)</u>	<u>(2,116)</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		85,000	67,500
Less: carrying amount of investments sold/redeemed/matured		(85,000)	(67,500)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		1,300	1,218
Less: carrying amount of ‘held for sale’ assets sold/written off		(992)	(1,440)
Net gain/(loss) on disposal		<u>308</u>	<u>(222)</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(2,318)</u>	<u>(2,352)</u>

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	538	1,304
Cash-equivalent assets		
– Deposits at call	5,051	4,084
– Short-term deposits	25,000	21,000
Total cash and cash equivalents	30,589	26,388

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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 on initial recognition	–	–	47,590	3,422
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	40,570	7,211	–	–
Total Investments	40,570	7,211	47,590	3,422
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	71,159	7,211	73,978	3,422
Financial assets at fair value through the profit and loss				
Long term deposits	–	–	47,590	–
NCD's, FRN's (with maturities > 3 months)	–	–	–	2,405
Other long term financial assets	–	–	–	1,017
Total	–	–	47,590	3,422
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	40,570	–	–	–
NCD's, FRN's (with maturities > 3 months)	–	2,917	–	–
Other long term financial assets	–	4,294	–	–
Total	40,570	7,211	–	–

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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(b). Investments (continued)

Impairment of available for sale investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	71,159	7,211	73,978	3,422
attributable to:				
External restrictions	43,112	7,211	51,601	3,422
Internal restrictions	27,047	–	21,232	–
Unrestricted	1,000	–	1,145	–
	71,159	7,211	73,978	3,422

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Bonds and deposits	2,983	3,122
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External restrictions – included in liabilities

	2,983	3,122
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External restrictions – other

Developer contributions – general	16,398	18,871
Developer contributions – water fund	3,117	3,858
Developer contributions – sewer fund	8,685	9,052
RMS contributions	481	614
Specific purpose unexpended grants	992	862
Water supplies	8,325	6,924
Sewerage services	7,166	9,411
Domestic waste management	1,202	1,204
Crown paid parking reserve	694	457
Crown reserve	260	625
Other	20	23

External restrictions – other

	47,340	51,901
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Total external restrictions

	50,323	55,023
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Internal restrictions

Plant and vehicle replacement	1,982	1,783
Infrastructure renewal - Byron Bay	532	874
Infrastructure renewal reserve – non Byron Bay	330	176
Employees leave entitlement	971	972
Asset revaluation reserve	11	11
Bridge replacement fund	202	397
Brunswick Heads Memorial Hall	87	62
Byron Bay Library Exhibition Space	34	28
Byron Bay Library	312	319
Byron Senior Citizens Hall	41	19
Children's services	43	80
Community development	272	263
Council caravan parks	3,811	3,000
Economic development	88	75
Environment & enforcement levy	–	114
Environmental levy	93	121
Financial assistance grant (in advance)	1,643	1,538
Footpath dining	239	86

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
General managers office	44	76
Human resources	178	59
Information technology	158	210
Information & technology service fee	15	58
Infrastructure services carryover	744	732
Land and natural environment	190	241
Land remediation	10	60
Legal services	500	318
Mullumbimby Pioneer Centre	6	7
On-site sewerage management reserve	290	347
Property	684	497
Quarry	640	642
Revolving energy fund	38	38
Risk management	89	111
Special events response and mitigation	164	165
South Golden Beach Hall	24	25
2006/2007 Special Rate Carryover Reserve	–	113
2007/2008 Special Rate Carryover Reserve	–	601
2008/2009 Special Rate Carryover Reserve	–	174
2017/2018 Special Rate Carryover Reserve	34	258
Stormwater	36	104
Structural change reserve	–	198
Suffolk Park Community Hall	8	17
Suffolk park open space	50	50
Tennis courts	–	2
Unexpended loans	5,665	1,335
Waste management	4,316	4,683
Ocean Shores Community Centre	28	28
Council election	127	120
Grant management	45	45
Community building maintenance	602	–
WHS incentive	69	–
Public toilets	218	–
Volunteer visitor fund	8	–
Byron Bay Town Centre Masterplan	455	–
Mullumbimby Civic Hall	15	–
Property development	906	–
Total internal restrictions	27,047	21,232
TOTAL RESTRICTIONS	77,370	76,255

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	1,624	192	1,091	163
Interest and extra charges	175	24	158	25
User charges and fees	4,425	–	3,947	–
Accrued revenues				
– Interest on investments	422	–	384	–
– Other income accruals	120	–	108	–
Deferred debtors	10	180	10	190
Government grants and subsidies	1,518	–	2,481	–
Net GST receivable	866	–	791	–
Pensioner subsidy	15	–	25	–
Roads and Maritime Services	1,535	–	657	–
Miscellaneous water and sewer	109	–	117	–
Total	10,819	396	9,769	378
Less: provision of impairment				
User charges and fees	(28)	–	(43)	–
Total provision for impairment – receivables	(28)	–	(43)	–
TOTAL NET RECEIVABLES	10,791	396	9,726	378
Externally restricted receivables				
Water supply				
– Specific purpose grants	3	–	5	–
– Rates and availability charges	116	–	88	–
– Other	2,089	–	1,794	–
Sewerage services				
– Specific purpose grants	3	–	5	–
– Rates and availability charges	532	–	401	–
– Other	1,806	–	1,584	–
Total external restrictions	4,549	–	3,877	–
Unrestricted receivables	6,242	396	5,849	378
TOTAL NET RECEIVABLES	10,791	396	9,726	378

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	43	55
+ new provisions recognised during the year	6	1
– amounts already provided for and written off this year	–	(13)
Balance at the end of the period	49	43

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment**Accounting policy under AASB 9 applicable from 1 July 2018**

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are not economical to recover, whichever occurs first.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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				
Stores and materials	395	–	402	–
Total inventories at cost	395	–	402	–
<u>TOTAL INVENTORIES</u>	<u>395</u>	<u>–</u>	<u>402</u>	<u>–</u>
(b) Other assets				
Prepayments	12	–	–	–
Other	17	–	16	–
<u>TOTAL OTHER ASSETS</u>	<u>29</u>	<u>–</u>	<u>16</u>	<u>–</u>
<hr/>				
\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total unrestricted assets	424	–	418	–
TOTAL INVENTORIES AND OTHER ASSETS	424	–	418	–

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(i) Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Non-current assets 'held for sale'				
Land	–	–	992	–
Total non-current assets 'held for sale'	–	–	992	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	–	–	992	–

(ii) Details of assets and disposal groups

During the 2018/2019 financial year, Council completed the sale of one lot of operational land that it had resolved to sell.

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

\$ '000	2019 Assets 'held for sale'	2018 Assets 'held for sale'
Opening balance	992	2,432
Less: carrying value of assets/operations sold	(992)	(1,440)
Balance still unsold after 12 months:	–	992
Closing balance of 'held for sale' non-current assets and operations	–	992

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	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 decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	18,766	–	18,766	5,589	1,790	–	–	(12,448)	(845)	–	–	12,852	–	12,852
Plant and equipment	13,003	(8,938)	4,065	–	1,271	(309)	(1,120)	–	–	–	–	12,983	(9,076)	3,907
Office equipment	3,035	(2,790)	245	–	–	–	(140)	–	–	–	–	3,035	(2,930)	105
Furniture and fittings	296	(216)	80	–	–	–	(19)	–	–	–	–	296	(235)	61
Land:														
– Operational land	84,332	–	84,332	–	2,450	–	–	–	19	–	–	86,801	–	86,801
– Community land	122,645	–	122,645	–	1,946	–	–	–	(19)	(268)	–	124,304	–	124,304
– Land under roads (post 30/6/08)	231	–	231	–	29	–	–	–	–	–	–	260	–	260
Land improvements – non-depreciable	80	–	80	–	–	(80)	–	–	–	–	–	–	–	–
Land improvements – depreciable	6,215	(2,652)	3,563	–	–	–	(159)	–	–	–	–	6,215	(2,811)	3,404
Infrastructure:														
– Buildings	74,317	(11,857)	62,460	966	271	(30)	(1,028)	769	–	–	7,798	85,673	(14,466)	71,207
– Other structures	2,526	(387)	2,139	–	–	–	(36)	–	1,474	(1,814)	114	2,311	(434)	1,877
– Roads	322,507	(143,937)	178,570	4,016	–	(391)	(5,166)	2,755	34	–	–	328,413	(148,593)	179,820
– Bridges	37,790	(10,688)	27,102	4,834	–	(321)	(553)	1,922	–	–	–	43,414	(10,430)	32,984
– Footpaths	9,278	(3,285)	5,993	1,138	–	(6)	(150)	47	–	–	–	10,450	(3,428)	7,022
– Bulk earthworks (non-depreciable)	28,999	–	28,999	698	–	–	–	37	–	–	–	29,734	–	29,734
– Stormwater drainage	69,113	(18,102)	51,011	5,165	–	(43)	(720)	243	(34)	–	–	74,363	(18,742)	55,621
– Water supply network	105,668	(41,081)	64,587	236	2,035	(70)	(1,402)	2,773	–	–	1,091	112,178	(42,927)	69,251
– Sewerage network	179,976	(68,510)	111,466	3,006	–	(1,471)	(3,048)	3,531	–	–	1,805	187,417	(72,128)	115,289
– Swimming pools	2,800	(665)	2,135	–	–	–	(56)	–	–	–	–	2,800	(721)	2,079
– Other open space/recreational assets	15,727	(5,078)	10,649	1,359	–	(255)	(452)	371	(1,474)	–	–	15,411	(5,212)	10,199
Other assets:														
– Other	3,766	(1,900)	1,866	–	–	–	(221)	–	–	–	–	3,766	(2,121)	1,645
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	13,547	(1,485)	12,062	–	–	–	(485)	–	524	–	–	14,072	(1,970)	12,102
– Quarry assets	2,739	(527)	2,212	–	–	–	(257)	–	–	–	–	2,739	(784)	1,955
Total Infrastructure, property, plant and equipment	1,117,356	(322,098)	795,258	27,007	9,792	(2,976)	(15,012)	–	(321)	(2,082)	10,808	1,159,487	(337,008)	822,479

(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 10(a). 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	17,258	–	17,258	11,887	198	–	–	(10,577)	–	–	18,766	–	18,766
Plant and equipment	12,518	(8,064)	4,454	–	921	(225)	(1,084)	–	–	–	13,003	(8,938)	4,065
Office equipment	3,018	(2,608)	410	–	17	–	(183)	–	–	–	3,035	(2,790)	245
Furniture and fittings	297	(197)	100	–	–	–	(19)	–	–	–	296	(216)	80
Land:													
– Operational land	83,564	–	83,564	–	–	–	–	–	768	–	84,332	–	84,332
– Community land	123,413	–	123,413	–	–	–	–	–	(768)	–	122,645	–	122,645
– Land under roads (post 30/6/08)	231	–	231	–	–	–	–	–	–	–	231	–	231
Land improvements – non-depreciable	80	–	80	–	–	–	–	–	–	–	80	–	80
Land improvements – depreciable	6,215	(2,492)	3,723	–	–	–	(160)	–	–	–	6,215	(2,652)	3,563
Infrastructure:													
– Buildings	73,680	(10,735)	62,945	469	–	–	(1,122)	169	–	–	74,317	(11,857)	62,460
– Other structures	2,391	(351)	2,040	–	135	–	(36)	–	–	–	2,526	(387)	2,139
– Roads	302,542	(138,363)	164,179	6,065	14,194	(1,734)	(5,126)	4,109	(3,110)	–	322,507	(143,937)	178,570
– Bridges	23,909	(11,080)	12,829	443	14,971	(335)	(324)	293	(776)	–	37,790	(10,688)	27,102
– Footpaths	8,627	(3,124)	5,503	311	545	(18)	(141)	40	(253)	–	9,278	(3,285)	5,993
– Bulk earthworks (non-depreciable)	29,000	–	29,000	–	–	–	–	–	–	–	28,999	–	28,999
– Stormwater drainage	64,295	(16,974)	47,321	4,026	–	–	(623)	644	(356)	–	69,113	(18,102)	51,011
– Water supply network	97,440	(38,850)	58,590	693	774	–	(1,387)	4,694	–	1,224	105,668	(41,081)	64,587
– Sewerage network	175,858	(64,086)	111,772	326	59	–	(3,015)	37	–	2,287	179,976	(68,510)	111,466
– Swimming pools	2,800	(609)	2,191	–	–	–	(56)	–	–	–	2,800	(665)	2,135
– Other open space/recreational assets	14,751	(4,669)	10,082	445	–	(30)	(436)	590	–	–	15,727	(5,078)	10,649
Other assets:													
– Other	3,766	(1,674)	2,092	–	–	–	(225)	–	–	–	3,766	(1,900)	1,866
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	11,628	(1,064)	10,564	–	1,919	–	(421)	–	–	–	13,547	(1,485)	12,062
– Quarry assets	2,739	(270)	2,469	–	–	–	(257)	–	–	–	2,739	(527)	2,212
Total Infrastructure, property, plant and equipment 2	1,060,020	(305,210)	754,810	24,665	33,733	(2,342)	(14,615)	(1)	(4,495)	3,511	1,117,356	(322,098)	795,258

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

(2) The balances for 30/06/17 and 30/06/18 have been restated.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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 20
Office furniture	10 to 20	Benches, seats etc.	10 to 30
Computer equipment	4		
Vehicles	7 to 10		
Heavy plant/road making equipment	7 to 10		
Other plant and equipment	5 to 10		
Buildings		Buildings	
Envelope	32 to 160	Mechanical Services	13 to 53
Floors	90 to 140	Fire Services	22 to 25
Floor Coverings	17 to 34	Electrical Services	65 to 95
Internal Screens	38 to 75	Hydraulic Services	73 to 103
Roof	14 to 105		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	40 to 100	Drains	100 to 200
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100
Reticulation pipes: other	40 to 80		
Pumps and telemetry	10 to 60		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 60	Bulk earthworks	Infinite
Sealed roads: structure	40 to 200	Swimming pools	25 to 50
Unsealed roads	15 to 20	Other open space / recreational assets	5 to 50
Bridge: concrete	60 to 100		
Bridge: other	60 to 100		
Road pavements	50		
Kerb, gutter and footpaths	15 to 83		

Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	163	–	163	2,773	–	2,773
Plant and equipment	21	21	–	21	19	2
Office equipment	44	44	–	44	44	–
Land						
– Operational land	6,509	–	6,509	6,509	–	6,509
Buildings	633	159	474	1,315	270	1,045
Infrastructure	112,178	42,927	69,251	105,669	41,081	64,588
Total water supply	119,548	43,151	76,397	116,331	41,414	74,917
Sewerage services						
WIP	4,115	–	4,115	4,656	–	4,656
Plant and equipment	307	165	142	307	147	160
Office equipment	72	72	–	72	72	–
Land						
– Operational land	13,463	–	13,463	13,463	–	13,463
– Improvements – depreciable	10	3	7	10	3	7
Buildings	902	222	680	220	51	169
Other structures	17	17	–	17	17	–
Infrastructure	187,417	72,128	115,289	179,976	68,510	111,466
Total sewerage services	206,303	72,607	133,696	198,721	68,800	129,921
TOTAL RESTRICTED I,PP&E	325,851	115,758	210,093	315,052	110,214	204,838

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	5,791	–	5,182	–
Accrued expenses:				
– Borrowings	225	–	244	–
– Other expenditure accruals	304	–	379	–
Security bonds, deposits and retentions	3,992	–	3,978	–
Total payables	10,312	–	9,783	–
Income received in advance				
Payments received in advance	291	–	227	–
Total income received in advance	291	–	227	–
Borrowings				
Loans – secured ¹	2,812	61,338	2,719	56,520
Total borrowings	2,812	61,338	2,719	56,520
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>13,415</u>	<u>61,338</u>	<u>12,729</u>	<u>56,520</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 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Sewer	1,962	40,897	1,795	42,883
Bonds and deposits	3,992	–	3,978	–
Payables and borrowings relating to externally restricted assets	5,954	40,897	5,773	42,883
Total payables and borrowings relating to restricted assets	5,954	40,897	5,773	42,883
Total payables and borrowings relating to unrestricted assets	7,461	20,441	6,956	13,637
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>13,415</u>	<u>61,338</u>	<u>12,729</u>	<u>56,520</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	59,239	4,911	–	–	–	64,150
TOTAL	59,239	4,911	–	–	–	64,150

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	60,128	(889)	–	–	–	59,239
TOTAL	60,128	(889)	–	–	–	59,239

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

Credit cards/purchase cards	185	185
Total financing arrangements	185	185

Drawn facilities as at balance date:

– Credit cards/purchase cards	1	3
Total drawn financing arrangements	1	3

Undrawn facilities as at balance date:

– Credit cards/purchase cards	184	182
Total undrawn financing arrangements	184	182

Additional financing arrangements information**Breaches and defaults**

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

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	2,044	–	1,958	–
Long service leave	3,224	430	3,294	116
Gratuities	154	–	150	–
Sub-total – aggregate employee benefits	5,422	430	5,402	116
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	7,709	–	7,011
Sub-total – asset remediation/restoration	–	7,709	–	7,011
TOTAL PROVISIONS	5,422	8,139	5,402	7,127

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	5,422	8,139	5,402	7,127
TOTAL PROVISIONS	5,422	8,139	5,402	7,127

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

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

Provisions – employees benefits	3,384	3,637
	3,384	3,637

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	1,958	3,410	150	5,518
Additional provisions	1,815	990	24	2,829
Amounts used (payments)	(1,729)	(746)	(20)	(2,495)
Total ELE provisions at end of period	2,044	3,654	154	5,852
2018				
At beginning of year	1,888	3,528	152	5,568
Additional provisions	1,702	523	4	2,229
Amounts used (payments)	(1,633)	(641)	(6)	(2,280)
Total ELE provisions at end of period	1,957	3,410	150	5,517

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	7,011	7,011
Additional provisions	525	525
Unwinding of discount	173	173
Total other provisions at end of period	7,709	7,709
2018		
At beginning of year	4,869	4,869
– Revised costs	20	20
– Revised discount rate	79	79
Additional provisions	1,919	1,919
Unwinding of discount	124	124
Total other provisions at end of period	7,011	7,011

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tip and quarry.

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)

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) Correction of errors relating to a previous reporting period

Nature of prior-period error

Council has reviewed the valuation of Land under Roads. Previously Council had not used the 'englobo' method plus discounting by 90% to determine the appropriate unit rate per square metre to value for land under roads. Previously Council had determined a per square metre rate based on residential land rateable value without discounting. Council has subsequently determined a unit rate based on the total rateable value of all Council land and then discounted it by 90%. This has resulted in an overstatement of Land under Roads of \$7.104million in prior years. Council also needs to reverse a related transaction recognised in Asset Revaluation Reserve of \$0.635million as the revaluation decrement was incorrectly recorded in the revaluation reserve instead of accumulated surplus. Overall the adjustment requires Council to reduce its Accumulated Surplus by \$7.739million and increase Asset Revaluation Reserve by \$0.635million in previous years to the current reporting date. The errors identified have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus and asset revaluation reserve at that date. Comparatives have been changed to reflect the correction of errors. The impacts on each line item are shown in the table below.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Overstatement of Infrastructure, Property, Plant and Equipment	761,914	(7,104)	754,810
Total assets	853,917	(7,104)	846,813
Total liabilities	81,968	–	81,968
Accumulated Surplus	523,242	(7,739)	515,503
Asset Revaluation Reserve	248,707	635	249,342
Total equity	771,949	(7,104)	764,845

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Overstatement of Infrastructure, Property, Plant and Equipment	802,362	(7,104)	795,258
Total assets	892,432	(7,104)	885,328
Total liabilities	81,777	–	81,777
Accumulated Surplus	558,537	(7,739)	550,798
Asset Revaluation Reserve	252,118	635	252,753
Total equity	810,655	(7,104)	803,551

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)

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

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

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

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

The adoption of AASB 9 has not resulted in any material impact on the 2019 financial statements.

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.

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)	30,589	26,388
Balance as per the Statement of Cash Flows		30,589	26,388
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		13,022	35,295
Adjust for non-cash items:			
Depreciation and amortisation		15,012	14,615
Net losses/(gains) on disposal of assets		2,318	2,352
Non-cash capital grants and contributions		(6,040)	(29,261)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(290)	(8)
Unwinding of discount rates on reinstatement provisions		173	124
Share of net (profits)/losses of associates/joint ventures using the equity method		4	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,078)	207
Increase/(decrease) in provision for impairment of receivables		(15)	(12)
Decrease/(increase) in inventories		7	5
Decrease/(increase) in other current assets		(13)	–
Increase/(decrease) in payables		609	(1,231)
Increase/(decrease) in accrued interest payable		(19)	(2)
Increase/(decrease) in other accrued expenses payable		(75)	(147)
Increase/(decrease) in other liabilities		78	(13)
Increase/(decrease) in provision for employee benefits		334	(50)
Increase/(decrease) in other provisions		525	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		24,552	21,874
(c) Non-cash investing and financing activities			
Crown land devolved		1,217	–
Developer dedications		4,823	28,104
Total non-cash investing and financing activities		6,040	28,104

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Associates	(4)	–	1,153	1,157
Total	(4)	–	1,153	1,157

Associates

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

Summarised financial information for individually immaterial associates

\$ '000	2019	2018
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,153	1,157
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(4)	53
Total comprehensive income – individually immaterial associates	(4)	53

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	–	185
Roads	16,914	9,601
Water	225	–
Sewer	431	–
Parks and Gardens	547	–
Emergency Services	199	–
Total commitments	18,316	9,786

These expenditures are payable as follows:

Within the next year	14,316	9,786
Later than 1 year not later than 5 years	4,000	–
Total payable	18,316	9,786

Sources for funding of capital commitments:

Future grants and contributions	12,824	5,093
Section 7.11 and 64 funds/reserves	4,988	2,770
Internally restricted reserves	504	1,923
Total sources of funding	18,316	9,786

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
(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	1,136	1,082
Later than one year and not later than 5 years	2,029	2,450
Later than 5 years	–	323
Total non-cancellable operating lease commitments	3,165	3,855

b. Non-cancellable operating leases include the following assets:**Conditions relating to finance and operating leases:**

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

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.

ASSETS NOT RECOGNISED**(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement notices/fines

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

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

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

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

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

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

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

Notes to the Financial Statements

for the year ended 30 June 2019

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

– 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*
Division C	2.5% salaries
Division D	1.64 times member contributions

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

The 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.

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 \$ 363,019. The last valuation of the Scheme was performed by Mr Richard Bayfield, FIAA, on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$127,000. Council's expected contribution to the plan for the next annual reporting period is \$271,710.

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 share of this deficit that is broadly attributed to Council is estimated to be in the order of \$281,901.36 as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Section 7.11 Contributions (Previously S94 Plans)

Council levies Section 7.11 Contributions (previously Section 94/94A) 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 monies in accordance with those Plans.

Notes to the Financial Statements

for the year ended 30 June 2019

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

As well, these Plans indicate 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 Funds.

The future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intentions to spend funds in the manner and timing set out in those Plans.

(iii) Butler Street Byron Bay Contamination

Council is currently in consultation with the Environment Protection Authority undertaking monitoring and investigation of contamination levels at the Butler Street Reserve that is still ongoing. This being the site of a disused landfill. The ongoing monitoring will be used to determine the future management of the Reserve. The current assessment indicates that the site is fit for its current use of passive recreation.

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 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	30,589	26,388	30,589	26,388
Receivables	11,187	10,104	11,187	10,066
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	47,781	–	47,881	–
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	–	51,012	–	51,012
Total financial assets	89,557	87,504	89,657	87,466
Financial liabilities				
Payables	10,312	9,783	10,312	9,783
Loans/advances	64,150	59,239	68,091	68,688
Total financial liabilities	74,462	69,022	78,403	78,471

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

- 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.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	784	784	784	784
2018				
Possible impact of a 1% movement in interest rates	733	733	(733)	(733)

(b) Credit risk

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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

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

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

Credit risk profile

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,598	29	46	56	87	1,816
2018						
Gross carrying amount	1,091	29	46	56	32	1,254

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	9,107	227	19	2	44	9,399
Expected loss rate (%)	0.43%	2.64%	4.40%	8.04%	6.25%	0.52%
ECL provision	39	6	1	–	3	49
2018						
Gross carrying amount	8,561	203	20	4	105	8,893
Expected loss rate (%)	0.48%	3.65%	3.47%	6.60%	5.17%	0.62%
ECL provision	43	7	1	–	5	56

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	3,992	6,320	–	–	10,312	10,312
Loans and advances	6.65%	–	6,316	25,963	59,648	91,927	84,676
Total financial liabilities		3,992	12,636	25,963	59,648	102,239	94,988
2018							
Trade/other payables	0.00%	3,978	5,754	–	–	9,732	9,783
Loans and advances	7.22%	–	6,974	22,514	52,348	81,836	82,430
Total financial liabilities		3,978	12,728	22,514	52,348	91,568	92,213

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 2018/2019 was adopted by the Council on 28/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	40,884	41,969	1,085	3% F
User charges and fees	27,859	30,570	2,711	10% F
Interest and investment revenue	1,977	2,517	540	27% F
Interest on investments exceeded the original budget estimate due to Council's overall cash position not reducing as expected allowing additional funds to be invested and remain invested. Additionally Council at 30 June 2019 has recognised \$289k as unrealised gains on investments that were not originally budgeted for.				
Other revenues	1,904	2,030	126	7% F
Operating grants and contributions	4,259	8,400	4,141	97% F
Council recognised additional operating grant and contributions revenue not included in the original budget related to Natural Disaster funding received from RMS of \$1,833k, Financial Assistance Grant (FAG) advance payment more than budget \$1,747k, various Planning Policy and Natural Environment grants totaling approximately \$160k along with revenue from Statecover \$180k was not anticipated.				
Capital grants and contributions	23,577	21,109	(2,468)	(10)% U
EXPENSES				
Employee benefits and on-costs	25,344	25,235	109	0% F
Borrowing costs	4,358	4,425	(67)	(2)% U
Materials and contracts	31,294	40,154	(8,860)	(28)% U
Additional expenditure not included in the original 2018/2019 budget included: Natural Disaster works associated with 2016 and 2017 flood events \$1,886k, capital works of \$3,300k not capitalised but original budget is included as capital works and not materials and contracts, expenditure related to the demolition of the former Mullumbimby Hospital \$2,025k, legal expenses \$207k, multi use of rail corridor investigation \$231k, 227K additional contract payments for Council's holiday parks due to increased revenue, fine collection fees \$38k, and green waste operations \$107k are examples.				
Depreciation and amortisation	13,679	15,012	(1,333)	(10)% U
Other expenses	4,653	6,425	(1,772)	(38)% U
Expenditure not included in the 2018/2019 budget as other expenses but as materials and contracts: Approximately \$1,090k of electricity costs and \$294k telephone and communication costs. Other additional expenses not included in the original budget include insurances \$96k, postage \$14k and street lighting \$46k.				
Net losses from disposal of assets	-	2,318	(2,318)	∞ U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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Council does not budget for any expenditure resulting from the disposal of assets as it is a non-cash expense.

Joint ventures and associates – net losses	–	4	(4)	∞	U
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Council does not budget for any net losses related to its only associated operation - Richmond Tweed Regional Library.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	34,811	24,552	(10,259)	(29)%	U
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Council's expenditure on materials and contracts was \$8.244million more than estimated in the original budget. Major components of this was the former Mullumbimby Hospital demolition \$2.025million, \$3.300million in capital works that were not capitalised but the related budget was in the original budget as capital expenditure, \$1.886million in natural disaster works restoration from 2016 and 2017 flood events, \$231K for multi use of rail corridor investigation, and additional \$207k for legal expenses. Grants and contributions were also \$3.4million below the anticipated 2018/2019 original budget principally related to the Byron Bay Bypass.

Net cash provided from (used in) investing activities	(50,064)	(25,262)	24,802	(50)%	F
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Council sold property plant and equipment that was not included in the original budget. Included in this was sale of land in Station Street Mullumbimby that was budgeted in the 2017-2018 financial year but the sale was not completed until the 2018/2019 financial year. Council also did not complete in cash terms \$19.6million in capital works projects that were included in the original budget including \$10million for the Byron Bay Bypass.

Net cash provided from (used in) financing activities	1,261	4,911	3,650	289%	F
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Council during the year borrowed additional funds that were not included in the original borrowings. Principally it borrowed to remediate the former Mullumbimby Hospital that Council acquired during the year \$3.334million and brought forward borrowings originally proposed in 2019/2020 for bridge renewals.

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).

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

2019	Notes	Fair value measurement hierarchy			Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
Infrastructure, property, plant and equipment	10(a)				
Plant and equipment			–	–	3,907
Office equipment			–	–	105
Furniture and fittings			–	–	61
Operational land		30/06/16	–	86,801	–
Community land		30/06/17	–	–	124,304
Land under roads (Post 30/6/08)		30/06/16	–	–	260
Land improvements – non-depreciable		30/06/16	–	–	–
Land improvements – depreciable		30/06/16	–	–	3,404
Buildings specialised		30/06/16	–	–	71,207
Other structures		30/06/16	–	–	1,877
Roads		30/06/15	–	–	179,818
Bridges		30/06/15	–	–	32,984
Footpaths		30/06/15	–	–	7,023
Bulk earthworks		30/06/15	–	–	29,734
Stormwater drainage		30/06/15	–	–	55,625
Water supply network		30/06/17	–	–	69,251
Sewerage network		30/06/17	–	–	115,289
Swimming pools		30/06/16	–	–	2,079
Other open space and recreational assets		30/06/16	–	–	10,198
Other assets		30/06/16	–	–	1,647
Tip assets		30/06/16	–	–	12,101

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Quarry assets		30/06/16	–	–	1,955	1,955
Total infrastructure, property, plant and equipment			–	86,801	722,829	809,630

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Infrastructure, property, plant and equipment	10(a)					
Plant and equipment			–	–	4,065	4,065
Office equipment			–	–	245	245
Furniture and fittings			–	–	80	80
Operational land		30/06/16	–	84,332	–	84,332
Community land		30/06/17	–	–	122,645	122,645
Land under roads (Post 30/6/08)		30/06/16	–	–	231	231
Land improvements – non-depreciable		30/06/16	–	–	80	80
Land improvements – depreciable		30/06/16	–	–	3,563	3,563
Buildings specialised		30/06/16	–	–	62,460	62,460
Other structures		30/06/16	–	–	2,139	2,139
Roads		30/06/15	–	–	178,570	178,570
Bridges		30/06/15	–	–	27,102	27,102
Footpaths		30/06/15	–	–	5,993	5,993
Bulk earthworks		30/06/15	–	–	28,999	28,999
Stormwater drainage		30/06/15	–	–	51,011	51,011
Water supply network		30/06/17	–	–	64,587	64,587
Sewerage network		30/06/17	–	–	111,466	111,466
Swimming pools		30/06/16	–	–	2,135	2,135
Other open space and recreational assets		30/06/16	–	–	10,649	10,649
Other assets		30/06/16	–	–	1,866	1,866
Tip assets		30/06/16	–	–	12,062	12,062
Quarry assets		30/06/16	–	–	2,212	2,212
Total infrastructure, property, plant and equipment			–	84,332	692,160	776,492

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:

Financial assets

Financial assets are exposed to financial risks such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictable nature of financial markets.

The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment and furniture & fittings assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Operational land

Operational Land has been valued by APV Valuers and Asset Management (APV), an external valuer utilised by Council at 30 June 2016. The report provided by APV stated - Except in the circumstance of any assets being held for sale (valued in accordance with AASB 5 Assets Held for Sale) or in accordance with specific accounting standards (such as Investment Properties) the balance of the portfolio is valued in accordance with AASB116 Property Plant and Equipment at Fair Value. Depending upon the unique circumstances of each lot, land has been valued using a range of approaches. Where there is an active market the 'market approach' has been adopted. If its value is primarily dependent on its income generating capability the income approach was used. For other types of land the 'cost approach' was adopted. Details of each approach are detailed below.

Level 2 valuation inputs

Market (Direct Comparison) – This has been applied to land held in freehold title and has been assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between market participants given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability.

As this was based on observable evidence they have been classified as Level 2. Cost (Direct Comparison) - The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming if Byron Shire Council need to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.

Community land

Community Land has been valued using the Valuer Generals value of land. These rates are not considered to be observable market evidence and as such they have been classified as Level 3

Land under roads (Post 30/6/08)

Land under roads is valued using the 'Englobo' valuation method at 30 June 2019. The Englobo value of the land under the road is the proportional site value of the land at the time when the land is sold for subdivision. In prior years, this was valued through information provided by the Valuer General (VG). Information was received by the VG for each zone description and an applicable rate per square metre for rural and residential areas was applied to the land recognised under roads, post 30/6/08. Changing to the 'Englobo' valuation method during the reporting period has resulted in a prior period error that details of are disclosed at Note 13(b). These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Buildings – specialised

Buildings were valued by APV at 30th June 2016 using the cost approach. This approach estimated the replacement cost for each building by componentising it into significant parts with different useful lives taking into account a range of factors. Some of these factors required extensive professional judgement and as such were classified as Level 3.

Roads, bridges and footpaths

Valuations for these asset classes were undertaken by JRA using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Water

Water Network assets were valued by AssetVal at 30 June 2017. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Sewer

Sewer Network assets were valued by AssetVal at 30 June 2017. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Stormwater drainage

Valuations for these asset classes were undertaken by JRA using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Swimming pools

This asset class is for the swimming pool shells only. This was valued externally by Assetic at 30 June 2016. Other open space and recreational assets. This asset class was valued by Assetic as at 30 June 2016. All assets within the revaluation identified the assets as Level 3, valued using the cost approach.

Other assets

Other assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Tip assets

Tip assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the tip provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

Quarry assets

Quarry assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the quarry provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

(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	4,453	411	98	123,412	7,335
Prior Period adjustment (Note 13b)	—	—	—	—	—
Transfers from/(to) another asset class	—	—	—	(768)	—
Purchases (GBV)	921	17	—	—	—
Disposals (WDV)	(225)	—	—	—	—
Depreciation and impairment	(1,084)	(183)	(19)	—	—
Other movement	—	—	1	1	—
WIP Transfers	—	—	—	—	—
Adjustments & Transfers	—	—	—	—	—
Reval Equity Movements	—	—	—	—	—
Closing balance	4,065	245	80	122,645	7,335
2019					
Opening balance	4,065	245	80	122,645	7,335
Prior Period adjustment (Note 13b)	—	—	—	—	(7,104)
Transfers from/(to) another asset class	—	—	—	(19)	—
Purchases (GBV)	1,271	—	—	1,946	29
Disposals (WDV)	(309)	—	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Land under Roads (post 30/6/08)
Depreciation and impairment	(1,120)	(140)	(19)	–	–
WIP Transfers	–	–	–	–	–
Adjustments & Transfers	–	–	–	–	–
Reval Equity Movements	–	–	–	(268)	–
Closing balance	3,907	105	61	124,304	260

\$ '000	Land improv'mnt non-depr.	Land improv'mnt depreciable	Building specialised	Other structures	Roads
2018					
Opening balance	80	3,722	62,944	2,040	164,179
Prior Period adjustment (Note 13b)	–	–	–	–	–
Transfers from/(to) another asset class	–	–	169	–	999
Purchases (GBV)	–	–	469	135	20,252
Disposals (WDV)	–	–	–	–	(1,734)
Depreciation and impairment	–	(160)	(1,122)	(36)	(5,126)
Other movement	–	1	–	–	–
WIP Transfers	–	–	–	–	–
Adjustments & Transfers	–	–	–	–	–
Reval Equity Movements	–	–	–	–	–
Closing balance	80	3,563	62,460	2,139	178,570
2019					
Opening balance	80	3,563	62,460	2,139	178,570
Prior Period adjustment (Note 13b)	–	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	–	–	1,237	–	4,016
Disposals (WDV)	(80)	–	(30)	–	(391)
Depreciation and impairment	–	(159)	(1,028)	(36)	(5,166)
WIP Transfers	–	–	769	–	2,755
Adjustments & Transfers	–	–	–	1,474	34
Reval Equity Movements	–	–	7,798	(1,700)	–
Closing balance	–	3,404	71,206	1,877	179,818

\$ '000	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network
2018					
Opening balance	12,829	5,502	28,999	47,321	58,589
Prior Period adjustment (Note 13b)	–	–	–	–	–
Transfers from/(to) another asset class	(483)	(213)	–	288	5,918
Purchases (GBV)	15,414	862	–	4,026	1,467
Disposals (WDV)	(335)	(18)	–	–	–
Depreciation and impairment	(324)	(141)	–	(623)	(1,387)
Other movement	1	–	–	–	–
WIP Transfers	–	–	–	–	–
Adjustments & Transfers	–	–	–	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network
Reval Equity Movements	–	–	–	–	–
Closing balance	27,102	5,993	28,999	51,011	64,587
2019					
Opening balance	27,102	5,993	28,999	51,011	64,587
Prior Period adjustment (Note 13b)	–	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	4,834	1,138	698	5,165	2,271
Disposals (WDV)	(321)	(6)	–	(43)	(70)
Depreciation and impairment	(553)	(150)	–	(720)	(1,402)
WIP Transfers	1,922	47	37	243	2,773
Adjustments & Transfers	–	–	–	(34)	–
Reval Equity Movements	–	–	–	–	1,091
Closing balance	32,984	7,022	29,734	55,622	69,250

\$ '000	Sewerage network	Swimming pools	Other open space and recreation	Other	Tip assets
2018					
Opening balance	111,773	2,192	10,080	2,092	10,565
Prior Period adjustment (Note 13b)	–	–	–	–	–
Transfers from/(to) another asset class	2,323	–	590	–	–
Purchases (GBV)	385	–	445	–	1,919
Disposals (WDV)	–	–	(30)	–	–
Depreciation and impairment	(3,015)	(56)	(436)	(225)	(421)
Other movement	–	(1)	–	(1)	(1)
WIP Transfers	–	–	–	–	–
Adjustments & Transfers	–	–	–	–	–
Reval Equity Movements	–	–	–	–	–
Closing balance	111,466	2,135	10,649	1,867	12,062
2019					
Opening balance	111,466	2,135	10,649	1,867	12,062
Prior Period adjustment (Note 13b)	–	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	3,006	–	1,359	–	–
Disposals (WDV)	(1,471)	–	(255)	–	–
Depreciation and impairment	(3,048)	(56)	(452)	(221)	(485)
WIP Transfers	3,531	–	371	–	–
Adjustments & Transfers	–	–	(1,474)	–	524
Reval Equity Movements	1,805	–	–	–	–
Closing balance	115,289	2,079	10,198	1,646	12,101

\$ '000	Quarry assets	Total
2018		
Opening balance	2,469	661,085
Prior Period adjustment (Note 13b)	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Quarry assets	Total
Transfers from/(to) another asset class	–	8,823
Purchases (GBV)	–	46,312
Disposals (WDV)	–	(2,342)
Depreciation and impairment	(257)	(14,615)
WIP Transfers	–	–
Adjustments & Transfers	–	–
Reval Equity Movements	–	–
Closing balance	2,212	699,265
2019		
Opening balance	2,212	699,265
Prior Period adjustment (Note 13b)	–	(7,104)
Transfers from/(to) another asset class	–	(19)
Purchases (GBV)	–	26,970
Disposals (WDV)	–	(2,976)
Depreciation and impairment	(257)	(15,012)
WIP Transfers	–	12,448
Adjustments & Transfers	–	524
Reval Equity Movements	–	8,726
Closing balance	1,955	722,822

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Land Parcel 67860 - Access to Sportsfields, Bangalow Road has been reclassified from Community Land in Level 3 to Operational Land in Level 2. Value of this on Councils register is \$18,882.

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant, Equipment, Furniture, Fittings and Office Equipment	12,983	Cost used to approximate fair value	Asset Condition, remaining useful lives
Community Land	124,304	Land values obtained from the NSW Valuer General	Land Value, land area
Land Under Roads	10,446	Square metre rate calculated from Land and Property information of LG area and applied to depending on zoning of the land	Land Value, land area
Land Improvements	6,215	Cost used to approximate fair value	Asset Condition, remaining useful lives
Buildings	85,673	APV Valuers report	Condition, remaining lives, valuers individual knowledge and skills.
Other Structures	2,311	Cost used to approximate fair value	Asset Condition, remaining useful lives
Roads, Bridges & Footpaths	382,276	JRA Report	Condition, remaining lives, valuers individual knowledge and skills.
Stormwater Drainage	74,366	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Bulk Earthworks	29,734	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Water	112,178	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Sewer	187,417	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Swimming Pools	2,800	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Open Space & Recreation	15,411	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Assets	3,766	Cost used to approximate fair value	Asset Condition, remaining useful lives
Tip Assets	13,547	Cost used to approximate fair value	Asset Condition, remaining useful lives
Quarry Assets	2,739	Cost used to approximate fair value	Asset Condition, remaining useful lives

(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	1,028	1,019
Post-employment benefits	70	68
Other long-term benefits	–	32
Total	1,098	1,119

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Fees and Charges	1	10	–		–	–
Section 356 Local Government Act 1993 Donation	2	24	–		–	–
Event Funding	3	90	–		–	–
2018						
Fees and Charges	1	15	–		–	–
Section 356 Local Government Act 1993 Donation	2	22	–		–	–
Event Funding	3	66	–		–	–

1 A community organisation has a number of leases and licences over land either owned or under the control of Council. These amounts disclosed is the total amount payable to Council during the reporting period. The General Manager of the community organisation until 20 June 2019 is a KMP of Council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

- 2 Council during the financial year provided a donation to a community organisation in accordance with a resolution of the Council. The General Manager of the community organisation until 20 June 2019 is a KMP of Council.
- 3 Council during the reporting period provided event funding undertaken by a community organisation. The General Manager of that community organisation up until 20 June 2019 is a KMP of Council.

Note 22. Events occurring after the reporting date

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

Council on 1 July 2019 completed the purchase of the former Byron Bay Hospital from Health Administration Corporation (NSW) for \$1. Council is to repurpose the facility for alternative uses yet to be determined. Whilst Council is yet to procure an independent valuation of the various former Byron Bay Hospital assets, Council during the 2019/2020 recognise the value of these assets. The value of the assets are expected to be material to Council's financial statements given the gross replacement cost as at 31 December 2016 representing the last valuation obtained by Health Administration were in excess of \$19.5million.

Council is also now responsible for maintaining the site and has provided \$400,000 for this purpose as expenditure in the 2019/2020 financial year.

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					
Open space	4,480	646	–	131	(485)	–	4,772	–
Community facilities	1,413	302	–	37	(364)	–	1,388	–
Urban roads	5,455	266	–	101	(2,153)	180	3,849	–
Rural roads	1,874	429	–	45	(683)	(180)	1,485	–
Cycleways	1,372	148	–	29	(408)	–	1,141	–
Carparking	1,470	20	–	40	(22)	–	1,508	–
Civic and urban improvements	1,600	–	–	20	(831)	–	789	–
Shire support services	258	1	–	7	–	–	266	–
Administration	354	200	–	11	(147)	–	418	–
Section 7.12 levy	596	345	–	21	(180)	–	782	–
S7.11 contributions – under a plan	18,872	2,357	–	442	(5,273)	–	16,398	–
Total S7.11 and S7.12 revenue under plans	18,872	2,357	–	442	(5,273)	–	16,398	–
S64 contributions	12,909	2,047	–	311	(3,465)	–	11,802	–
Total contributions	31,781	4,404	–	753	(8,738)	–	28,200	–

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					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN NUMBER 1 – OPEN SPACE								
Byron Bay	622	198	–	22	(19)	–	823	–
Mullumbimby	536	48	–	15	(45)	–	554	–
Bangalow	399	184	–	11	(181)	–	413	–
Suffolk Park	973	–	–	26	(16)	–	983	–
Brunswick Heads	82	38	–	2	(46)	–	76	–
Ocean Shores	134	30	–	6	(143)	–	27	–
Shire Wide	1,644	132	–	48	–	–	1,824	–
Rural North	36	16	–	–	(35)	–	17	–
Rural South	54	–	–	1	–	–	55	–
Total	4,480	646	–	131	(485)	–	4,772	–
CONTRIBUTION PLAN NUMBER 2 – COMMUNITY FACILITIES								
Byron Bay	56	60	–	–	(173)	–	(57)	–
Mullumbimby	15	1	–	–	–	–	16	–
Bangalow	177	15	–	5	–	–	197	–
Brunswick Heads	9	3	–	–	–	–	12	–
Ocean Shores	68	26	–	2	–	–	96	–
Shire Wide	981	195	–	27	(191)	–	1,012	–
Rural North	–	1	–	–	–	–	1	–
Rural South	107	1	–	3	–	–	111	–
Total	1,413	302	–	37	(364)	–	1,388	–
CONTRIBUTION PLAN NUMBER 3 – CYCLEWAYS								
Byron Bay	539	66	–	6	(384)	–	227	–
Mullumbimby	301	8	–	8	–	–	317	–
Bangalow	224	44	–	7	–	–	275	–
Brunswick Heads	10	8	–	–	–	–	18	–
Ocean Shores	151	8	–	4	(12)	–	151	–

continued on next page ...

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					
Shire Wide	38	14	–	1	(12)	–	41	–
Rural North	15	–	–	–	–	–	15	–
Rural South	94	–	–	3	–	–	97	–
Total	1,372	148	–	29	(408)	–	1,141	–
CONTRIBUTION PLAN NUMBER 4 – SHIRE SUPPORT SERVICES								
Byron Bay	20	–	–	1	–	–	21	–
Mullumbimby	13	–	–	–	–	–	13	–
Bangalow	4	–	–	–	–	–	4	–
Ocean Shores	6	–	–	–	–	–	6	–
Rural North	25	1	–	1	–	–	27	–
Rural South	148	–	–	4	–	–	152	–
Shire Rural	41	–	–	1	–	–	42	–
Brunswick Heads	1	–	–	–	–	–	1	–
Total	258	1	–	7	–	–	266	–
CONTRIBUTION PLAN NUMBER 5 – CARPARKING								
Byron Bay	1,287	–	–	35	–	–	1,322	–
Mullumbimby	6	–	–	–	–	–	6	–
Bangalow	(20)	20	–	5	(22)	–	(17)	–
Brunswick Heads	197	–	–	–	–	–	197	–
Total	1,470	20	–	40	(22)	–	1,508	–
CONTRIBUTION PLAN NUMBER 6 – URBAN ROADS								
Byron Bay	3,717	167	–	48	(2,097)	–	1,835	–
Mullumbimby	480	4	–	13	–	–	497	–
Bangalow	1,224	54	–	34	(27)	–	1,285	–
Brunswick Heads	137	41	–	5	–	–	183	–
Ocean Shores	47	–	–	1	–	–	48	–
Batson Quarry	30	–	–	–	(29)	–	1	–
Other	(180)	–	–	–	–	180	–	–

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					
Total	5,455	266	–	101	(2,153)	180	3,849	–
CONTRIBUTION PLAN NUMBER 7 – RURAL ROADS								
Shire Rural	143	40	–	–	–	(180)	3	–
Mudges Quarry	18	–	–	–	–	–	18	–
Leela Quarry	4	–	–	–	–	–	4	–
Myocum Quarry (Council)	19	–	–	1	–	–	20	–
Rural North	261	176	–	–	(663)	–	(226)	–
Rural South	1,429	213	–	44	(20)	–	1,666	–
Total	1,874	429	–	45	(683)	(180)	1,485	–
CONTRIBUTION PLAN NUMBER 8 – CIVIC AND URBAN IMPROVEMENTS								
Byron Bay	1,078	–	–	7	(828)	–	257	–
Mullumbimby	109	–	–	3	(3)	–	109	–
Bangalow	193	–	–	5	–	–	198	–
Brunswick Heads	13	–	–	–	–	–	13	–
Ocean Shores	129	–	–	3	–	–	132	–
Rural North	27	–	–	1	–	–	28	–
Rural South	51	–	–	1	–	–	52	–
Total	1,600	–	–	20	(831)	–	789	–
CONTRIBUTION PLAN NUMBER 9 – ADMINISTRATION								
Shire Wide	354	200	–	11	(147)	–	418	–
Total	354	200	–	11	(147)	–	418	–
CONTRIBUTION PLAN NUMBER 10 – SECTION 7.12 LEVY								
Shire Wide	596	345	–	21	(180)	–	782	–
Total	596	345	–	21	(180)	–	782	–

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					
S64 contributions								
CONTRIBUTION PLAN NUMBER 11 – WATER SUPPLY SERVICES								
Byron, Bang, Burns, O/Shires	3,360	124	–	16	(43)	–	3,457	–
Mullumbimby	498	123	–	66	(1,027)	–	(340)	–
Total	3,858	247	–	82	(1,070)	–	3,117	–
CONTRIBUTION PLAN NUMBER 12 – SEWERAGE SERVICES								
Bangalow	1,788	515	–	59	(106)	–	2,256	–
Byron Bay	7,263	1,285	–	170	(2,289)	–	6,429	–
Total	9,051	1,800	–	229	(2,395)	–	8,685	–

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	29,541	2,369	10,617
User charges and fees	18,491	7,680	5,784
Interest and investment revenue	2,138	104	275
Other revenues	2,030	–	–
Grants and contributions provided for operating purposes	8,248	77	75
Grants and contributions provided for capital purposes	18,125	1,002	1,982
Total income from continuing operations	78,573	11,232	18,733
Expenses from continuing operations			
Employee benefits and on-costs	21,948	861	2,426
Borrowing costs	1,179	–	3,246
Materials and contracts	31,606	3,146	6,984
Depreciation and amortisation	10,523	1,413	3,076
Other expenses	2,286	4,424	76
Net losses from the disposal of assets	777	70	1,471
Share of interests in joint ventures and associates using the equity method	4	–	–
Total expenses from continuing operations	68,323	9,914	17,279
Operating result from continuing operations	10,250	1,318	1,454
Net operating result for the year	10,250	1,318	1,454
Net operating result attributable to each council fund	10,250	1,318	1,454
Net operating result for the year before grants and contributions provided for capital purposes	(7,875)	316	(528)

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	30,589	–	–
Investments	13,277	11,442	15,851
Receivables	6,242	2,208	2,341
Inventories	395	–	–
Other	29	–	–
Total current assets	50,532	13,650	18,192
Non-current assets			
Investments	7,211	–	–
Receivables	396	–	–
Infrastructure, property, plant and equipment	612,388	76,396	133,695
Investments accounted for using the equity method	1,153	–	–
Total non-current assets	621,148	76,396	133,695
TOTAL ASSETS	671,680	90,046	151,887
LIABILITIES			
Current liabilities			
Payables	10,111	–	201
Income received in advance	291	–	–
Borrowings	1,051	–	1,761
Provisions	5,422	–	–
Total current liabilities	16,875	–	1,962
Non-current liabilities			
Borrowings	20,441	–	40,897
Provisions	8,139	–	–
Total non-current liabilities	28,580	–	40,897
TOTAL LIABILITIES	45,455	–	42,859
Net assets	626,225	90,046	109,028
EQUITY			
Accumulated surplus	427,039	43,979	92,802
Revaluation reserves	199,186	46,067	16,226
Council equity interest	626,225	90,046	109,028
Total equity	626,225	90,046	109,028

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 periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(6,055)				
Total continuing operating revenue excluding capital grants and contributions ¹	85,196	(7.11)%	(1.01)%	5.98%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	76,359				
Total continuing operating revenue ¹	106,305	71.83%	61.24%	69.70%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	34,713				
Current liabilities less specific purpose liabilities	9,499	3.65x	3.40x	3.20x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13,382				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,183	1.86x	2.61x	3.26x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,015				
Rates, annual and extra charges collectible	43,128	4.67%	3.56%	3.52%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	71,159				
Monthly payments from cash flow of operating and financing activities	6,455	11.02 mths	12.33 mths	14.30 mths	>3.00 mths

(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}	(12.78)%	(2.27)%	4.05%	8.17%	5.80%	5.18%	>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	65.08%	52.89%	89.71%	92.77%	88.62%	87.74%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.65x	3.40x	∞	∞	4.85x	5.64x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.63x	5.54x	∞	∞	1.20x	1.20x	>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	4.52%	3.43%	5.02%	3.81%	5.03%	3.88%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	15.67 mths	17.53 mths	0.00	0.00	0.00	0.00	>3.00 mths
Payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 28a above.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

70 Station Street
MULLUMBIMBY NSW 2482

Contact details

Mailing Address:

PO Box 219
MULLUMBIMBY NSW 2482

Telephone: 02 6626 7000

Facsimile: 02 6684 3018

Opening hours:

8:30am - 4.30pm
Monday to Friday (except public holidays)

Internet: www.byron.nsw.gov.au

Email: council@byron.nsw.gov.au

Officers

General Manager

Mark Arnold

Responsible Accounting Officer

James Brickley

Auditors

Audit Office of New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000

Elected members

Mayor

Simon Richardson

Councillors

Sarah Ndiaye
Michael Lyon
Basil Cameron
Cate Coorey
Jan Hackett
Jeanette Martin
Paul Spooner
Alan Hunter

Other information

ABN: 14 472 131 473



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Byron Shire Council

To the Councillors of the Byron Shire Council

Opinion

I have audited the accompanying financial statements of Byron Shire 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:

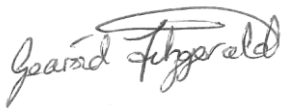
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



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

24 October 2019
SYDNEY



Mr Simon Richardson
Mayor
Byron Shire Council
PO Box 219
MULLUMBIMBY NSW 2482

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: D1925610/1703

24 October 2019

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2019 Byron Shire Council

I have audited the general purpose financial statements (GPFS) of the Byron Shire 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	42.0	39.3	6.9
Grants and contributions revenue	29.5	45.8	35.6
Operating result for the year	13.0	35.3	63.2
Net operating result before capital grants and contributions	(8.1)	(2.0)	305

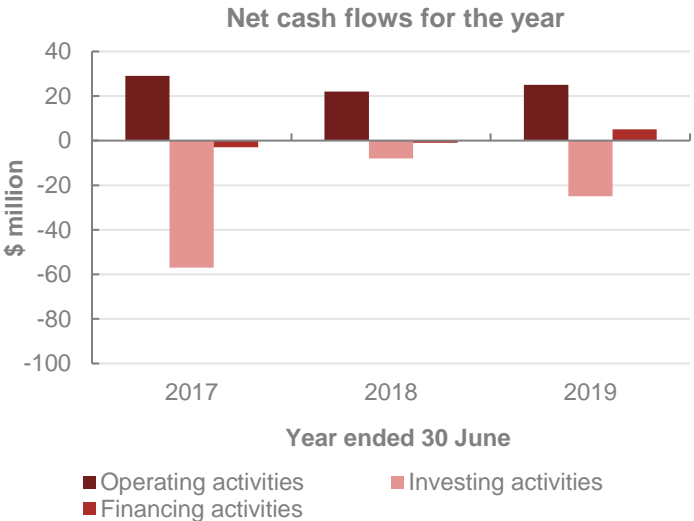
Council’s operating result of \$13.0 million (including the effect of depreciation and amortisation expense of \$15.0 million) was \$22.3 million lower than the 2017–18 result.

This decrease is largely attributable to the following:

- capital contributions in the 2018 financial year were inflated by the recognition of a section of the Tweed Valley Way valued at \$14.3 million; and
- materials and contracts expense in 2019 has increased by \$7.0m due to former Mullumbimby hospital demolition costs of \$2.0 million, natural disaster repairs expenditure of \$1.9 million and minor capital works not capitalised of \$3.0 million.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities have been positive and remained relatively stable over the past three years.
- Cash used for investing activities is greater than 2018 as Council’s expenditure on the purchase / construction of infrastructure, property, plant and equipment increased by \$7 million.
- Cash flow from financing activities is positive as Council borrowed \$7.7 million and repaid \$2.8 million during the 2019 financial year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	50.3	55.1	• Externally restricted balances include unexpended developer contributions and cash balances relating to water, sewer and domestic waste management activities.
Internal restrictions	27.1	21.2	
Unrestricted	1.0	1.1	
Cash and investments	78.4	77.4	<ul style="list-style-type: none"> • Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Council’s cash and investments remain comparative to the prior year.

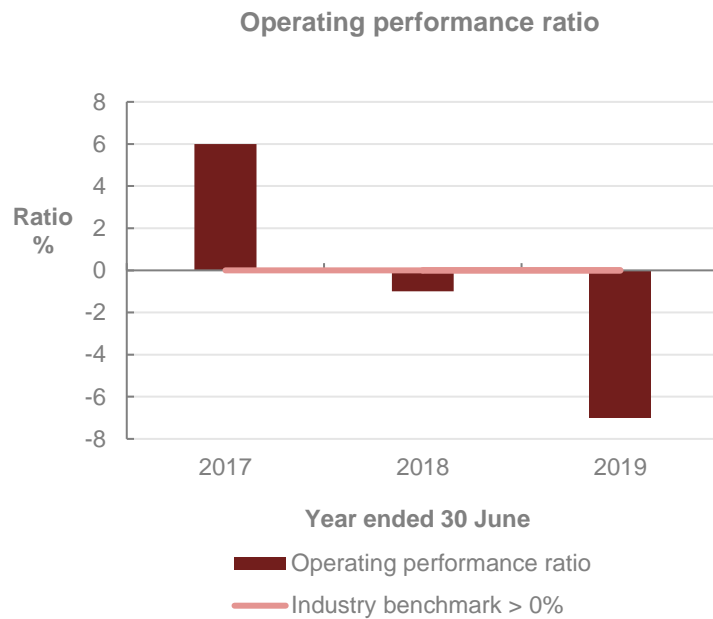
PERFORMANCE

Operating performance ratio

Council's consolidated operating performance ratio of 7.11 per cent (negative) has deteriorated on the prior year. This deterioration is attributable to the recognition of the below costs:

- Former Mullumbimby hospital demolition costs of \$2 million;
- Natural disaster maintenance costs of \$1.9 million whilst funding received has been recognised as revenue in prior years; and
- Increased minor works expenditure not capitalised of \$3 million.

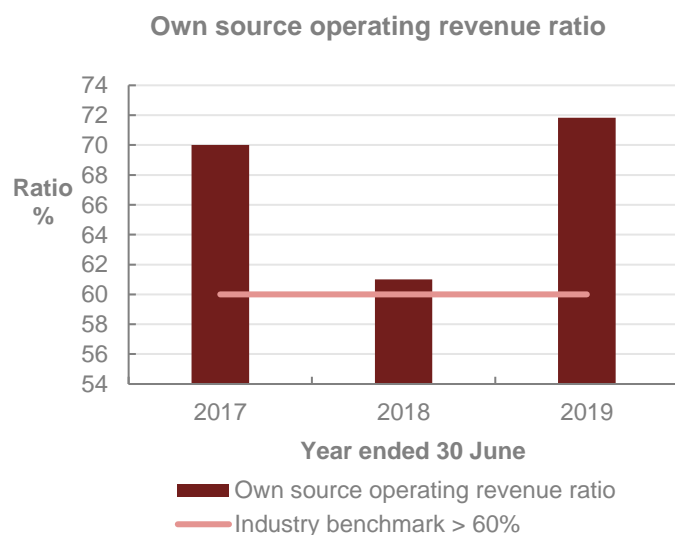
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council's own source revenue of 71.83 per cent continues to exceed the industry benchmark meaning less reliance on external funding sources to conduct its operations sustainably.

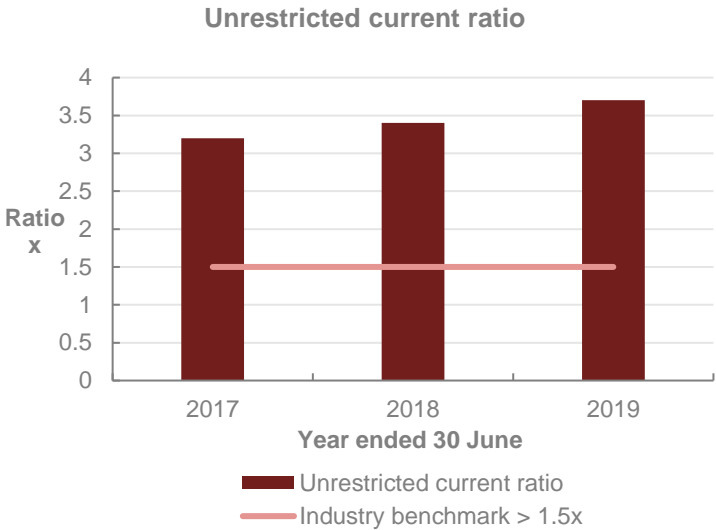
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio at 30 June 2019 is 3.65 and is well above the industry benchmark. The improvement in the ratio on the prior year is attributable to increased internal reserves relating to the receipt of some of the 2020 financial assistance grant prior to balance date as well as unexpended loans. A ratio of 3.65 means that Council has \$3.65 current liquid assets for every \$1 of current liabilities.

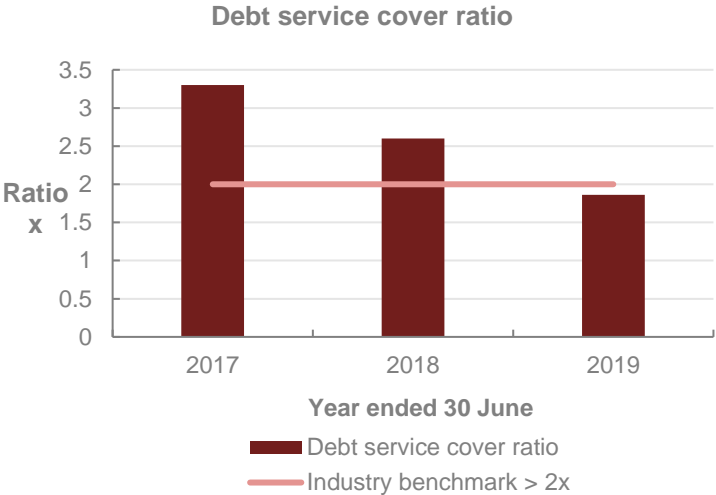
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio has dropped below the industry benchmark and at 30 June 2019 was 1.86x. The deterioration in the ratio is due to a reduction in the operating result attributable to the significant expenses incurred relating to the former Mullumbimby hospital site demolition and natural disaster maintenance works. The ratio would be 2.14 without the hospital site demolition costs.

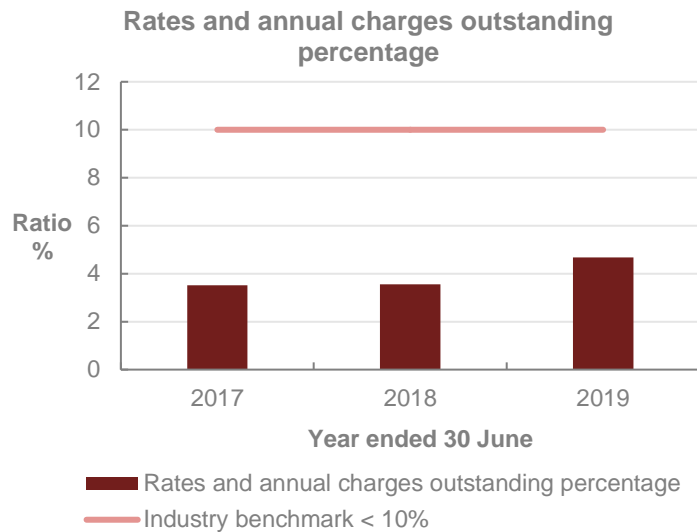
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio has increased to 4.67 per cent at 30 June 2019. Whilst the ratio is still below the industry benchmark it is trending upwards and will require monitoring.

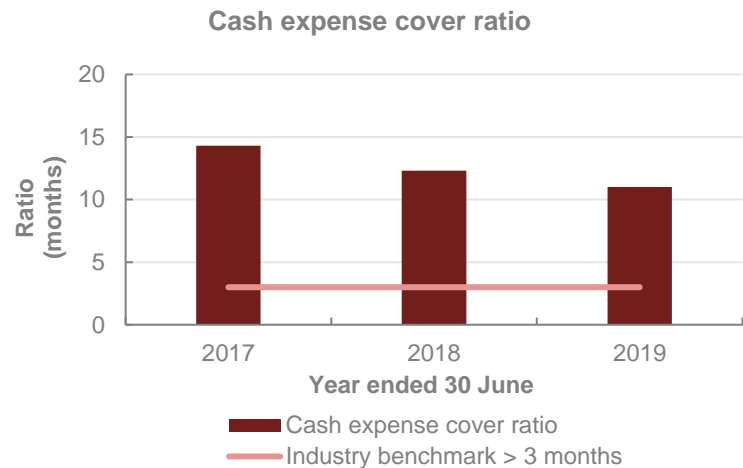
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for rural / regional councils.



Cash expense cover ratio

Council's expense cover ratio is 11 months as at 30 June 2019. This compares to 12.3 months for the 2018 financial year. The ratio continues to exceed the industry benchmark.

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



Infrastructure, property, plant and equipment renewals

Council's infrastructure renewal expenditure in the 2018–19 year was \$27.0 million compared to \$24.7 million in the 2017–18 financial year. For the past two years, infrastructure renewal expenditure has been higher than the rate at which these assets are depreciating.

OTHER MATTERS

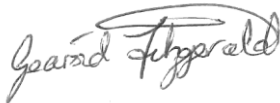
New accounting standards implemented

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(c).</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.



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

cc: Mr Mark Arnold, General Manager
Mr Michael Georghiou, Chairperson, Audit, Risk and Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*Culturally rich and thriving communities living in harmony,
responding positively to the challenges of our world, and
leading by example.*



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

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 24 October 2019.



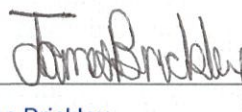
Simon Richardson
Mayor
24 October 2019



Sarah Ndiaye
Councillor
24 October 2019



Mark Arnold
General Manager
24 October 2019



James Brickley
Responsible Accounting Officer
24 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	2,369	2,289
User charges	7,353	6,757
Fees	327	303
Interest	104	289
Grants and contributions provided for non-capital purposes	77	77
Other income	–	10
Total income from continuing operations	10,230	9,725
Expenses from continuing operations		
Employee benefits and on-costs	861	756
Materials and contracts	3,146	2,687
Depreciation, amortisation and impairment	1,413	1,416
Water purchase charges	4,386	4,057
Loss on Sale of Assets	70	–
Calculated taxation equivalents	88	94
Other expenses	10	14
Total expenses from continuing operations	9,974	9,024
Surplus (deficit) from continuing operations before capital amounts	256	701
Grants and contributions provided for capital purposes	1,002	675
Surplus (deficit) from continuing operations after capital amounts	1,258	1,376
Surplus (deficit) from all operations before tax	1,258	1,376
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(70)	(210)
SURPLUS (DEFICIT) AFTER TAX	1,188	1,166
Plus accumulated surplus	42,661	41,220
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	88	94
– Corporate taxation equivalent	70	211
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	43,979	42,663
Return on capital %	0.3%	0.9%
Subsidy from Council	752	1,269
Calculation of dividend payable:		
Surplus (deficit) after tax	1,188	1,165
Less: capital grants and contributions (excluding developer contributions)	(755)	(114)
Surplus for dividend calculation purposes	433	1,051
Potential dividend calculated from surplus	216	526

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	10,617	10,288
User charges	5,216	4,781
Liquid trade waste charges	275	238
Fees	293	218
Interest	275	484
Grants and contributions provided for non-capital purposes	75	75
Total income from continuing operations	16,751	16,084
Expenses from continuing operations		
Employee benefits and on-costs	2,426	2,395
Borrowing costs	3,246	3,364
Materials and contracts	6,984	6,398
Depreciation, amortisation and impairment	3,076	3,037
Loss on sale of assets	1,471	–
Calculated taxation equivalents	228	233
Debt guarantee fee (if applicable)	1,006	1,047
Other expenses	48	57
Total expenses from continuing operations	18,485	16,531
Surplus (deficit) from continuing operations before capital amounts	(1,734)	(447)
Grants and contributions provided for capital purposes	1,982	2,162
Surplus (deficit) from continuing operations after capital amounts	248	1,715
Surplus (deficit) from all operations before tax	248	1,715
SURPLUS (DEFICIT) AFTER TAX	248	1,715
Plus accumulated surplus	91,348	88,381
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	228	233
– Debt guarantee fees	1,006	1,047
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	92,802	91,348
Return on capital %	1.1%	2.2%
Subsidy from Council	253	501
Calculation of dividend payable:		
Surplus (deficit) after tax	248	1,715
Less: capital grants and contributions (excluding developer contributions)	(182)	(291)
Surplus for dividend calculation purposes	66	1,424
Potential dividend calculated from surplus	33	712

Income Statement – Holiday Parks

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Fees	4,712	4,694
Total income from continuing operations	4,712	4,694
Expenses from continuing operations		
Materials and contracts	1,974	1,900
Depreciation, amortisation and impairment	141	157
Calculated taxation equivalents	363	369
Other expenses	934	828
Total expenses from continuing operations	3,412	3,254
Surplus (deficit) from continuing operations before capital amounts	1,300	1,440
Surplus (deficit) from continuing operations after capital amounts	1,300	1,440
Surplus (deficit) from all operations before tax	1,300	1,440
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(358)	(396)
SURPLUS (DEFICIT) AFTER TAX	942	1,044
Plus accumulated surplus	9,038	8,637
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	363	369
– Corporate taxation equivalent	358	396
Less:		
– TER dividend paid	(907)	(856)
– Dividend paid	(109)	(552)
Closing accumulated surplus	9,685	9,038
Return on capital %	4.9%	5.6%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	11,442	10,781
Receivables	2,208	1,887
Total current assets	13,650	12,668
Non-current assets		
Infrastructure, property, plant and equipment	76,396	74,916
Total non-current assets	76,396	74,916
TOTAL ASSETS	90,046	87,584
NET ASSETS	90,046	87,584
EQUITY		
Accumulated surplus	43,979	42,660
Revaluation reserves	46,067	44,924
TOTAL EQUITY	90,046	87,584

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	15,851	18,463
Receivables	2,341	1,990
Total current assets	18,192	20,453
Non-current assets		
Infrastructure, property, plant and equipment	133,695	129,921
Total non-current assets	133,695	129,921
TOTAL ASSETS	151,887	150,374
LIABILITIES		
Current liabilities		
Payables	201	207
Borrowings	1,761	1,813
Total current liabilities	1,962	2,020
Non-current liabilities		
Borrowings	40,897	42,659
Total non-current liabilities	40,897	42,659
TOTAL LIABILITIES	42,859	44,679
NET ASSETS	109,028	105,695
EQUITY		
Accumulated surplus	92,802	91,347
Revaluation reserves	16,226	14,348
TOTAL EQUITY	109,028	105,695

Statement of Financial Position – Holiday Parks

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Non-current assets		
Investments	3,811	3,000
Infrastructure, property, plant and equipment	26,453	25,933
Total non-current assets	<u>30,264</u>	<u>28,933</u>
TOTAL ASSETS	<u>30,264</u>	<u>28,933</u>
LIABILITIES		
Current liabilities		
Payables	291	234
Total current liabilities	<u>291</u>	<u>234</u>
TOTAL LIABILITIES	<u>291</u>	<u>234</u>
NET ASSETS	<u>29,973</u>	<u>28,699</u>
EQUITY		
Accumulated surplus	9,685	9,038
Revaluation reserves	20,288	19,661
TOTAL EQUITY	<u>29,973</u>	<u>28,699</u>

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.

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. Byron Shire Council Water Supplies

Water supply operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

b. Byron Shire Council Sewerage Service

Sewerage reticulation and treatment operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

c. Byron Shire Council Holiday Parks

Council owned Holiday Parks operated in the Shire. The holiday parks include First Sun and Suffolk Beachfront.

Category 2

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

Nil

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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 June 2019.

(iv) Dividends

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

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

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

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

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

Byron Shire Council

To the Councillors of the Byron Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Byron Shire 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
- holiday parks.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

Byron Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*Culturally rich and thriving communities living in harmony,
responding positively to the challenges of our world, and
leading by example.*



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	22,963	21,269
Plus or minus adjustments ²	b	122	112
Notional general income	c = a + b	23,085	21,381
Permissible income calculation			
Special variation percentage ³	d	7.50%	7.50%
Plus special variation amount	h = d x (c + g)	1,731	1,604
Sub-total	k = (c + g + h + i + j)	24,816	22,985
Plus (or minus) last year's carry forward total	l	17	4
Less valuation objections claimed in the previous year	m	–	(6)
Sub-total	n = (l + m)	17	(2)
Total permissible income	o = k + n	24,833	22,983
Less notional general income yield	p	24,828	22,963
Catch-up or (excess) result	q = o – p	5	20
Less unused catch-up ⁵	s	–	(3)
Carry forward to next year ⁶	t = q + r + s	5	17

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

Byron Shire Council

To the Councillors of Byron Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

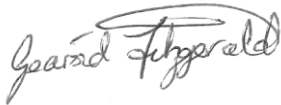
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. 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 that reads "Gearoid Fitzgerald". The signature is written in a cursive style with a large, sweeping flourish over the top of the name.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

24 October 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	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	546	546	86	86	6,349	7,833	65.0%	21.9%	6.5%	6.5%	0.1%
	Council Operations	1,222	1,222	596	596	12,236	14,126	97.1%	0.0%	2.9%	0.0%	0.0%
	Swimming Pool Buildings	107	107	49	49	917	1,046	93.3%	6.2%	0.0%	0.4%	0.0%
	Showground Buildings	258	258	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Residential Leases	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Recreation Buildings	729	729	38	38	11,458	13,084	87.3%	11.7%	0.8%	0.2%	0.0%
	Libraries	–	–	–	–	4,527	5,004	90.5%	9.5%	0.0%	0.0%	0.0%
	Public Amenities	632	632	642	642	4,603	5,567	67.5%	29.9%	2.1%	0.4%	0.1%
	Emergency Services	134	134	4	4	832	952	90.6%	9.3%	0.0%	0.2%	0.0%
	Community Buildings	2,295	2,295	308	308	12,355	15,669	71.6%	22.1%	5.2%	1.1%	0.0%
	Commercial Leases	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Holiday Parks	–	–	–	–	5,757	6,795	86.9%	11.1%	1.7%	0.3%	0.0%
	Childcare	–	–	–	–	5,726	7,031	75.2%	19.2%	5.3%	0.4%	0.0%
	Cultural Facilities	–	–	–	–	612	702	82.9%	9.7%	0.0%	3.9%	3.5%
	Surf Clubs	–	–	–	–	3,093	4,551	24.3%	64.5%	9.4%	1.8%	0.0%
	Council Works Depot	–	–	–	–	2,742	3,313	79.4%	19.2%	0.7%	0.6%	0.0%
	Sub-total	5,923	5,923	1,723	1,723	71,207	85,673	78.3%	17.2%	3.4%	1.1%	0.0%
Other structures	Other structures	–	–	43	43	1,877	2,311	1.0%	20.0%	52.0%	21.0%	6.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	43	43	1,877	2,311	1.0%	20.0%	52.0%	21.0%	6.0%
	Sealed roads	93,773	93,773	3,009	3,009	97,619	208,927	4.0%	19.0%	56.0%	12.0%	9.0%
	Unsealed roads	–	–	485	485	682	2,122	8.0%	20.0%	33.0%	31.0%	8.0%
	Bridges	471	471	67	67	32,984	43,414	27.0%	7.0%	49.0%	17.0%	0.0%
	Footpaths	–	–	71	71	7,023	10,450	15.0%	35.0%	40.0%	10.0%	0.0%
	Kerb and gutter	–	–	34	34	18,335	25,738	0.0%	18.0%	18.0%	55.0%	9.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	29,734	29,734	0.0%	0.0%	0.0%	0.0%	100.0%
	Traffic Control Devices	–	–	63	63	42,499	64,598	28.0%	45.0%	23.0%	3.0%	1.0%
	Carparks	–	–	12	12	2,429	3,198	0.0%	22.0%	45.0%	11.0%	22.0%

Report on Infrastructure Assets - Values (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
Roads	Roundabouts, Islands and Speed Humps	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Roadside Barriers	–	–	63	63	7,530	10,859	0.0%	20.0%	10.0%	10.0%	60.0%
Roads	Roadside Furniture	–	–	10	10	87	250	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Walls	–	–	1	1	10,638	12,720	33.0%	28.0%	29.0%	10.0%	0.0%
Roads	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	94,244	94,244	3,815	3,815	249,560	412,010	10.7%	21.1%	41.0%	12.9%	14.3%
Water supply network	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Mains	–	–	977	977	50,425	79,278	36.1%	27.1%	34.6%	0.0%	2.3%
	Reservoirs	–	–	4,690	4,690	11,501	15,954	43.5%	18.8%	33.2%	4.5%	0.0%
	Pumping Stations	–	–	11	11	302	588	20.3%	58.6%	16.8%	3.6%	0.8%
	Treatment	–	–	301	301	3,354	5,315	0.0%	100.0%	0.0%	0.0%	0.0%
	Hydrants	–	–	–	–	2,263	5,297	18.7%	32.3%	10.3%	38.7%	0.0%
	Dam Weirs	–	–	–	–	212	2,705	0.0%	0.0%	10.7%	0.0%	89.3%
	Monitor Control Stations	–	–	–	–	23	38	6.0%	94.0%	0.0%	0.0%	0.0%
	Valves	–	–	–	–	1,171	3,002	42.4%	31.4%	20.1%	2.8%	3.3%
	Sub-total	–	–	5,979	5,979	69,251	112,177	33.8%	29.2%	30.6%	2.6%	3.8%
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Pumping Stations	–	–	1,377	1,377	11,939	22,360	24.9%	29.5%	23.6%	15.3%	6.8%
	Treatment	–	–	4,074	4,074	54,815	72,751	42.9%	51.0%	6.2%	0.0%	0.0%
	Mains	–	–	1,017	1,017	38,446	74,357	76.5%	20.1%	2.8%	0.6%	0.0%
	Valves	–	–	–	–	599	967	8.2%	81.7%	5.4%	4.7%	0.0%
	Manholes	–	–	–	–	9,243	16,546	15.7%	33.8%	46.7%	3.8%	0.0%
	Vacuum Pods	–	–	–	–	247	436	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	6,468	6,468	115,289	187,417	51.4%	34.7%	10.7%	2.4%	0.8%
Stormwater drainage	Stormwater drainage	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	765	765	55,621	74,366	51.4%	36.8%	11.7%	0.1%	0.0%
	Sub-total	–	–	765	765	55,621	74,366	51.4%	36.8%	11.7%	0.1%	0.0%

Report on Infrastructure Assets - Values (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	–	–	656	656	2,080	2,800	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Fences	–	–	–	–	1,343	2,125	24.2%	38.6%	28.0%	8.7%	0.5%
	Lighting	–	–	2	2	2,424	3,156	31.6%	51.1%	17.2%	0.0%	0.1%
	Open Space Furniture	–	–	43	43	1,084	1,550	45.7%	24.4%	24.0%	5.5%	0.4%
	Other Structures	–	–	–	–	1,255	1,765	42.4%	34.0%	20.7%	3.0%	0.1%
	Park Active Areas	–	–	422	422	1,668	3,138	26.3%	24.6%	31.5%	17.1%	0.5%
	Park Equipment	–	–	25	25	1,293	2,209	47.4%	32.9%	1.5%	16.0%	2.2%
	Park Infrastructure	–	–	–	–	229	247	92.4%	2.6%	4.5%	0.3%	0.1%
	Park Passive Areas	–	–	1,367	1,367	708	931	77.0%	12.5%	1.5%	7.6%	1.5%
	Playgrounds	–	–	–	–	157	240	72.9%	15.3%	3.9%	7.7%	0.3%
	Public Artwork	–	–	–	–	37	50	12.0%	72.1%	15.9%	0.0%	0.0%
	Sub-total	–	–	2,515	2,515	12,278	18,211	32.8%	28.0%	16.1%	7.1%	16.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		100,167	100,167	21,308	21,308	575,083	892,165	32.5%	26.1%	26.8%	7.1%	7.5%

(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

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Click to Enter type of asset valuation (xxx)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(b) Report on Infrastructure Assets - Values												
Buildings	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	71,207	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	71,207	–	0.0%	0.0%	0.0%	0.0%	100.0%
Other structures	Other structures	–	–	–	–	1,877	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	1,877	–	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Unsealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Footpaths	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	249,560	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	249,560	–	0.0%	0.0%	0.0%	0.0%	100.0%
Water supply network	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	69,251	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	69,251	–	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	115,289	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	115,289	–	0.0%	0.0%	0.0%	0.0%	100.0%
Stormwater drainage	Stormwater drainage	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	55,621	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	55,621	–	0.0%	0.0%	0.0%	0.0%	100.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Click to Enter type of asset valuation (xxx)	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	–	–	–	–	12,278	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	12,278	–	0.0%	0.0%	0.0%	0.0%	100.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL - ALL ASSETS		–	–	–	–	575,083	–	0.0%	0.0%	0.0%	0.0%	100.0%

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	21,418	169.84%	110.37%	108.04%	>=100.00%
Depreciation, amortisation and impairment	12,611				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	100,167	17.42%	6.86%	7.90%	<2.00%
Net carrying amount of infrastructure assets	575,083				
Asset maintenance ratio					
Actual asset maintenance	21,308	100.00%	96.48%	91.00%	>100.00%
Required asset maintenance	21,308				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	100,167	11.23%	4.40%	4.78%	
Gross replacement cost	892,165				

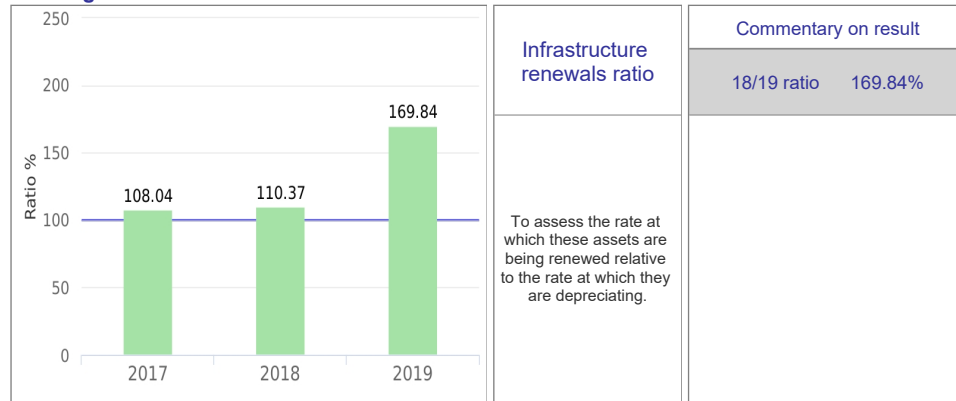
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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

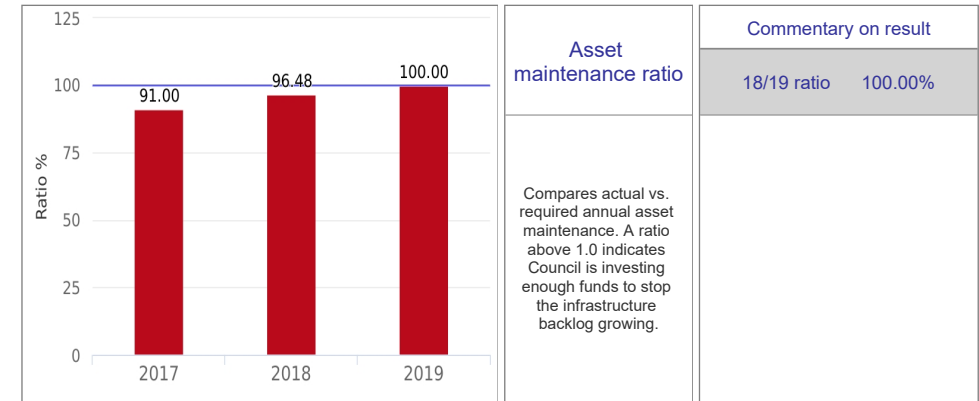
Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio
Commentary on result
18/19 ratio 169.84%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

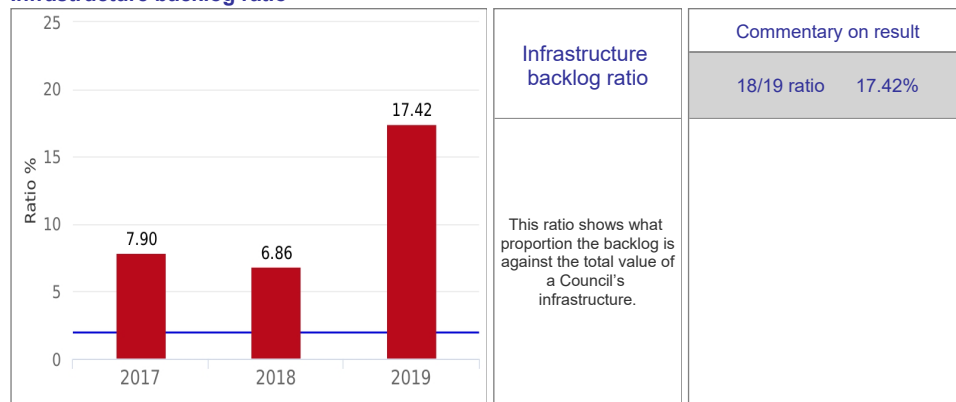
Asset maintenance ratio



Asset maintenance ratio
Commentary on result
18/19 ratio 100.00%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

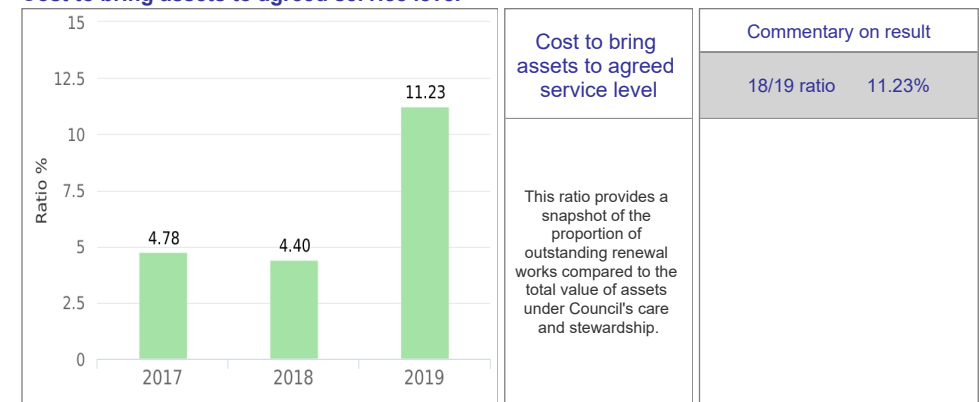
Infrastructure backlog ratio ¹



Infrastructure backlog ratio
Commentary on result
18/19 ratio 17.42%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level
Commentary on result
18/19 ratio 11.23%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

(1) Excludes Work In Progress (WIP)

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	222.72%	159.19%	16.83%	49.96%	98.62%	10.81%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	25.65%	10.13%	–	–	–	–	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	92.20%	100.00%	100.00%	100.00%	100.00%	>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	16.90%	6.63%	–	–	–	–	

(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.