

Nambucca Valley Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

Nambucca Valley ~ Living at its best



Nambucca Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Nambucca Valley ~ Living at its best



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

44 Princess Street
MACKSVILLE NSW 2447

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

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

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

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

Nambucca Valley Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2020.



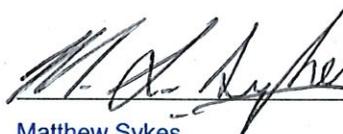
Rhonda Hoban
Mayor
29 October 2020



John Wilson
Councillor
29 October 2020



Michael Coulter
General Manager
29 October 2020



Matthew Sykes
Chief Financial Officer
29 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
20,629	Rates and annual charges	3a	20,875	20,215
6,825	User charges and fees	3b	6,763	6,628
878	Other revenues	3c	798	1,810
6,463	Grants and contributions provided for operating purposes	3d,3e	8,062	6,201
11,625	Grants and contributions provided for capital purposes	3d,3e	12,053	7,340
930	Interest and investment income	4	926	1,487
69	Net gains from the disposal of assets	6	–	–
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	5d	3,112	–
–	Rental income	13	235	–
47,419	Total income from continuing operations		52,824	43,681
Expenses from continuing operations				
10,281	Employee benefits and on-costs	5a	10,521	10,088
2,541	Borrowing costs	5b	2,496	2,644
9,701	Materials and contracts	5c	9,881	8,829
9,604	Depreciation and amortisation	5d	10,027	9,529
3,563	Other expenses	5e	3,907	3,297
–	Net losses from the disposal of assets	6	1,345	1,675
–	Revaluation decrement / impairment of IPP&E	5d	–	286
35,690	Total expenses from continuing operations		38,177	36,348
11,729	Operating result from continuing operations		14,647	7,333
11,729	Net operating result for the year		14,647	7,333
11,729	Net operating result attributable to council		14,647	7,333
104	Net operating result for the year before grants and contributions provided for capital purposes		2,594	(7)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		14,647	7,333
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	8,155	2,588
Total items which will not be reclassified subsequently to the operating result		8,155	2,588
Total other comprehensive income for the year		8,155	2,588
Total comprehensive income for the year		22,802	9,921
Total comprehensive income attributable to Council		22,802	9,921

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	7,961	6,742
Investments	7(b)	10,088	18,387
Receivables	8	3,487	4,785
Inventories	9a	2,015	1,948
Contract assets	12a	1,975	–
Other	9b	76	95
Total current assets		<u>25,602</u>	<u>31,957</u>
Non-current assets			
Investments	7(b)	24,322	14,179
Receivables	8	42	49
Inventories	9a	1,482	1,444
Contract assets	12a	19	–
Infrastructure, property, plant and equipment	10(a)	476,496	457,813
Intangible Assets	11	461	485
Total non-current assets		<u>502,822</u>	<u>473,970</u>
Total assets		<u>528,424</u>	<u>505,927</u>
LIABILITIES			
Current liabilities			
Payables	14	3,132	2,834
Contract liabilities	12b	2,515	–
Borrowings	14	1,945	3,085
Provisions	15	3,577	3,619
Total current liabilities		<u>11,169</u>	<u>9,538</u>
Non-current liabilities			
Payables	14	329	398
Borrowings	14	37,731	39,129
Provisions	15	1,177	404
Total non-current liabilities		<u>39,237</u>	<u>39,931</u>
Total liabilities		<u>50,406</u>	<u>49,469</u>
Net assets		<u>478,018</u>	<u>456,458</u>
EQUITY			
Accumulated surplus	16	337,107	323,377
Revaluation reserves	16	140,911	133,081
Council equity interest		<u>478,018</u>	<u>456,458</u>
Total equity		<u>478,018</u>	<u>456,458</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		323,377	133,081	456,458	315,857	130,680	446,537
Changes due to AASB 1058 and AASB 15 adoption	16	(1,242)	–	(1,242)	–	–	–
Restated opening balance		322,135	133,081	455,216	315,857	130,680	446,537
Net operating result for the year		14,647	–	14,647	7,333	–	7,333
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	8,155	8,155	–	2,588	2,588
Other comprehensive income		–	8,155	8,155	–	2,588	2,588
Total comprehensive income		14,647	8,155	22,802	7,333	2,588	9,921
Transfers between equity items		325	(325)	–	187	(187)	–
Equity – balance at end of the reporting period		337,107	140,911	478,018	323,377	133,081	456,458

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
20,629	Rates and annual charges		21,145	20,238
6,825	User charges and fees		6,887	6,545
930	Investment revenue and interest received		1,006	1,081
18,088	Grants and contributions		14,099	11,076
–	Bonds, deposits and retention amounts received		604	210
878	Other		3,444	3,681
Payments:				
(9,804)	Employee benefits and on-costs		(10,534)	(9,777)
(9,701)	Materials and contracts		(10,154)	(9,317)
(2,541)	Borrowing costs		(2,448)	(2,530)
–	Bonds, deposits and retention amounts refunded		(345)	(140)
(3,563)	Other		(5,476)	(5,945)
21,741	Net cash provided (or used in) operating activities	17b	18,228	15,122
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		17,823	9,038
950	Sale of real estate assets		562	217
136	Sale of infrastructure, property, plant and equipment		387	406
Payments:				
(1,258)	Purchase of investment securities		(19,728)	(7,221)
(11,467)	Purchase of infrastructure, property, plant and equipment		(13,419)	(14,583)
(8,000)	Purchase of real estate assets		15	(499)
–	Purchase of intangible assets		(57)	(266)
(19,639)	Net cash provided (or used in) investing activities		(14,417)	(12,908)
Cash flows from financing activities				
Receipts:				
500	Proceeds from borrowings and advances		500	700
Payments:				
(3,100)	Repayment of borrowings and advances		(3,092)	(3,171)
(2,600)	Net cash flow provided (used in) financing activities		(2,592)	(2,471)
(498)	Net increase/(decrease) in cash and cash equivalents		1,219	(257)
6,742	Cash and cash equivalents – beginning of year	17a	6,742	6,999
6,244	Cash and cash equivalents – end of the year	17a	7,961	6,742
34,410	plus: Investments on hand – end of year	7(b)	34,410	32,566
40,654	Total cash, cash equivalents and investments		42,371	39,308

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

- (ii) COVID-19 pandemic

Council's operations have been impacted by the COVID-19 pandemic, with facility closures following the guidelines set by the Federal Government. Council in 2019/20 provided support for impacted local businesses by waiving half the cost of water and sewer access charges for businesses forced to close or modify delivery methods and rent of the RSL car park was waived due to the downturn in business, however the income waived is of an immaterial amount. Council also made payment arrangements available to affected businesses and ratepayers, including waiving interest charges for overdue rates. Additional reporting will be included in Council's 2019-20 Annual Report. Further impacts are expected to continue into 2021, as detailed in Council's Operational Plan and Budget 2020-21.

Council assessed the impacts on its financial statements for the current year and determined that there was not a significant impact and Council's assets as presented in the financial statements, are at fair value. Council saw only a noticeable change as a result of COVID-19 in Interest and Investment Revenue and this is explained further at Note 4.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council is very much appreciative of the many volunteers who provide services to the community. However, the reality is that due to funding constraints many of these services would not be purchased or provided by Council if the volunteers ceased providing them or alternatively the service level would be greatly reduced. For the services that Council would continue to provide in the absence of volunteers the total cost to Council is not material enough for inclusion in the Annual Financial Statements.

New accounting standards and interpretations issued not yet effective

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

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

Council's assessment of these new standards and interpretations are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

New accounting standards adopted during the year

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Administration	14,927	14,710	1,005	999	13,922	13,711	2,896	4,083	10,611	11,423
Public Order and Safety	2,212	983	2,205	1,319	7	(336)	2,012	236	5,709	4,515
Health	172	197	291	236	(119)	(39)	–	–	32	43
Environment	861	650	1,447	1,457	(586)	(807)	430	309	574	502
Community Services and Education	4	6	108	62	(104)	(56)	4	6	910	934
Housing and Community amenities	6,387	5,900	6,642	5,952	(255)	(52)	84	146	10,692	8,920
Water Supplies	5,907	5,994	5,895	5,540	12	454	301	–	103,729	115,617
Sewerage Services	5,679	6,389	5,483	4,994	196	1,395	215	407	99,482	89,813
Recreation and Culture	3,330	2,320	3,483	3,723	(153)	(1,403)	1,705	1,661	49,836	48,160
Mining, Manufacturing and Construction	171	137	415	395	(244)	(258)	–	–	–	–
Transport and Communication	13,119	6,335	10,894	11,189	2,225	(4,854)	3,954	2,236	243,702	222,856
Economic Affairs	55	60	309	482	(254)	(422)	35	44	3,147	3,144
Total functions and activities	52,824	43,681	38,177	36,348	14,647	7,333	11,636	9,128	528,424	505,927

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Administration

Includes corporate and other support services; engineering works; and any Council policy compliance.

Public Order and Safety

Includes Council's fire and emergency services levy; fire protection; emergency services; beach control; enforcements of regulations and animal control.

Health

Includes immunisation; food control; health centres etc.

Environment

Includes environmental and town planning support services.

Community Services and Education

Includes administration and education; social protection (welfare); Aboriginal and other community services and administration (excluding accommodation - covered under "housing and community amenities"); youth services; aged and disabled persons services; and other family and children services.

Housing and Community Services

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management including domestic waste, other waste management, other sanitation and garbage; street cleaning; public cemeteries; public conveniences; town planning; other community amenities.

Water Supply

Operation and maintenance of all water supply infrastructure to supply water to consumers that complies with Australian Drinking Water Guidelines. Infrastructure includes Bowra Dam, bores, pumps, water treatment plant, transfer pipelines, Reservoirs and reticulation pipework.

Sewerage Services

Operation and maintenance of all sewerage infrastructure to collect and treat wastewater in compliance with EPA licence requirements. Infrastructure includes Sewage Treatment Plants, gravity sewer mains, sewage pump stations, sewer rising mains and low pressure sewerage systems.

Recreation and Culture

Includes public libraries; museums; art galleries; community centres/halls; including public halls and performing arts venues; sporting grounds and venues; swimming pool, parks; gardens; lakes; and other sporting, recreation and cultural services.

Mining, Manufacturing and Construction

Includes building control; quarries and pits.

Transport and Communciation

Urban local; urban regional; includes sealed and unsealed roads; bridges; footpaths; parking areas; bus shelters and services; drainage; stormwater management; water transport and street lighting.

Economic Affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; private works and other business undertakings.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	8,569	8,400
Farmland	1058 (1)	1,014	986
Business	1058 (1)	1,143	1,018
Less: pensioner rebates	1058 (1)	(401)	(403)
Rates levied to ratepayers		10,325	10,001
Pensioner rate subsidies received	1058 (1)	223	221
Total ordinary rates		10,548	10,222
Special rates			
Environmental	1058 (1)	427	411
Rates levied to ratepayers		427	411
Total special rates		427	411
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	4,130	4,055
Water supply services	1058 (1)	1,083	1,059
Sewerage services	1058 (1)	3,871	3,737
Drainage	1058 (1)	147	146
Waste management services (non-domestic)	1058 (1)	852	770
Less: pensioner rebates	1058 (1)	(445)	(449)
Annual charges levied		9,638	9,318
Pensioner subsidies received:			
– Water	1058 (1)	82	82
– Sewerage	1058 (1)	74	74
– Domestic waste management	1058 (1)	106	108
Total annual charges		9,900	9,582
TOTAL RATES AND ANNUAL CHARGES		20,875	20,215

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

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

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

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

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

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period. Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	3,623	3,731
Sewerage services	15 (2)	894	892
Waste management services (non-domestic)	15 (2)	991	912
Other	15 (2)	25	50
Library	15 (2)	2	4
Total specific user charges		5,535	5,589
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	156	133
Planning and building regulation	15 (1)	184	218
Private works – section 67	15 (1)	174	42
Regulatory/ statutory fees	15 (1)	334	259
Section 10.7 certificates (EP&A Act)	15 (1)	41	45
Section 603 certificates	15 (1)	38	37
Town planning-environmental compliance fees	15 (1)	31	28
Septic tank income	15 (1)	78	72
Total fees and charges – statutory/regulatory		1,036	834
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	15 (1)	115	105
Park rents	15 (1)	77	100
Total fees and charges – other		192	205
TOTAL USER CHARGES AND FEES		6,763	6,628

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

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

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

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

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

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Community Centre User Charges	15 (2)	10	16
Fines – parking	1058 (1)	15	11
Fines – other	1058 (1)	65	32
Legal fees recovery – rates and charges (extra charges)	15 (1)	–	1
Diesel rebate	1058 (1)	59	56
Sales – general	1058 (1)	–	9
Administration	1058 (1)	20	37
Bank merchant service fees	1058 (1)	9	9
Environmental services	15 (1)	65	51
Insurance – premium rebates	1058 (1)	61	42
Lease rentals		–	227
Libraries	1058 (1)	7	9
Road closure/compulsory acquisition	15 (1)	27	24
Special meter reading fees	1058 (1)	5	5
Staff Car charges	1058 (1)	87	76
Other – found assets		126	1,200
Other	1058 (1)	19	5
Other-Fair Value on Acquisition	1058 (1)	223	–
<u>TOTAL OTHER REVENUE</u>		<u>798</u>	<u>1,810</u>

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,393	1,389	–	–
Financial assistance – local roads component	1058 (1)	615	610	–	–
Payment in advance - future year allocation					
Financial assistance – general component ^{##}	1058 (1)	1,476	1,440	–	–
Financial assistance – local roads component	1058 (1)	653	633	–	–
Total general purpose		4,137	4,072	–	–
Specific purpose (tied)					
Water supplies	1058 (2)	–	–	301	–
Sewerage services	1058 (2)	–	–	215	408
Bushfire and emergency services	1058 (1)	2,004	236	–	–
Community care	1058 (1)	2	3	–	–
Community centres	1058 (2)	–	41	2	–
Economic development	1058 (2)	–	44	35	–
Employment and training programs	1058 (1)	29	16	–	–
Environmental programs	1058 (2)	–	260	432	50
Library	1058 (1), (2)	160	66	47	100
LIRS subsidy	1058 (1)	73	88	–	–
Noxious weeds	1058 (1)	84	83	–	–
Public halls	1058 (1)	7	8	–	–
Recreation and culture	1058 (1), (2)	3	20	1,478	1,387
Street lighting	1058 (1)	21	20	–	–
Transport (roads to recovery)	1058 (1)	769	538	–	–
Transport (other roads and bridges funding)	1058 (1), (2)	197	52	1,626	1,539
Museums	1058 (1)	9	–	–	33
Other – better waste and recycling		–	64	–	–
Other – responsible pet ownership	1058 (1)	5	–	–	–
Total specific purpose		3,363	1,539	4,136	3,517
Total grants		7,500	5,611	4,136	3,517
Grant revenue is attributable to:					
– Commonwealth funding		4,913	4,632	526	144
– State funding		2,559	961	3,608	3,373
– Other funding		28	18	2	–
		7,500	5,611	4,136	3,517

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

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

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

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

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

(##) Partial prepayment of the 2020/21 Financial Assistance Grant is recognised as income in the 2019/20 statements and placed in an internal reserve (see Note 7c). The prepayment is included in the financial performance ratios at Note 27 & has a material impact.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	26	132
S 7.12 – fixed development consent levies		1058 (1)	–	–	367	229
S 64 – water supply contributions		1058 (1)	–	–	279	583
S 64 – sewerage service contributions		1058 (1)	–	–	281	609
Total developer contributions	25		<u>–</u>	<u>–</u>	<u>953</u>	<u>1,553</u>
Other contributions:						
Cash contributions						
Bushfire services		1058 (2)	–	–	10	13
Recreation and culture		1058 (1), (2)	18	23	4	–
Roads and bridges		1058 (1), (2)	88	73	344	37
RMS contributions (regional roads, block grant)		1058 (1), (2)	456	494	197	306
Sewerage (excl. section 64 contributions)		1058 (2)	–	–	169	110
Water supplies (excl. section 64 contributions)		1058 (2)	–	–	17	24
Other			–	–	–	7
Total other contributions – cash			<u>562</u>	<u>590</u>	<u>741</u>	<u>497</u>
Non-cash contributions						
Subdivisions		1058 (1)	–	–	1,539	1,089
Bushfire grants		1058 (1)	–	–	124	682
Other Dedications			–	–	–	2
Highway Handover Assets		1058 (1)	–	–	4,560	–
Total other contributions – non-cash			<u>–</u>	<u>–</u>	<u>6,223</u>	<u>1,773</u>
Total other contributions			<u>562</u>	<u>590</u>	<u>6,964</u>	<u>2,270</u>
Total contributions			<u>562</u>	<u>590</u>	<u>7,917</u>	<u>3,823</u>
TOTAL GRANTS AND CONTRIBUTIONS			<u>8,062</u>	<u>6,201</u>	<u>12,053</u>	<u>7,340</u>

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

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

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

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

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

Accounting policy for grants and contributions

Grant income under AASB 15

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

Nambucca Valley Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s7.11 and 7.12 of the Environmental Planning and Assessment Act 1979.

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	2,329	2,090
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	211
Add: operating grants received for the provision of goods and services in a future period	3,881	2,088
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(2,060)
Less: operating grants received in a previous reporting period now spent and recognised as income	(2,667)	–
Unexpended and held as externally restricted assets (operating grants)	3,543	2,329
<ul style="list-style-type: none"> • Grants Commission (FAG) - \$2,129,024 • Saving our Species - Koala Habitat Program (OEH) - \$30,000 • Upkeep of Memorials at Bowraville- \$18,380 • Crown Lands - Plans of Management - \$36,661 • OEH Better Waste & Recycling - \$82,562 • Crown Reserves Improvements Fund Program-Upgrade Goanna Trail - \$29,954 • Natural Bushfire Recovery Agency - Black Summer Bushfire Season - \$1,035,527 • Bushfire Community Resilience & Economic Recovery Funds - Phase 1 - \$140,226 • S19-HAG-Riverbank Restoration & Wetland Protection-Congarinni North (Jacaranda Lodge) - \$20,000 		
Capital grants		
Unexpended at the close of the previous reporting period	987	429
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,131
Add: capital grants received for the provision of goods and services in a future period	1,674	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(573)
Less: capital grants received in a previous reporting period now spent and recognised as income	(825)	–
Unexpended and held as externally restricted assets (capital grants)	1,836	987
<ul style="list-style-type: none"> • Nambucca Heads Library Extension - \$152,705 • Playing Fields & Amenities - Urban Growth Area - South Macksville - (SCCF 2) - \$129,302 • Australian Sports Commission - Macksville Park Amenities Upgrade - \$171,879 • Public Library Infrastructure Grants 2019/20 - Fit out of new Nambucca Heads Library - \$324,749 • Community Developments Grants - Valla Employment Lands (General Fund) - \$147,200 • DPIE - Valla Employment Lands (General Fund) - \$240,580 • Construction of Dawkins Park Cultural Learning Precinct - \$96,221 • Increasing Resilience to Climate Change - Learning about climate change - \$46,193 		

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
Contributions		
Unexpended at the close of the previous reporting period	7,318	7,352
Add: contributions recognised as income in the current period but not yet spent	1,138	1,808
Less: contributions recognised in a previous reporting period now spent	(1,491)	(1,842)
Unexpended and held as externally restricted assets (contributions)	<u>6,965</u>	<u>7,318</u>

Developer Contributions:

- General Fund \$ 636,754
- Water Fund \$ 5,761,192
- Sewer Fund \$ 366,988

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	129	136
– Cash and investments	869	932
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(72)	419
Total Interest and investment income	<u>926</u>	<u>1,487</u>

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

Overdue rates and annual charges (general fund)	129	136
General Council cash and investments	78	519

Restricted investments/funds – external:

Development contributions		
– Section 7.11/7.12	13	24
– Section 64	149	166
Water fund operations	341	390
Sewerage fund operations	147	198
Domestic waste management operations	69	54
Total interest and investment revenue	<u>926</u>	<u>1,487</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	8,447	7,512
Employee termination costs (where material – other than vested leave paid)	21	104
Travel expenses	447	472
Employee leave entitlements (ELE)	1,360	1,554
Superannuation	1,048	963
Workers' compensation insurance	287	224
Fringe benefit tax (FBT)	27	49
Training costs (other than salaries and wages)	108	123
Protective clothing	16	15
Other	34	33
Total employee costs	11,795	11,049
Less: capitalised costs	(1,274)	(961)
TOTAL EMPLOYEE COSTS EXPENSED	10,521	10,088
Number of 'full-time equivalent' employees (FTE) at year end	121	119

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,440	2,516
Total interest bearing liability costs		2,440	2,516
Total interest bearing liability costs expensed		2,440	2,516
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	15	2	5
Interest applicable on interest free (and favourable) loans to Council		54	123
Total other borrowing costs		56	128
TOTAL BORROWING COSTS EXPENSED		2,496	2,644

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	1,024	714
Contractor and consultancy costs (other)	4,792	4,392
– Beach inspections	82	79
– Cleaning of Council buildings	130	193
– Computer system – Civica – Authority	174	183
– Financial	51	36
– Labour hire	274	410
– Sewer	7	–
– Waste collection contract	2,620	2,534
– EPA Landfill Post Closure Monitoring Expenses	499	–
– Water	15	71
Auditors remuneration ¹	65	47
Legal expenses:		
– Legal expenses: planning and development	20	30
– Legal expenses: other	128	140
Total materials and contracts	9,881	8,829
TOTAL MATERIALS AND CONTRACTS	9,881	8,829

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council and related practices.

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

Audit and review of financial statements	65	47
Remuneration for audit and other assurance services	65	47
Total Auditor-General remuneration	65	47
Total Auditor remuneration	65	47

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		808	722
Office equipment		84	49
Furniture and fittings		9	9
Land improvements (depreciable)		3	3
Infrastructure:	10(a)		
– Buildings – non-specialised		342	343
– Buildings – specialised		202	197
– Other structures		487	452
– Roads		2,738	2,618
– Bridges		647	644
– Footpaths		122	111
– Other road assets		70	66
– Stormwater drainage		521	433
– Water supply network		1,640	1,597
– Sewerage network		1,793	1,719
– Swimming pools		38	37
– Other open space/recreational assets		159	155
– Other infrastructure		313	304
Other assets:			
– Heritage collections		1	1
– Library books		86	93
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10(a)	17	17
Intangible assets	11	81	60
Total gross depreciation and amortisation costs		10,161	9,630
Less: capitalised costs		(134)	(101)
Total depreciation and amortisation costs		10,027	9,529
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10(a)		
Revaluation Decrement Cost - Land under Roads (post 1/7/08)		–	286
Revaluation Decrement Reversal - Roads		(3,112)	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		(3,112)	286
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		(3,112)	286
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		6,915	9,815

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

\$ '000	2020	2019
(e) Other expenses		
Advertising	77	106
Bad and doubtful debts	2	(4)
Bank charges	61	62
Contributions/levies to other levels of government	35	64
– Bushfire fighting fund	365	263
– Waste levy	507	533
– Other contributions/levies	40	39
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	123	133
Councillors' expenses (incl. mayor) – other (excluding fees above)	7	17
Donations, contributions and assistance to other organisations (Section 356)	112	88
– SES vehicle expenses	31	26
Donations - Bush Fire Relief	489	–
Electricity and heating	582	643
Insurance	565	541
Insurance excess (PI/PL)	1	1
Office expenses (including computer expenses)	289	129
Postage	43	43
Printing and stationery	66	71
Street lighting	180	277
Subscriptions and publications	99	74
Telephone and communications	91	98
Other (land development revaluation loss)	54	–
Valuation fees	61	67
Total other expenses	3,907	3,297
TOTAL OTHER EXPENSES	3,907	3,297

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Infrastructure, property, plant and equipment			
Proceeds from disposal – Infrastructure ,property, plant and equipment		387	406
Less: carrying amount of Infrastructure, property, plant and equipment assets sold/written off		(2,126)	(2,204)
Net gain/(loss) on disposal		(1,739)	(1,798)
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		562	217
Less: carrying amount of real estate assets sold/written off		(179)	(94)
Net gain/(loss) on disposal		383	123
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		11	–
Net gain/(loss) on disposal		11	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,345)	(1,675)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	5,505	3,324
Cash-equivalent assets		
– Deposits at call	2,456	3,418
Total cash and cash equivalents	7,961	6,742

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'	1,976	5,926	6,934	4,283
b. 'Financial assets at amortised cost'	8,112	18,396	11,453	9,896
Total Investments	10,088	24,322	18,387	14,179
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	18,049	24,322	25,129	14,179
Financial assets at fair value through the profit and loss				
Managed funds	–	–	4,961	–
NCD's, FRN's (with maturities > 3 months)	–	5,926	–	4,283
Tcorp	1,976	–	1,973	–
Total	1,976	5,926	6,934	4,283
Financial assets at amortised cost				
Long term deposits	8,112	18,396	10,953	9,896
NCD's, FRN's (with maturities > 3 months)	–	–	500	–
Total	8,112	18,396	11,453	9,896

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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, cash and cash equivalents, long term deposits & Teachers Mutual Bank FRN, in the Statement of Financial Position.

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

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

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, Managed Funds and TCorp, in the Statement of Financial Position.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	18,049	24,322	25,129	14,179
attributable to:				
External restrictions	10,350	24,322	16,967	14,179
Internal restrictions	7,320	–	7,251	–
Unrestricted	379	–	911	–
	18,049	24,322	25,129	14,179

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,702	–
Specific purpose unexpended grants – water fund (2020 only)	186	–
Specific purpose unexpended grants – sewer fund (2020 only)	292	–
Security deposits	893	634
Bushfire Appeal	33	–
	3,106	634

External restrictions – included in liabilities**External restrictions – other**

Developer contributions – general	637	555
Developer contributions – water fund	5,761	5,847
Developer contributions – sewer fund	367	637
Specific purpose unexpended grants (recognised as revenue) – general fund	1,070	1,234
Water supplies	14,397	14,011
Sewerage services	6,384	6,132
Domestic waste management	2,796	1,891
Stormwater Management	154	205
	31,566	30,512

External restrictions – other

Total external restrictions	34,672	31,146
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Internal restrictions

Plant and vehicle replacement	844	834
Employees leave entitlement	1,320	1,640
Council building reserve	316	336
Election	143	103
Environment rate unallocated	197	281
Lawn cemetery	7	8
Office equipment	–	147
Other contributions	488	279
Public road/reserve sales	–	45
Swimming pool	215	184
Waste management	1,292	755
Unspent Financial Assistance Grant	2,129	2,073
Unexpended Loans - General Fund	236	547
Expiring Special Variation	114	–
Prepaid Development Application Fees	19	19
	7,320	7,251

Total internal restrictions	7,320	7,251
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TOTAL RESTRICTIONS	41,992	38,397
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,081	–	1,195	–
Interest and extra charges	120	–	128	–
User charges and fees	1,444	–	1,546	–
Contributions to works	4	–	–	–
Accrued revenues				
– Interest on investments	293	–	293	–
Flood damage (RMS)	–	–	49	–
General	186	–	212	–
Government grants and subsidies	22	–	972	–
Loans to sporting clubs	7	42	7	49
Net GST receivable	331	–	328	–
On site sewer management	7	–	9	–
Other debtors – waste	27	–	47	–
Other debtors – RFS	–	–	33	–
Total	<u>3,522</u>	<u>42</u>	<u>4,819</u>	<u>49</u>
Less: provision of impairment				
Rates and annual charges	(35)	–	(34)	–
Total provision for impairment – receivables	<u>(35)</u>	<u>–</u>	<u>(34)</u>	<u>–</u>
TOTAL NET RECEIVABLES	<u>3,487</u>	<u>42</u>	<u>4,785</u>	<u>49</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	524	1,479	941	1,441
Stores and materials	1,028	–	1,007	–
Total inventories at cost	1,552	1,479	1,948	1,441
(ii) Inventories at net realisable value (NRV)				
Real estate for resale	463	3	–	3
Total inventories at net realisable value (NRV)	463	3	–	3
<u>TOTAL INVENTORIES</u>	<u>2,015</u>	<u>1,482</u>	<u>1,948</u>	<u>1,444</u>
(b) Other assets				
Prepayments	76	–	95	–
<u>TOTAL OTHER ASSETS</u>	<u>76</u>	<u>–</u>	<u>95</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		740	372	696	369
Industrial/commercial		247	1,110	245	1,075
Total real estate for resale		987	1,482	941	1,444
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		762	1,482	352	1,444
Development costs		225	–	589	–
Total costs		987	1,482	941	1,444
Total real estate for resale		987	1,482	941	1,444
Movements:					
Real estate assets at beginning of the year		941	1,444	499	1,588
– Purchases and other costs		2	35	589	–
– Transfers in from (out to) Note 10		280	–	(107)	–
– WDV of sales (expense)	6	(179)	–	(94)	–
– Transfer between current/non-current		(57)	3	54	(144)
Total real estate for resale		987	1,482	941	1,444

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Real Estate held for resale/capitalisation of borrowing costs

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

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

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

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

	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements- Adjustment through CY P & L	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,227	–	1,227	1,480	889	–	–	–	(1,055)	–	–	–	–	2,541	–	2,541
Plant and equipment	14,241	(8,353)	5,888	1,048	125	(152)	(808)	–	–	–	–	–	14,698	(8,597)	6,101	
Office equipment	1,364	(1,205)	159	148	44	(5)	(84)	–	77	–	–	–	810	(472)	338	
Furniture and fittings	468	(412)	56	–	6	–	(9)	–	–	–	–	–	473	(421)	52	
Land:																
– Crown land	8,977	–	8,977	–	–	–	–	–	–	–	112	–	9,089	–	9,089	
– Operational land	7,811	–	7,811	–	22	(180)	–	–	–	–	–	(280)	7,373	–	7,373	
– Community land	9,051	–	9,051	–	223	–	–	–	–	–	–	–	9,274	–	9,274	
– Land under roads (post 30/6/08)	42	–	42	–	52	–	–	–	–	–	–	–	93	–	93	
Land improvements – non-depreciable	–	–	–	–	590	–	–	–	80	–	–	–	669	–	669	
Land improvements – depreciable	249	(32)	217	–	–	–	(3)	–	–	–	–	–	249	(35)	214	
Infrastructure:																
– Buildings – non-specialised	23,290	(8,080)	15,210	152	546	(73)	(342)	–	81	–	–	–	23,879	(8,306)	15,573	
– Buildings – specialised	16,945	(3,516)	13,429	34	206	(25)	(202)	–	134	–	–	–	17,284	(3,709)	13,575	
– Other structures	14,040	(7,911)	6,129	135	104	(19)	(487)	–	26	(995)	–	–	12,381	(7,487)	4,894	
– Roads	141,530	(52,439)	89,091	2,393	3,567	(981)	(2,738)	3,112	195	–	10	3,551	151,893	(53,688)	98,205	
– Bridges	42,836	(13,023)	29,813	986	1,307	(91)	(647)	–	18	677	–	(2,586)	40,589	(11,111)	29,478	
– Footpaths	9,481	(2,473)	7,008	116	255	(45)	(122)	–	2	(3)	–	1,451	12,296	(3,633)	8,663	
– Other road assets	–	–	–	10	35	(3)	(70)	–	13	1,303	–	(52)	2,041	(807)	1,234	
– Bulk earthworks (non-depreciable)	45,710	–	45,710	–	970	(94)	–	–	–	–	4	(2,961)	43,629	–	43,629	
– Stormwater drainage	46,351	(15,317)	31,034	–	1,357	(5)	(521)	–	–	(677)	–	7,205	57,055	(18,663)	38,392	
– Water supply network	129,581	(41,894)	87,687	286	839	(167)	(1,640)	–	169	–	–	818	131,744	(43,752)	87,992	
– Sewerage network	116,104	(39,347)	76,757	263	363	(102)	(1,793)	–	197	–	–	714	117,875	(41,476)	76,399	
– Swimming pools	2,273	(1,250)	1,023	19	–	(4)	(38)	–	–	–	–	–	2,279	(1,278)	1,001	
– Other open space/recreational assets	5,711	(2,289)	3,422	67	208	(18)	(159)	–	8	–	–	–	5,956	(2,428)	3,528	
– Other infrastructure	20,715	(3,077)	17,638	402	193	(162)	(313)	–	55	(305)	–	–	20,791	(3,283)	17,508	
Other assets:																
– Heritage collections	120	(39)	81	–	–	–	(1)	–	–	–	–	–	120	(41)	79	
– Library books	545	(282)	263	–	87	–	(86)	–	–	–	–	–	530	(266)	264	
– Other	7	(2)	5	–	–	–	–	–	–	–	–	–	7	(2)	5	
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	238	(153)	85	–	271	–	(17)	–	–	(20)	–	15	489	(156)	333	
Total Infrastructure, property, plant and equipment	658,907	(201,094)	457,813	7,539	12,259	(2,126)	(10,080)	3,112	–	(20)	126	(280)	8,155	686,107	(209,611)	476,496

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

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

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

\$ '000	as at 30/06/18			Asset movements during the reporting period										as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Adjustments through CY P & L	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,454	–	2,454	488	486	–	–	–	(2,201)	–	–	–	–	1,227	–	1,227
Plant and equipment	12,964	(8,411)	4,553	1,894	302	(139)	(722)	–	–	–	–	–	–	14,241	(8,353)	5,888
Office equipment	1,834	(1,482)	352	55	15	–	(49)	–	–	(214)	–	–	–	1,364	(1,205)	159
Furniture and fittings	437	(403)	34	–	31	–	(9)	–	–	–	–	–	–	468	(412)	56
Land:																
– Operational land	8,251	–	8,251	–	–	(175)	–	–	–	(270)	–	5	–	7,811	–	7,811
– Community land	17,635	–	17,635	–	–	(17)	–	–	–	(8,669)	–	102	–	9,051	–	9,051
– Crown land	–	–	–	–	–	(236)	–	–	–	8,939	274	–	–	8,977	–	8,977
– Land under roads (post 30/6/08)	323	–	323	–	4	–	–	(286)	–	–	–	–	–	42	–	42
Land improvements – depreciable	249	(29)	220	–	–	–	(3)	–	–	–	–	–	–	249	(32)	217
Infrastructure:																
– Buildings – non-specialised	23,280	(7,769)	15,511	81	28	(67)	(343)	–	–	–	–	–	–	23,290	(8,080)	15,210
– Buildings – specialised	16,426	(3,464)	12,962	129	336	(81)	(197)	–	280	–	–	–	–	16,945	(3,516)	13,429
– Other structures	13,046	(7,563)	5,483	942	264	(142)	(452)	–	99	–	–	–	–	14,040	(7,911)	6,129
– Roads	138,469	(51,257)	87,212	3,545	964	(793)	(2,618)	–	781	–	–	–	–	141,530	(52,439)	89,091
– Bridges	41,620	(12,884)	28,736	1,719	59	(235)	(644)	–	162	–	–	–	–	42,836	(13,023)	29,813
– Footpaths	9,162	(2,416)	6,746	72	166	(78)	(111)	–	213	–	–	–	–	9,481	(2,473)	7,008
– Other road assets	–	–	–	–	–	–	(66)	–	–	–	–	–	–	–	–	–
– Bulk earthworks (non-depreciable)	45,004	–	45,004	–	706	–	–	–	–	–	–	–	–	45,710	–	45,710
– Stormwater drainage	42,972	(13,301)	29,671	126	720	(19)	(433)	–	59	–	926	–	–	46,351	(15,317)	31,034
– Water supply network	127,235	(39,753)	87,482	160	370	(102)	(1,597)	–	–	–	–	1,374	–	129,581	(41,894)	87,687
– Sewerage network	112,487	(37,127)	75,360	212	1,455	(96)	(1,719)	–	354	–	–	1,191	–	116,104	(39,347)	76,757
– Swimming pools	2,257	(1,213)	1,044	16	–	–	(37)	–	–	–	–	–	–	2,273	(1,250)	1,023
– Other open space/recreational assets	5,526	(2,142)	3,384	72	49	–	(155)	–	72	–	–	–	–	5,711	(2,289)	3,422
– Other infrastructure	19,431	(2,781)	16,650	36	1,100	(24)	(304)	–	181	–	–	–	–	20,715	(3,077)	17,638
Other assets:																
– Heritage collections	120	(38)	82	–	–	–	(1)	–	–	–	–	–	–	120	(39)	81
– Library books	542	(274)	268	–	88	–	(93)	–	–	–	–	–	–	545	(282)	263
– Other	7	(2)	5	–	–	–	–	–	–	–	–	–	–	7	(2)	5
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	259	(160)	99	–	–	–	(17)	–	–	(20)	–	–	23	238	(153)	85
Total Infrastructure, property, plant and equipment	641,990	(192,469)	449,521	9,547	7,143	(2,204)	(9,570)	(286)	–	(234)	1,200	107	2,588	658,907	(201,094)	457,813

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(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 Planning, Industry and Environment.

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

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

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

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

Plant and equipment	Years	Other Structures	Years
Office equipment	3 to 15	Fences	15 to 30
Office furniture	5 to 20	Lighting	10 to 30
Computer Equipment	4	Solar Waste Bins	10
Vehicles	3 to 5	Railing	26 to 30
Heavy plant/road making equipment	5 to 20		
Other plant and equipment	3 to 30	Stormwater assets	
		Drains/Pits	70 to 106
Water and sewer assets		Culverts	80
Sewer - Rising Mains	67 to 79	Pipes	85 to 106
Sewer -Gravity Mains	60 to 88		
Sewer Manholes	64 to 100	Buildings	
Sewer Pumps & Telemetry, switchboards, valve pits	10 to 100	Buildings: Specialised	17 to 142
Sewer Treatment Plant	14 to 133	Buildings: Non Specialised	17 to 142
Water Reticulation Mains	50 to 100		
Water Trunk Mains	68 to 100	Other infrastructure assets	
Water Reservoirs - Dams	20 to 129	Swimming pools	60 to 80
Water Treatment Plant	15 to 100	Other open space/recreational assets	10 to 85
Water Bores	20 to 70	Other infrastructure	15 to 100
Water Pump Station	20 to 70		
Transportation assets			
Sealed roads: surface	20 to 66		
Sealed roads: structure	20 to 120		
Sealed Roads - Subpavement	60 to 180		
Unsealed roads	20 to 25		
Bridge: concrete	50 to 100		
Bridge: other	50 to 80		
Kerb, gutter and footpaths	10 to 120		
Bulk earthworks	Infinite		
Other Road Assets	20 to 100		

Notes to the Financial Statements

for the year ended 30 June 2020

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.

Where the Crown reserves are under a lease arrangement they are accounted for under ASSB 16 Leases, refer to Note 13.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	15	–	15	169	–	169
Plant and equipment	664	200	464	611	146	465
Office equipment	10	10	–	10	10	–
Furniture and fittings	2	2	–	2	2	–
Land						
– Operational land	2,195	–	2,195	2,202	–	2,202
– Community land	27	–	27	27	–	27
Buildings	800	159	641	800	150	650
Other structures	244	62	182	244	54	190
Infrastructure	131,744	43,752	87,992	129,582	41,894	87,688
Other assets	564	110	454	2,927	224	2,703
Total water supply	136,265	44,295	91,970	136,574	42,480	94,094
Sewerage services						
WIP	61	–	61	199	–	199
Plant and equipment	636	242	394	563	198	365
Office equipment	4	4	–	4	4	–
Furniture and fittings	7	7	–	7	7	–
Land						
– Operational land	1,553	–	1,553	1,546	–	1,546
– Community land	670	–	670	669	–	669
Buildings	1,466	206	1,260	1,466	186	1,280
Other structures	546	233	313	546	215	331
Infrastructure	117,875	41,476	76,399	116,103	39,347	76,756
Other assets	1,485	329	1,156	1,823	399	1,424
Total sewerage services	124,303	42,497	81,806	122,926	40,356	82,570
Domestic waste management						
Plant and equipment	1,313	495	818	1,131	254	877
Land						
– Operational land	525	–	525	525	–	525
Buildings	531	54	477	531	48	483
Other structures	6,062	5,026	1,036	5,963	4,797	1,166
Total DWM	8,431	5,575	2,856	8,150	5,099	3,051
TOTAL RESTRICTED IPP&E	268,999	92,367	176,632	267,650	87,935	179,715

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Opening values at 1 July		
Gross book value	559	–
Accumulated amortisation	(353)	–
Net book value – opening balance	206	–
Movements for the year		
– Purchases	57	52
– Other capitalised costs (specify details) ¹	–	214
– Amortisation charges	(81)	(60)
Closing values at 30 June		
Gross book value	616	559
Accumulated amortisation	(434)	(353)
Total software – net book value	182	206
(b) Other		
Land Easement - Water Storage Dam		
Opening values at 1 July		
Gross book value	279	279
Net book value – opening balance	279	279
Closing values at 30 June		
Gross book value	279	279
Total Land Easement - Water Storage Dam – net book value	279	279
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	461	485

(1) Software transferred from Note 10

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

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

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Land Easement - Water Storage Dam

These are recognised at cost. The assets are periodically reviewed and are considered to have an indefinite life.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Construction of General Fund Infrastructure (excluding Natural Disaster Funding)		1,444	–
Construction of Sewer Fund Infrastructure		73	19
General Fund - Natural Disaster Funding		458	–
<u>Total Contract assets</u>		<u>1,975</u>	<u>19</u>

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,836	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	261	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	267	–
Unexpended capital grants (to purchase Council controlled assets)		83	–
Other-User fees and charges	(iii)	68	–
<u>Total contract liabilities</u>		<u>2,515</u>	<u>–</u>

Notes

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

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

(iii) Upfront user charges and fees received are recorded as a contract liability on receipt and recognised as revenue over the expected life of the contract.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Water	186	–
Sewer	292	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	1,702	–
Contract liabilities relating to externally restricted assets	2,180	–
Internally restricted assets		
Capital Contributions	267	–
User Fees and Charges	68	–
Contract liabilities relating to internally restricted assets	335	–
Total contract liabilities relating to restricted assets	2,515	–

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

(ii) Revenue recognised (during the financial year) from opening contract liability balances**Grants and contributions received in advance:**

Capital grants (to construct Council controlled assets)	763
Operating grants (received prior to performance obligation being satisfied)	29
Capital contributions (to construct Council controlled assets)	–

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period

792

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

(i) Council as a lessee

No leases where Council is the lessee are recognised in Nambucca Valley Council's Annual Financial Statements for the year ended 30 June 2020 and no adjustments need to be made to Opening Retained Earnings at 1 July 2019 as a result of applying AASB 16 due to the following reasons:

- All identified leases were either less than 12 months in nature or below the \$10,000 low value threshold,
- Council's service agreements do not contain embedded leases, and
- There are no sub-lease arrangements where Council is the sub-lessor but has not previously accounted for the lease arrangement.

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

Refer to Note 5c and Note 14.

(ii) Council as a lessor

Operating leases

Council leases out a number of properties to businesses and community groups these leases have been classified as operating leases for financial reporting purposes and the assets are included as Infrastructure, property, plant and equipment in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Room/Facility Hire	6
Telecommunication sites	103
Crown Leases	108
Other	18
Total income relating to operating leases	235
(ii) Operating lease expenses	
Other leased assets	
Other	13
Total expenses relating to operating leases	13

(iii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	13
1–2 years	67
2–3 years	26
3–4 years	10
4–5 years	17
> 5 years	102
Total undiscounted contractual lease income receivable	235

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	612	–	457	–
Prepaid User Charges	60	–	–	–
Goods and services	1,381	–	1,633	–
Accrued expenses:				
– Borrowings	290	–	298	–
– Salaries and wages	186	–	178	–
– Other expenditure accruals	28	–	20	–
Security bonds, deposits and retentions	564	329	236	398
Other	11	–	12	–
Total payables	3,132	329	2,834	398
Borrowings				
Loans – secured ¹	1,945	37,731	3,085	39,129
Total borrowings	1,945	37,731	3,085	39,129
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,077</u>	<u>38,060</u>	<u>5,919</u>	<u>39,527</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 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	617	21,641	537	22,096
Sewer	123	2,432	1,386	2,448
Payables and borrowings relating to externally restricted assets	740	24,073	1,923	24,544
Total payables and borrowings relating to restricted assets	740	24,073	1,923	24,544
Total payables and borrowings relating to unrestricted assets	4,337	13,987	3,996	14,983
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,077</u>	<u>38,060</u>	<u>5,919</u>	<u>39,527</u>

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	42,214	(3,085)	500	–	–	47	39,676
TOTAL	42,214	(3,085)	500	–	–	47	39,676

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	44,562	(2,471)	–	–	123	42,214
TOTAL	44,562	(2,471)	–	–	123	42,214

\$ '000	2020	2019
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(d) Financing arrangements

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

Credit cards/purchase cards	98	90
Total financing arrangements	98	90

Undrawn facilities as at balance date:

– Credit cards/purchase cards	98	90
Total undrawn financing arrangements	98	90

Additional financing arrangements information

Breaches and defaults

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	862	–	754	–
Sick leave	471	–	637	–
Long service leave	2,104	83	2,090	62
Other leave	140	–	138	–
Sub-total – aggregate employee benefits	3,577	83	3,619	62
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,094	–	342
Sub-total – asset remediation/restoration	–	1,094	–	342
TOTAL PROVISIONS	3,577	1,177	3,619	404

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,164	2,199
	2,164	2,199

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

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	342	342
Remeasurement effects	(20)	(20)
Unwinding of discount	2	2
Additional Provisions	770	770
Total other provisions at end of year	1,094	1,094
2019		
At beginning of year	357	357
Remeasurement effects	(20)	(20)
Unwinding of discount	5	5
Total other provisions at end of year	342	342

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and remediation of disturbed areas, and EPA post closure monitoring for Council's landfill asset (recognised for the first time in 2019/20 \$770,000 (\$499,000 recognised as an expense in the Income Statement for landfill cells already closed and \$271,000 recognised as an asset in the Statement of Financial Position for landfill cells currently active)). Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in the volume of waste to landfill. 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 operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Council made no correction of errors during the current reporting period.

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

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

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

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

(i) AASB 15 and AASB 1058

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

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

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

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

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

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

Prepaid rates

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

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is

Notes to the Financial Statements

for the year ended 30 June 2020

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

enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

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

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058 which is that additional line items of contract assets and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	192
– Under AASB 1058	1,050
Total Contract liabilities	1,242

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	7,961	–	–	7,961	
Investments	10,088	–	–	10,088	
Receivables	3,487	1,975	–	5,462	(i)
Inventories	2,015	–	–	2,015	
Contract assets	1,975	(1,975)	–	–	(i)
Other	76	–	–	76	
Total current assets	25,602	–	–	25,602	
Current liabilities					
Payables	3,132	–	–	3,132	
Contract liabilities	2,515	–	(2,515)	–	(ii)
Borrowings	1,945	–	–	1,945	
Provisions	3,577	–	–	3,577	
Total current liabilities	11,169	–	(2,515)	8,654	
Non-current assets					
Investments	24,322	–	–	24,322	
Receivables	42	19	–	61	(i)
Inventories	1,482	–	–	1,482	
Infrastructure, property, plant and equipment	476,496	–	–	476,496	
Intangible assets	461	–	–	461	
Contract assets	19	(19)	–	–	(i)
Total non-current assets	502,822	–	–	502,822	
Non-current liabilities					
Payables	329	–	–	329	
Borrowings	37,731	–	–	37,731	
Provisions	1,177	–	–	1,177	
Total Non-current liabilities	39,237	–	–	39,237	
Net assets	478,018	–	2,515	480,533	
Equity					
Accumulated surplus	337,107	–	2,515	339,622	
Revaluation reserves	140,911	–	–	140,911	
Total equity	478,018	–	2,515	480,533	

Notes to the Financial Statements

for the year ended 30 June 2020

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

(i) The reclassification represents a movement of Government Grant debtors for grants recognised as Contract Assets under AASB 15 and AASB 1058 to Receivables.

(ii) The remeasurement adjustment represents the elimination of contract liability which arises under AASB 15 and AASB 1058 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	20,875	–	–	20,875	
User charges and fees	6,763	–	68	6,831	(i)
Other revenues	798	–	–	798	
Grants and contributions provided for operating purposes	8,062	–	261	8,323	(i)
Grants and contributions provided for capital purposes	12,053	–	2,186	14,239	(i)
Interest and investment income	926	–	–	926	
Reversal of revaluation decrements / impairment of IPP&E previously expensed	3,112	–	–	3,112	
Rental income	235	–	–	235	
Total Income from continuing operations	52,824	–	2,515	55,339	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	10,521	–	–	10,521	
Borrowing costs	2,496	–	–	2,496	
Materials and contracts	9,881	–	–	9,881	
Depreciation and amortisation	10,027	–	–	10,027	
Other expenses	3,907	–	–	3,907	
Net losses from the disposal of assets	1,345	–	–	1,345	
Total Expenses from continuing operations	38,177	–	–	38,177	
Total Operating result from continuing operations	14,647	–	2,515	17,162	
Net operating result for the year	14,647	–	2,515	17,162	
Total comprehensive income	22,802	–	2,515	25,317	

(i) The remeasurement adjustment is the difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	505,927	–	505,927
Contract liabilities	–	1,242	1,242
Total liabilities	49,469	1,242	50,711
Accumulated surplus	323,377	(1,242)	322,135
Total equity	456,458	(1,242)	455,216

(iii) AASB 16 Leases

Council as a lessee

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

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

No leases where Council is the lessee are recognised in Nambucca Valley Council's Annual Financial Statements for the year ended 30 June 2020 and no adjustments need to be made to Opening Retained Earnings at 1 July 2019 as a result of applying AASB 16 due to the following reasons:

- All identified leases were either less than 12 months in nature or below the \$10,000 low value threshold,
- Council's service agreements do not contain embedded leases, and
- There are no sub-lease arrangements where Council is the sub-lessor but has not previously accounted for the lease arrangement.

Council as a lessor

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,961	6,742
Balance as per the Statement of Cash Flows		7,961	6,742
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		14,647	7,333
Adjust for non-cash items:			
Depreciation and amortisation		10,027	9,529
Net losses/(gains) on disposal of assets		1,345	1,675
Non-cash capital grants and contributions		(6,349)	(2,973)
Adoption of AASB 15/1058		(1,242)	–
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		(3,112)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		72	(419)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	286
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		54	123
Unwinding of discount rates on reinstatement provisions		2	5
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,304	(348)
Increase/(decrease) in provision for impairment of receivables		1	(7)
Decrease/(increase) in inventories		(21)	11
Decrease/(increase) in other current assets		19	22
Decrease/(increase) in contract assets		(1,994)	–
Increase/(decrease) in payables		(252)	(499)
Increase/(decrease) in accrued interest payable		(8)	(14)
Increase/(decrease) in other accrued expenses payable		16	(7)
Increase/(decrease) in other liabilities		473	113
Increase/(decrease) in contract liabilities		2,515	–
Increase/(decrease) in provision for employee benefits		(21)	312
Increase/(decrease) in other provisions		752	(20)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		18,228	15,122
(c) Non-cash investing and financing activities			
Bushfire grants		124	682
Other dedications		4,560	2
Subdivisions		1,539	1,089
Other non-cash items – Found Assets		126	1,200
Total non-cash investing and financing activities		6,349	2,973

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Structures	460	66
Roads	230	2,120
Bridges	–	300
Water Infrastructure	–	470
Sewer Infrastructure	–	350
Cycleway	940	–
Total commitments	1,630	3,306
These expenditures are payable as follows:		
Within the next year	1,130	1,806
Later than one year and not later than 5 years	500	1,500
Total payable	1,630	3,306
Sources for funding of capital commitments:		
Future grants and contributions	1,630	2,159
Section 7.12 and 64 funds/reserves	–	327
Externally restricted reserves	–	820
Total sources of funding	1,630	3,306
Details of capital commitments		
<ul style="list-style-type: none"> • V-Wall Car Park Area - Stage 2 - \$460,000 • Watt Creek Cycleway - Stage 1 & 3 - \$440,000 • Watt Creek Cycleway - Stage 2A- \$500,000 • Road Rehabilitation - \$230,000 		

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

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

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 244,930.93. The last formal valuation of the Scheme was undertaken by the Fund Actuary, Mr. Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$135,100. Council's expected contribution to the plan for the next annual reporting period is \$190,921.96.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$135,100 as at 30 June 2020.

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

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

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

* Plus promotional increases.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(iv) Other guarantees

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

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) Mixed Waste Landfill costs

The Council has a tripartite agreement with Coffs Harbour City Council (CHCC) and Bellingen Shire Council for its mixed (red bin) waste to be taken to CHCC's waste management facility for processing. Under an agreement between CHCC and the contractor Biomass Solutions, the mixed waste organic output (MWOO) fraction of this waste is further processed into an organic soil conditioner. Through the tripartite agreement, the Council is required to pay its share of the costs of using the contractor.

However in October 2018, the NSW Environment Protection Authority (EPA) revoked exemptions which allowed the MWOO fraction to be applied to land as an organic soil conditioner and instead by default, required it to be disposed of in approved landfills.

As a result, and since November 2018, all mixed waste has been trucked to Tamworth to be landfilled, triggering a change in law claim by the contractor to CHCC. The cost of the transport and landfilling at Tamworth was met by the EPA under transitional arrangements until about April 2020 with the cost then being shared between CHCC and its contractor Biomass Solutions (Coffs Harbour) Pty Ltd pending the outcome of an arbitration hearing of the change in law claim.

The arbitration of the change in law claim is now finalised but remains confidential between CHCC and Biomass Solutions (Coffs Harbour) Pty Ltd. However at a meeting involving the three councils on 17 September 2020 representatives of CHCC asserted that Nambucca Valley and Bellingen Shire Councils would be jointly liable for additional costs of up to \$6m over the remaining 6 year life of the contract.

Both Nambucca Valley and Bellingen Shire councils refute any liability for this additional cost and have jointly engaged King & Wood Mallesons to represent the two councils in disputing the claim.

(iii) Significant NSW Government Grants requiring Council Co-Contribution

The Financial Year for 2019/2020 saw considerable grant funding aimed at Councils for stimulus post the Black Summer bushfires and COVID-19 restrictions. As a result there was a considerable amount of grant funding allocated to Council, with no expectation of co-contributions.

Some grant funding programs, still effective in 2019/2020 and carried over into 2020/2021, will require Council co-contributions, including:

- Grants for employment land in the Valla Growth Area being \$5 million from the Growing Local Economies Fund and \$3 million from the Department of Planning, Industry & Environment requiring, with a \$3.9 million co-contribution required by the Council (however Council has received Federal funding for this project up to an amount of \$3.2 million);
- A \$3 million grant for a sporting hub in Bowraville granted to an Incorporated body, requiring a \$700,000 co-contribution by the Council;
- Public Library Infrastructure Grants 2019/20 grant for \$325,000 for 'A contemporary fit-out for the future - Nambucca Heads Library' which requires a Council co-contribution of \$500,000;
- Fixing Local Roads Program Round 1 grants for \$1,098,000 which requires a Council co-contribution of \$366,000.

(iv) Draft Potable Water Treatment Standards Promulgated by NSW Health

The NSW Department of Health has proposed drinking water treatment standards which are health based. The Council is proceeding with UV disinfection treatment and an upgrade of its chlorination dosing systems but these actions may be insufficient to meet these draft standards if they are decreed. There was also some turbidity issues in using the Bowraville

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

Dam off river water storage when it was used for the first time in late 2019/early 2020. This may produce a requirement for an additional treatment process independent of the draft Potable Water Treatment Standards.

(v) Stormwater Drain, Yarrowonga Street Catchment, Macksville

A stormwater drain was constructed by or on behalf of developers Buldev to service an extension of the Macksville industrial estate. The drain was ineffective and also caused instability in the adjoining railway embankment. The Council refused to accept the drain as a drainage easement and subsequently the developer Buldev went into liquidation. Council engaged the engineering consultancy SMEC Australia to provide a plan and estimated cost for the provision of an operable drain. On 28 May 2020 the Council resolved to lobby the NSW and Federal Governments for \$5.76 million to construct the drain as per the SMEC Australia design. There was a request put to the Deputy Prime Minister and Member for Cowper on 15 July 2020 for this funding. The funding commitment from Council is yet to be agreed.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Hand over of former Pacific Highway

Based on asset data provided by the then Roads and Maritime Services (RMS) the asset transfer value for Nambucca Valley Council comprised 24 bridges valued at \$52 million and 32 kilometres of road valued at \$182 million. These assets generate a depreciation expense of approximately \$3 million per annum.

The Council engaged engineering consultants and utilised its own staff over a period of approximately 3 years to assess the condition of the assets proposed to be handed over and reach agreement with the then RMS on a compensation arrangement for the on-going maintenance of the road and bridges.

Agreement was reached that the RMS would retain responsibility for the major bridges; that the road would be a designated regional road providing on-going maintenance funding; and thirdly that the RMS would provide a compensation package equivalent to the scheduled maintenance for the road for the following 10 years. The Council was close to finalising agreement with the RMS when the NSW Government announced it would retain responsibility for the whole road corridor as a State asset.

Then in early 2020 Transport for NSW (TfNSW), the agency which replaced the RMS, advised of their intention to transfer responsibility for the road to Council.

At about the same time the NSW Government announced its intention to undertake a Regional Road Transfer and Road Classification Review and that the future of the former Pacific Highway would be considered as part of this review. The Council has made a submission to the Review seeking priority for the endorsement of the previously negotiated outcome.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,961	6,742	7,961	6,742
Receivables	3,529	4,834	3,529	4,834
Investments				
– 'Financial assets at amortised cost'	26,508	21,349	26,508	21,349
Fair value through profit and loss				
Investments				
– 'Held for trading'	7,902	11,217	7,902	11,217
Total financial assets	45,900	44,142	45,900	44,142
Financial liabilities				
Payables	3,461	2,775	3,461	2,775
Loans/advances	39,676	42,214	52,213	52,309
Total financial liabilities	43,137	44,989	55,674	55,084

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified '**at fair value through profit and loss**' 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

- **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
2020				
Possible impact of a 10% movement in market values	790	790	(790)	(790)
Possible impact of a 1% movement in interest rates	404	404	(404)	(404)
2019				
Possible impact of a 10% movement in market values	1,129	1,129	(1,129)	(1,129)
Possible impact of a 1% movement in interest rates	344	344	(344)	(344)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

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

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	828	97	124	32	1,081
2019						
Gross carrying amount	–	862	141	165	27	1,195

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	998	1,430	10	17	28	2,483
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
Gross carrying amount	2,525	1,053	4	27	64	3,673
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	893	1,885	–	–	2,778	2,849
Borrowings	6.02%	–	4,281	16,175	39,828	60,284	39,676
Total financial liabilities		893	6,166	16,175	39,828	63,062	42,525
2019							
Trade/other payables	0.00%	634	2,141	–	–	2,775	2,775
Borrowings	5.87%	–	5,462	16,530	43,157	65,149	42,214
Total financial liabilities		634	7,603	16,530	43,157	67,924	44,989

Loan agreement breaches

There are no breaches to loan agreements during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 27/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
REVENUES					
Rates and annual charges	20,629	20,875	246	1%	F
User charges and fees	6,825	6,763	(62)	(1)%	U
Other revenues	878	798	(80)	(9)%	U
Operating grants and contributions	6,463	8,062	1,599	25%	F
With regard to Operating Grants & Contributions, the Financial Assistance Grants budget was under estimated by \$151,000 to the original budget and the \$1,417,000 payment for the Black Summer Bushfire Season by the National Bushfire Recovery Agency was not included in the original budget.					
Capital grants and contributions	11,625	12,053	428	4%	F
Interest and investment revenue	930	926	(4)	0%	U
Net gains from disposal of assets	69	–	(69)	100%	U
Nambucca Heads Industrial land budgeted profit on sale of \$50,000, however the land was not sold in 2019/20. Remainder of original budget relates to profit on sale of plant and equipment for which there was an actual loss in 2019/20.					
Reversal of revaluation decrements / impairment of IPP&E previously expensed	–	3,112	3,112	∞	F
Council does not budget for Reversals or revaluation decrements previously expensed.					
Rental income	–	235	235	∞	F
Rental income in 2018/19 was included in User Charges & Fees and Other Revenue sections of the Income Statement.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	10,281	10,521	(240)	(2)% U
Borrowing costs	2,541	2,496	45	2% F
Materials and contracts	9,701	9,881	(180)	(2)% U
Depreciation and amortisation	9,604	10,027	(423)	(4)% U
Other expenses	3,563	3,907	(344)	(10)% U
\$417,000 in donations paid by Council to bushfire impacted residents funded by the Black Summer Bushfire Season grant from the National Bushfire Recovery Agency which was not included in the original budget is the main explanation for this unfavourable variance.				
Net losses from disposal of assets	-	1,345	(1,345)	∞ U
Losses on disposal of infrastructure assets are unbudgeted.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	21,741	18,228	(3,513)	(16)% U
Reasons for the unfavourable variance include:				
<ul style="list-style-type: none"> Employee benefits and on-costs \$730,000 greater than original budget attributable to the change in mix between capital and operational works. Capital Grants and Capital Contributions income less than anticipated in original budget due to Valla Urban Growth Area capital grant being less than anticipated offset by capital grants and contributions not included in the original budget i.e. carry forwards and natural disaster funding. 				
Cash flows from investing activities	(19,639)	(14,417)	5,222	(27)% F
Favourable variance due to:				
<ul style="list-style-type: none"> Purchase of Real Estate Assets less than anticipated i.e. development of Valla Urban Growth Area only just commenced towards the end of 2019/20. Purchase of Infrastructure Property Plant & Equipment greater than anticipated due to 2018/19 carry forwards and additional capital grant and capital contribution funded works not included in the original budget being constructed. 				
Cash flows from financing activities	(2,600)	(2,592)	8	0% F

Nambucca Valley Council

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

Note 22. Fair value measurement

Nambucca Valley Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Financial assets

Fair value hierarchy

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	Unobservable inputs for the asset or liability

(1) The table below shows the assigned level for each asset and liability held at fair value by the Council.

2020 Recurring fair value measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$',000)
			Level 1 Quoted Prices in active Markets (\$'000)	Level 2 Significant observable inputs (\$',000)	Level 3 Significant unobservable inputs (\$',000)	
Financial assets						
Investment		7(b)				
Designated at Fair Value on initial recognition or held for trading (AASB9)			7,902	-	-	7,902
Total Financial Assets			7,902	-	-	7,902
Infrastructure, property, plant & equipment		10(a)				
Plant & Equip., Office Equip & Furniture & Fittings	-		-	-	6,491	6,491
Operational Land	30/6/18		-	7,373	-	7,373
Community Land	30/6/16		-	-	9,274	9,274
Crown Land	30/6/16		-	-	9,089	9,089
Land Under Roads *	31/3/19		-	-	93	93
Land Improvements – Depreciable	30/6/16		-	-	214	214
Land Improvements – Non Depreciable	-		-	-	669	669
Buildings	30/6/18		-	-	29,148	29,148
Other Structures	30/6/16		-	-	4,894	4,894
Roads, Bridges Footpaths	31/3/20		-	-	136,346	136,346
Bulk Earthworks	31/3/20		-	-	43,629	43,629
Stormwater Drainage	31/3/20		-	-	38,392	38,392
Other Road Assets	31/3/20		-	-	1,234	1,234
Water Supply Network	30/6/17		-	-	87,992	87,992
Sewerage Network	30/6/17		-	-	76,399	76,399
Swimming Pools	30/6/16		-	-	1,001	1,001

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

2020 Recurring Fair Value Measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$'000)
			Level 1 Quoted Prices in Active Markets (\$'000)	Level 2 Significant Observable Inputs (\$'000)	Level 3 Significant Unobservable Inputs (\$'000)	
Other Open Space/Recreational Assets	30/6/16		-	-	3,528	3,528
Other Infrastructure	30/6/16		-	-	17,508	17,508
Heritage Collections	-		-	-	79	79
Other	-		-	-	269	269
Tip Remediation	30/6/20		-	-	333	333
Total Infrastructure, Property, Plant & Equipment				7,373	466,582	473,955

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

2019						
Financial assets						
Investment		6(b)				
Designated at Fair Value on initial recognition or held for trading (AASB139)			11,217	-	-	11,217
Total Financial Assets			11,217	-	-	11,217
Infrastructure, property, plant & equipment						
Plant & Equip., Office Equip & Furniture & Fittings	-	9(a)	-	-	6,103	6,103
Operational Land	30/6/18		-	7,811	-	7,811
Community Land	30/6/16		-	-	9,051	9,051
Crown Land	30/6/16		-	-	8,977	8,977
Land Under Roads *	31/3/19		-	-	42	42
Land Improvements – Depreciable	30/6/16		-	-	217	217
Buildings	30/6/18		-	-	28,639	28,639
Other Structures	30/6/16		-	-	6,129	6,129
Roads, Bridges Footpaths	30/6/15		-	-	125,912	125,912
Bulk Earthworks	30/6/15		-	-	45,710	45,710
Stormwater Drainage	30/6/15		-	-	31,034	31,034
Water Supply Network	30/6/17		-	-	87,687	87,687
Sewerage Network	30/6/17		-	-	76,757	76,757
Swimming Pools	30/6/16		-	-	1,023	1,023
Other Open Space/Recreational Assets	30/6/16		-	-	3,422	3,422
Other Infrastructure	30/6/16		-	-	17,638	17,638
Heritage Collections	-		-	-	81	81

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

2020 Recurring Fair Value Measurement	Date of Last Valuation	Note #	Fair value measurement hierarchy			
			Level 1 Quoted Prices in Active Markets (\$'000)	Level 2 Significant observable Inputs (\$'000)	Level 3 Significant Unobservable Inputs (\$'000)	Total (\$'000)
Other	-		-	-	268	268
Tip Remediation	30/6/19		-	-	85	85
Total Infrastructure, Property, Plant & Equipment			-	7,811	448,775	456,586

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

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

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

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

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, property, plant and equipment**Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

Plant and Equipment	Graders, trucks, rollers, tractors and motor vehicles.
Office Equipment	Computers, photocopiers.
Furniture & Fittings	Chairs, desks and display boards.

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

Operational Land

Council's Operational Land was valued at Market Value (highest and best use) by APV Valuers in 2018 after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, access, exposure to traffic and business. Condition of asset, future cash flow from the use of the land is also considered when determining the fair value. As such these assets were all classified as having been valued using Level 2 valuation inputs.

Community Land and Crown Land

Community Land and Crown Land are based on either the Land Value provided by the Valuer General's unimproved capital value or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. There has been no change to the valuation process during the reporting period. Community Land was valued in 2015/2016.

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

Buildings – Non Specialised and Specialised

Buildings were valued by APV Valuers in 2017/2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts with different useful lives and taking into account a range of factors such as asset condition, pattern of consumption and estimated remaining useful lives. While all buildings were physically inspected, inputs such as pattern of consumption, long life, short life components, useful lives and asset condition required extensive professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads (including Bulk Earth Works), Bridges, Drainage, Footpaths and Other Road Assets

Valuations for these asset classes were undertaken in-house by Council's Engineering Department as at 31 March 2020.

The assets included in this valuation include road carriageway (which has been separated to its component parts being pavement, sub pavement and where appropriate seal), car parks, footpaths, guardrails, kerb and gutter, bridges, bus shelters and other road assets.

Limited based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The estimated replacement cost was determined using unit rates applied to square metre areas or similar appropriate units. Whilst this cost approach utilised industry standard unit rates it also relied upon inputs such as asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Bulk earthworks, in accordance with the accounting standards, are considered to have an indefinite useful life and are not depreciated.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Stormwater

The Stormwater Drainage asset class consists of Council's pits, pipes, and culverts. This valuation was undertaken in-house by Council's Engineering Department as at 31 March 2020.

Limited market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The estimated replacement/renewal cost was determined using unit rates applied to lineal metre of pipe or similar appropriate units. Whilst this cost approach utilised industry standard unit rates it also relied upon inputs such as asset age, environmental factors (freshwater/tidal/urban/rural), dimensions, materials and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Land under Roads (post 30/6/08)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1st July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. The class was revalued in 2018/2019 using the Englobo methodology. The Englobo methodology is one of 3 methods available to use in accordance with the fair valuation policy as per the Office of Local Government guidance for Infrastructure, property, plant and equipment valuations. This asset class is classified as Level 3 as significant inputs used in the Englobo valuation methodology are unobservable.

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

Water Supply Network

Assets in this class comprise reservoirs, pumping stations, water treatment works, water bores, rising mains and the reticulation network.

These were valued internally in 2016/2017 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, condition, maintenance and break history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Planning, Industry and Environment except the years the class is the subject of a full revaluation.

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

Sewerage Network

Assets within this class comprise treatment works, pumping stations and sewerage mains.

These were valued internally in 2016/2017 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, and maintenance and blockage history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Planning, Industry and Environment except the years when the class is the subject of a full revaluation.

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

Open Space/Recreational Assets/Other Structures/Other Infrastructure

Assets within this class comprise soft fall surfaces, lighting, playground and sporting equipment guardrail, retaining walls plus auxiliary structures. All assets in this class were valued in-house by experienced engineering staff in 2015/2016.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. As a result this class has been categorised as level 3 unobserved inputs.

Assets in these classes are subject to regular inspection and maintenance and as such the age of asset typically reflects the condition of the asset and written down replacement cost based on age is not material different to fair value.

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

Swimming Pool

Assets in this class comprise the Council's Aquatic Centre located at Macksville. The swimming pool was valued in house by experienced staff using the depreciated replacement cost approach in 2015/2016. The approach estimated the replacement cost for each component. Other unobserved inputs (level 3 inputs) that were considered include pattern of consumption, asset condition and expected useful life. These inputs relied substantially on professional opinion.

These assets require regular extensive maintenance and the swimming pools are resurfaced periodically. These are highly visible assets and it is considered important to keep them in good repair. They have particular risks that can be partially mitigated through good maintenance. The maintenance program increases the probability of the

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

asset achieving its designed life, but does not extend it. For this reason written down replacement cost based on age is not materially different to fair value.

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

Heritage Collections

Assets in this class are valued at cost but are disclosed at fair value in the notes. Council holds these assets for their cultural value within the community. These assets do not have a market among collectors and market evidence (Level 2 input) is available, however this information is often limited to similar items and often relates to assets that are not directly comparable. This asset class has therefore been categorised as level 3 unobserved inputs.

Library Books

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

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

Tip Assets – (Landfill Remediation)

This asset class represents the value of works to remediate the Nambucca Landfill under the terms of the facility's licence. The future service potential of the asset is to enable Nambucca Valley Council to comply with the life-cycle responsibilities of the land fill operation. There is no market for the asset and it is therefore classed as having a level 3 fair value with unobserved inputs, principally cost, legislative requirements, estimated timing of expense, CPI and discount rates. Council engaged consultants to review the costs associated with undertaking rehabilitation works for the future landfill cells at the Nambucca Waste Management Facility in 2018/2019. The remediation includes post closure monitoring. This class was revalued at 30/6/20. The best and highest use for the asset is unique to Nambucca Valley Council as the Licence holder.

(4) A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below

	Note	2020 \$'000	2019 \$'000
Balance at 1 July opening balance		448,775	438,815
Total gains or losses for the year			
Recognised in profit or loss – realised	5	3,120	110
Recognised in profit or loss - unrealised	3	126	915
Recognised in other comprehensive income-Revaluation Surplus		8,155	2,588
Other movements			
Purchases	10a	17,406	15,718
Purchases – Work in Progress Transfer	10a	1,055	2,201
Disposals	10a	(1,955)	(2,139)
Depreciation	10a	(10,080)	(9,570)
Impairment	10a	0	0
Transfers to Level 2		0	0
Transfers to Intangible assets		0	(214)
Transfers from Level 2 FV hierarchy		0	270
Transfers to Land Held for Sale		0	102
Tip Remediation Adjustment	10a	(20)	(21)
Balance as at 30 June closing balance		466,582	448,775

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

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

CLASS	FAIR VALUE 30/6/20 (\$'000)	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
P&E, Office Equipment & F&F	6,491	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life, and residual value
Community Land & Crown Land	18,363	Land Values obtained from NSW Valuer General	Land value, land area
Land Under Roads	93	Englobo Method	Unit rate for Land Value, discount rate of 90% applied.
Land Improvements	883	Cost approach	Current replacement cost of modern equivalent asset. Asset condition, Remaining lives
Buildings – Specialised & Non Specialised	29,148	Cost Approach	<p>Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value</p> <p>Rates per m² varied from:</p> <p>Community Centres - \$1,459.86 to \$3,555.35</p> <p>Council Chambers - \$1,876.84</p> <p>Emergency Services - \$566.67 to \$4,477.61</p> <p>Engineering & Works - \$540.79 to \$1,986.11</p> <p>Fire Protection - \$648.86 to \$1,938.99</p> <p>Museums - \$470.27 to \$2,605</p> <p>Other Community Services - \$393.48 to \$1,536.84</p> <p>Other Cultural Services - \$513.43 to \$2,477.40</p> <p>Public Conveniences - \$1,293.32 to \$6,545.14</p> <p>Public Halls - \$385.60 to \$3,118.87</p> <p>Public Libraries - \$1,026.04 to \$2,869.07</p> <p>Sewerage Services - \$560 to \$2,366.09</p> <p>Sporting Grounds - \$620.54 to \$2,729.67</p> <p>Swimming Pools - \$1,451.61 to \$3,481.87</p> <p>Tourism - \$1,686.05</p> <p>Waste Management - \$533.45 to \$708.56</p> <p>Water Supplies - \$466.29 to \$4,265.63</p>
Other Structures	4,894	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Roads	98,205	Cost Approach	<p>Asset condition, remaining lives using componentisation</p> <p>Unit rates per m² varied from \$5.25 to \$150.00</p>

Nambucca Valley Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair value measurement (continued)

CLASS	FAIR VALUE 30/6/20 (\$'000)	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
Bridges	29,478	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$1,726.34 to \$2,393.06
Footpaths	8,663	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$5.25 to \$110
Bulk Earthworks	43,629	Cost Approach	Asset condition Unit rates per m ² varied from \$6.84 to \$9.36
Other Road Assets	1,234	Cost Approach	Asset condition, remaining lives Unit rates: Bus Shelters - \$7,000, Guard Rail \$123/m
Stormwater Drainage	38,392	Cost Approach	Asset Condition, remaining lives Unit rates: Pipes - \$73 to \$1800, Pits \$451 to \$5052
Water Supply Network	87,992	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives using componentisation Unit rates varied from: Reticulation - \$44.38 to \$1,747.42/m Mains - \$213.98 to \$9,500.84/m
Sewerage Network	76,399	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives using componentisation Unit rates varied from: Gravity Mains - \$281.03 to \$933.90/m Pressure Mains - \$61.51 to \$650.6/m
Swimming Pools	1,001	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives
Other Open Space/Recreational Assets	3,528	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Other Infrastructure	17,508	Council and contractor construction rates	Asset condition and remaining lives using componentisation
Heritage Collections	79	Cost Approach used to approximate fair value	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Library Books	264	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives residual value
Other	5	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Tip Remediation	333	Cost Approach	Environmental legislation, timing of expected cash outflows, asset condition

Nambucca Valley Council

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

Note 22. Fair value measurement (continued)

Transfers from Level 2 to Level 3

Asset/Liability	\$',000
-	-

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	886	730
Post-employment benefits	100	87
Total	986	817

(b) Other transactions with KMP and their related parties

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Employee expenses relating to close family members of KMP	1	–	–	Nil	–	–
2019						
Employee expenses relating to close family members of KMP	1	–	–	Nil	–	–

1 In 2019/20 other transactions with KMP's and their related parties existed but were determined to be a low dollar value and therefore insignificant in size.

(c) Other related party transactions

Council has no other related party transactions

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

Note 24. Events occurring after the reporting date

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

1. Impact of COVID-19

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Transfers	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Open space	128	–	–	–	–	(128)	–	–
Surf club equipment	10	–	–	–	–	(10)	–	–
Section 7.11	(51)	26	–	11	–	490	476	–
S7.11 contributions – under a plan	87	26	–	11	–	352	476	–
S7.12 levies – under a plan	468	367	–	2	(324)	(352)	161	–
Total S7.11 and S7.12 revenue under plans	555	393	–	13	(324)	–	637	–
S64 contributions	6,484	560	–	149	(1,065)	–	6,128	–
Total contributions	7,039	953	–	162	(1,389)	–	6,765	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Transfers	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN – Public Recreation								
Open space	128	–	–	–	–	(128)	–	–
Total	128	–	–	–	–	(128)	–	–
CONTRIBUTION PLAN – Surf Club Equipment								
Surf club equipment	10	–	–	–	–	(10)	–	–
Total	10	–	–	–	–	(10)	–	–
Section 7.11	(51)	26	–	11	–	490	476	–
Total	(51)	26	–	11	–	490	476	–
S7.12 Levies – under a plan								
Section 7.12	468	367	–	2	(324)	(352)	161	–
Total	468	367	–	2	(324)	(352)	161	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	16,046	989	3,822
User charges and fees	2,262	3,635	854
Interest and investment revenue	249	479	178
Other revenues	146	252	400
Grants and contributions provided for operating purposes	7,906	82	74
Grants and contributions provided for capital purposes	10,880	643	530
Reversal of revaluation decrements on IPPE previously expensed	3,112	–	–
Rental income	235	–	–
Total income from continuing operations	40,836	6,080	5,858
Expenses from continuing operations			
Employee benefits and on-costs	7,338	1,460	1,723
Borrowing costs	895	1,441	160
Materials and contracts	6,763	1,271	1,797
Depreciation and amortisation	6,363	1,745	1,919
Other expenses	3,907	–	–
Net losses from the disposal of assets	1,081	162	102
Total expenses from continuing operations	26,347	6,079	5,701
Operating result from continuing operations	14,489	1	157
Net operating result for the year	14,489	1	157
Net operating result attributable to each council fund	14,489	1	157
Net operating result for the year before grants and contributions provided for capital purposes	3,609	(642)	(373)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,867	2,298	3,796
Investments	5,049	3,356	1,663
Receivables	1,771	1,271	415
Inventories	1,986	29	–
Contract assets	1,902	–	73
Other	76	–	–
Total current assets	12,651	6,954	5,947
Non-current assets			
Investments	8,048	14,690	1,584
Receivables	42	–	232
Inventories	1,482	–	–
Contract assets	–	–	19
Infrastructure, property, plant and equipment	302,720	91,970	81,806
Intangible assets	182	279	–
Total non-current assets	312,474	106,939	83,641
TOTAL ASSETS	325,125	113,893	89,588
LIABILITIES			
Current liabilities			
Payables	2,866	163	53
Contract liabilities	2,037	186	292
Borrowings	1,421	454	70
Provisions	3,577	–	–
Total current liabilities	9,901	803	415
Non-current liabilities			
Payables	561	–	–
Borrowings	13,658	21,641	2,432
Provisions	1,177	–	–
Total non-current liabilities	15,396	21,641	2,432
TOTAL LIABILITIES	25,297	22,444	2,847
Net assets	299,828	91,449	86,741
EQUITY			
Accumulated surplus	214,911	63,619	58,577
Revaluation reserves	84,917	27,830	28,164
Council equity interest	299,828	91,449	86,741
Total equity	299,828	91,449	86,741

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	Bridges
Lender (by purpose)	Sewer
Date of minister's approval	30/06/2006
Date raised	30/06/2006
Term (years)	20
Dates of maturity	30/06/2026
Rate of interest	6.50%
Amount originally raised	615
Total repaid during year (principal and interest)	56
Principal outstanding at end of year	270

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	899	2.38%	4.27%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	37,731			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	29,184	58.62%	67.58%	>60.00%
Total continuing operating revenue ¹	49,784			
3. Unrestricted current ratio				
Current assets less all external restrictions	11,296	1.86x	2.19x	>1.50x
Current liabilities less specific purpose liabilities	6,085			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13,422	2.40x	2.36x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,588			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1,166	5.35%	6.08%	<10.00%
Rates, annual and extra charges collectible	21,808			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	34,469	12.91 mths	10.72 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,671			

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7.10%	5.93%	(11.81)%	0.02%	(7.00)%	0.78%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding all grants and contributions ¹	49.08%	61.31%	88.08%	87.28%	89.69%	77.70%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.86x	2.19x	7.99x	16.94x	13.45x	3.88x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.17x	3.69x	1.29x	1.57x	1.17x	1.27x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.67%	6.43%	4.21%	4.87%	4.21%	4.86%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	15.12 mths	12.05 mths	6.04 mths	5.86 mths	9.18 mths	9.00 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 27a above.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

44 Princess Street
MACKSVILLE NSW 2447

Contact details

PO Box 177
MACKSVILLE NSW 2447

Telephone: 02 6568 2555

Facsimile: 02 6568 2201

Monday to Friday - 8.30 am to 4.00 pm

Internet: www.nambucca.nsw.gov.au

Email: council@nambucca.nsw.gov.au

Officers

General Manager

Michael Coulter

Chief Financial Officer

Matthew Sykes

Public Officer

Robert Hunt

Auditors

Audit Office of New South Wales

Level 15, 1 Margaret Street

SYDNEY NSW 2000

- Thomas Noble & Russell

31 Keen Street

LISMORE NSW 2480

Elected members

Mayor

Rhonda Hoban

Councillor

John Ainsworth

Martin Ballangarry

Susan Jenvey

David Jones

Janine Reed

John Wilson

Other information

ABN: 71 323 535 981



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Nambucca Valley Council

To the Councillors of Nambucca Valley Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

26 November 2020
SYDNEY



Cr Rhonda Hoban OAM
 Mayor
 Nambucca Valley Council
 PO Box 177
 MACKSVILLE NSW 2447

Contact: Gearoid Fitzgerald
 Phone no: 9275 7392
 Our ref: D2027948/1766

26 November 2020

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	20.9	20.2	↑ 3.5
Grants and contributions revenue	20.1	13.5	↑ 48.9
Operating result from continuing operations	14.7	7.3	↑ 101.4
Net operating result before capital grants and contributions	2.6	0.0	↑ N/A

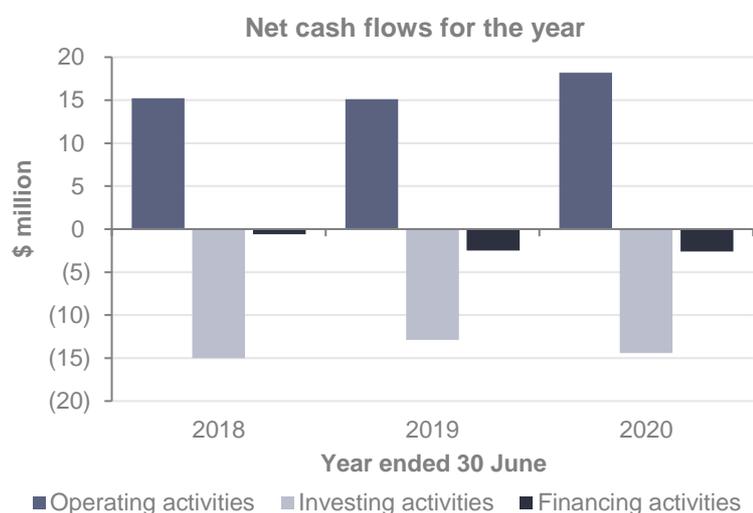
The Council's operating surplus (\$14.7 million including depreciation and amortisation expense of \$10.0 million) was \$7.4 million higher than the 2018–19 result.

The increase in operating surplus is largely attributable to the following:

- rates and annual charges revenue (\$20.9 million) increased by \$0.7 million (3.5 per cent)
- grants and contributions revenue (\$20.1 million) increased by \$6.6 million (48.9 per cent) in 2019–20 mainly due to:
 - \$1.8 million increase in bushfire and emergency services operating grants to assist in the recovery from the significant bushfire event in October / November 2019
 - \$4.6 million increase in non-cash contributions from Transport for NSW pertaining to the handover of transport assets associated with the upgrade of the pacific highway
- other revenue (\$0.8 million) decreased by \$1.0 million (55.6 per cent) in 2019-20 mainly due to \$1.2 million of found assets being recorded in 2018-19
- a reversal of previous revaluation decrements resulted in a \$3.1 million increase to income
- materials and contracts expense (\$9.9 million) increased by \$1.1 million (12.5 per cent).

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$3.1 million. This is largely due to an increase in rates and annual charges and grants and contributions received.
- Net cash used in investing activities increased by \$1.5 million. This is largely due to a net increase of the purchase of investment securities of \$3.7 million, off-set by a decrease in capital expenditure payments of \$1.2 million.
- Net cash provided by financing activities remained consistent with the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	34.7	31.1	• Externally restricted cash and investments has increased by \$3.7 million from the prior year. \$2.0 million of this increase relates to specific purpose unexpended grants.
Internal restrictions	7.3	7.3	
Unrestricted	0.4	0.9	
Cash and investments	42.4	39.3	• Internally restricted and unrestricted cash and investments have remained relatively stable with the prior year. • Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Performance measures

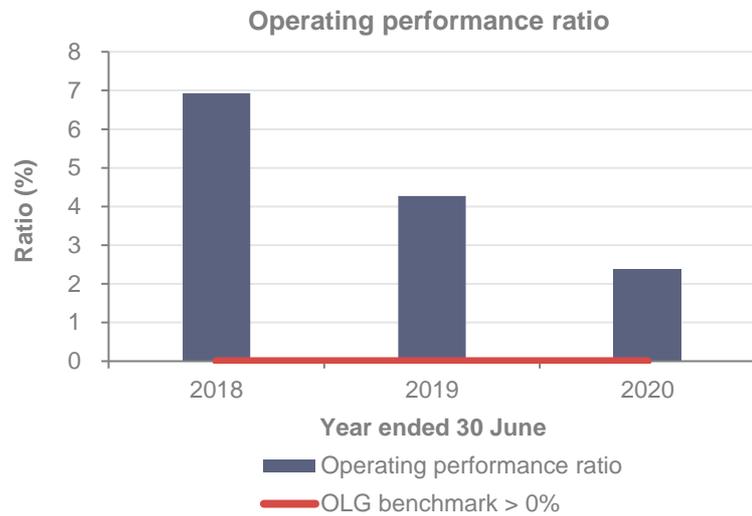
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council met the OLG benchmark for the current reporting period however a deterioration in Councils 2019–20 operating result (before all capital items) led to a reduced operating performance ratio.

Council's water fund (-11.8 per cent) and sewer fund (-7.0 per cent) were below the OLG benchmark for the current reporting period.

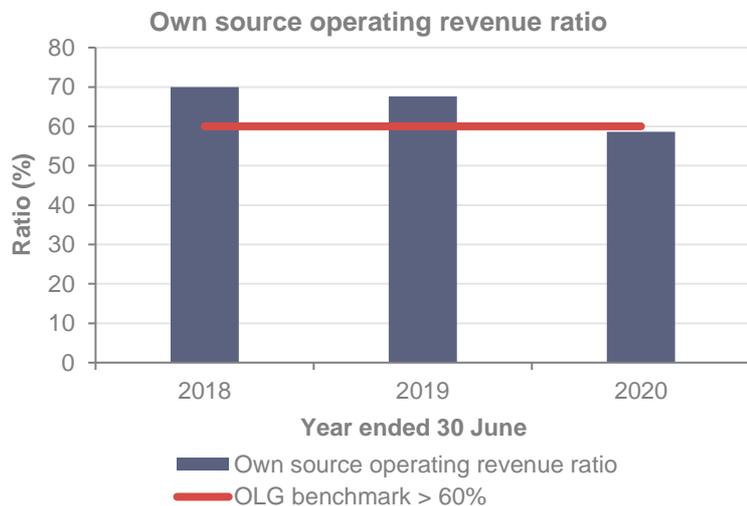


Own source operating revenue ratio

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

The Council was slightly below the OLG benchmark for the current reporting period.

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



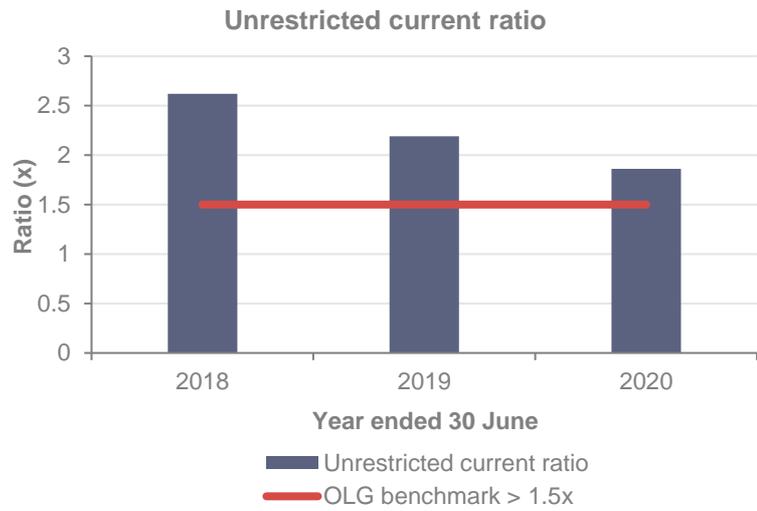
Unrestricted current ratio

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

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

The decline in Council's ratio is due to a reduction in current assets less all external restrictions of \$1.7 million, together with an increase in current liabilities less specific purpose liabilities of \$0.7 million.

Council has \$1.86 in liquid current assets for every \$1 of current liabilities

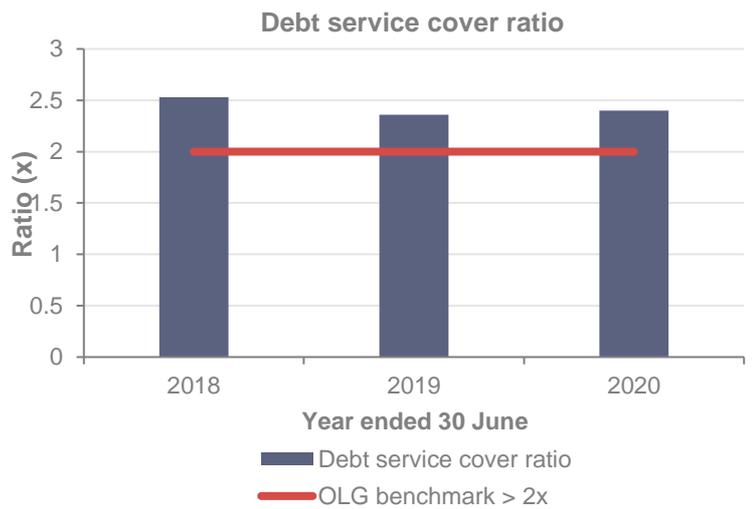


Debt service cover ratio

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

The Council met the OLG benchmark for the current reporting period. Debt service levels have remained consistent with previous years.

Council's water fund (1.29x) and sewer fund (1.17x) remain below the OLG benchmark for the current reporting period. Council should continue to monitor its ratios to ensure cash flows over the short to medium term are sufficient to meet the debt repayment obligations in the water and sewer funds.

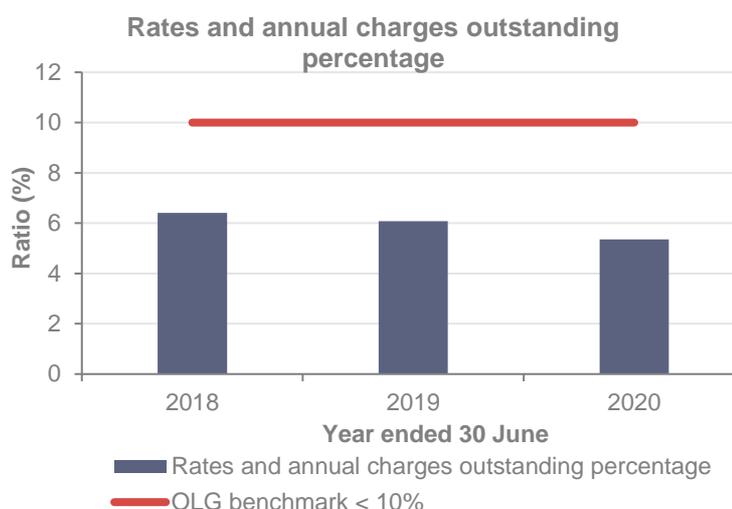


Rates and annual charges outstanding percentage

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 OLG is less than 10 per cent for regional and rural councils.

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

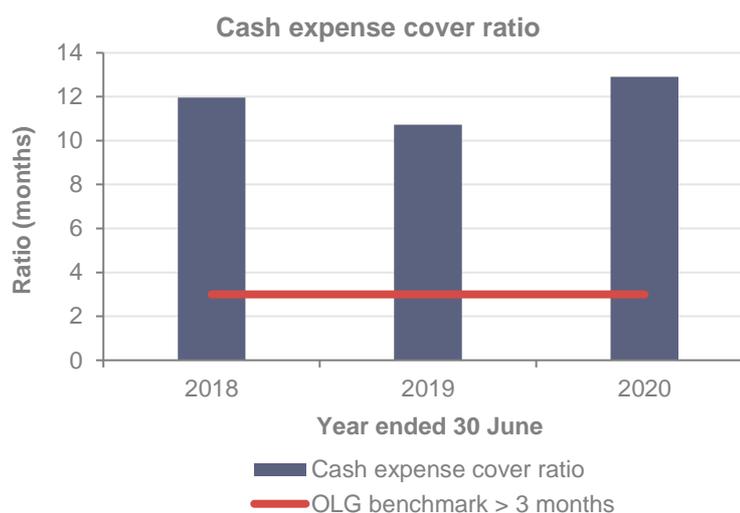
Outstanding rates and annual charge levels have remained consistent with previous years.



Cash expense cover ratio

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

The Council met the OLG benchmark for the current reporting period and the Council's ratio has remained relatively stable on prior years.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2019–20 year was \$7.5 million (\$9.5 million in 2018–19). In 2019–20, major renewal projects included Fischers Bridge, Nambucca Jetty Boardwalk and Old Coast Road.

OTHER MATTERS

Impact of new accounting standards

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

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

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

AASB 15 also increases the amount of disclosures required.

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

The Council recognised a \$1.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council did not recognise any right-of-use assets or lease liabilities at 1 July 2019 on adoption of AASB 16.

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

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 Michael Coulter, General Manager
Mr Peter Lawry, Chair of Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Nambucca Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Nambucca Valley ~ Living at its best



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Nambucca Valley Council

Special Purpose Financial Statements for the year ended 30 June 2020

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

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

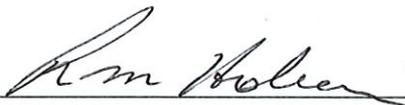
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

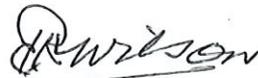
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 29 October 2020.



Rhonda Hoban
Mayor
29 October 2020



John Wilson
Councillor
29 October 2020



Michael Coulter
General Manager
29 October 2020



Matthew Sykes
Chief Financial Officer
29 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	989	979
User charges	3,635	3,734
Interest	479	540
Grants and contributions provided for non-capital purposes	82	82
Other income	252	275
Total income from continuing operations	5,437	5,610
Expenses from continuing operations		
Employee benefits and on-costs	1,460	1,412
Borrowing costs	1,441	1,460
Materials and contracts	1,271	1,038
Depreciation, amortisation and impairment	1,745	1,699
Loss on sale of assets	162	120
Calculated taxation equivalents	15	16
Debt guarantee fee (if applicable)	276	225
Total expenses from continuing operations	6,370	5,970
Surplus (deficit) from continuing operations before capital amounts	(933)	(360)
Grants and contributions provided for capital purposes	643	724
Surplus (deficit) from continuing operations after capital amounts	(290)	364
Surplus (deficit) from all operations before tax	(290)	364
SURPLUS (DEFICIT) AFTER TAX	(290)	364
Plus accumulated surplus	63,745	63,156
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	15	16
– Debt guarantee fees	276	225
Less:		
– Tax equivalent dividend paid	(15)	(16)
– Surplus dividend paid	(112)	–
Closing accumulated surplus	63,619	63,745
Return on capital %	0.6%	1.2%
Subsidy from Council	301	142
Calculation of dividend payable:		
Surplus (deficit) after tax	(290)	364
Less: capital grants and contributions (excluding developer contributions)	(364)	(141)
Surplus for dividend calculation purposes	–	223
Potential dividend calculated from surplus	–	112

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,822	3,685
User charges	829	831
Liquid trade waste charges	25	30
Interest	178	214
Grants and contributions provided for non-capital purposes	74	74
Other income	400	303
Total income from continuing operations	5,328	5,137
Expenses from continuing operations		
Employee benefits and on-costs	1,723	1,639
Borrowing costs	160	168
Materials and contracts	1,797	1,444
Depreciation, amortisation and impairment	1,919	1,846
Loss on sale of assets	102	83
Calculated taxation equivalents	20	20
Debt guarantee fee (if applicable)	31	38
Total expenses from continuing operations	5,752	5,238
Surplus (deficit) from continuing operations before capital amounts	(424)	(101)
Grants and contributions provided for capital purposes	530	1,379
Surplus (deficit) from continuing operations after capital amounts	106	1,278
Surplus (deficit) from all operations before tax	106	1,278
SURPLUS (DEFICIT) AFTER TAX	106	1,278
Plus accumulated surplus	58,607	57,401
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	20	20
– Debt guarantee fees	31	38
Less:		
– Tax equivalent dividend paid	(20)	(20)
– Surplus dividend paid	(167)	(110)
Closing accumulated surplus	58,577	58,607
Return on capital %	(0.3)%	0.1%
Subsidy from Council	984	1,023
Calculation of dividend payable:		
Surplus (deficit) after tax	106	1,278
Less: capital grants and contributions (excluding developer contributions)	(249)	(770)
Surplus for dividend calculation purposes	–	508
Potential dividend calculated from surplus	–	254

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,298	2,113
Investments	3,356	6,770
Receivables	1,271	1,406
Inventories	29	30
Total current assets	6,954	10,319
Non-current assets		
Investments	14,690	10,975
Infrastructure, property, plant and equipment	91,970	94,094
Intangible assets	279	279
Total non-current assets	106,939	105,348
TOTAL ASSETS	113,893	115,667
LIABILITIES		
Current liabilities		
Payables	112	111
Income received in advance	51	51
Contract liabilities	186	–
Borrowings	454	426
Total current liabilities	803	588
Non-current liabilities		
Borrowings	21,641	22,096
Total non-current liabilities	21,641	22,096
TOTAL LIABILITIES	22,444	22,684
NET ASSETS	91,449	92,983
EQUITY		
Accumulated surplus	63,619	63,745
Revaluation reserves	27,830	29,238
TOTAL EQUITY	91,449	92,983

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	3,796	3,504
Investments	1,663	1,863
Receivables	415	513
Contract assets	73	–
Total current assets	5,947	5,880
Non-current assets		
Investments	1,584	1,402
Receivables	232	270
Contract assets	19	–
Infrastructure, property, plant and equipment	81,806	82,570
Total non-current assets	83,641	84,242
TOTAL ASSETS	89,588	90,122
LIABILITIES		
Current liabilities		
Payables	44	45
Income received in advance	9	9
Contract liabilities	292	–
Borrowings	70	1,341
Total current liabilities	415	1,395
Non-current liabilities		
Borrowings	2,432	2,448
Total non-current liabilities	2,432	2,448
TOTAL LIABILITIES	2,847	3,843
NET ASSETS	86,741	86,279
EQUITY		
Accumulated surplus	58,577	58,607
Revaluation reserves	28,164	27,672
TOTAL EQUITY	86,741	86,279

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Comprising the whole of the operations and assets of the water supply function.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

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 2020

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

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines to 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 Best Practice Management of Water Supply and Sewer 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. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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 0.87% at 30/6/20.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Nambucca Valley Council

To the Councillors of Nambucca Valley Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supplies
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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



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

26 November 2020
SYDNEY

Nambucca Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

Nambucca Valley ~ Living at its best



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	11,258	10,933
Plus or minus adjustments ²	b	78	34
Notional general income	c = a + b	11,336	10,967
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Less expiring special variation amount	g	–	(119)
Or plus rate peg amount	i = e x (c + g)	295	293
Sub-total	k = (c + g + h + i + j)	11,631	11,141
Plus (or minus) last year's carry forward total	l	(114)	3
Sub-total	n = (l + m)	(114)	3
Total permissible income	o = k + n	11,517	11,144
Less notional general income yield	p	11,433	11,258
Catch-up or (excess) result	q = o – p	84	(114)
Plus income lost due to valuation objections claimed ³	r	5	–
Carry forward to next year ⁴	t = q + r + s	89	(114)

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) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



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

To the Councillors of Nambucca Valley Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Nambucca Valley Council (the Council) for the year ending 30 June 2021.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

26 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
(a) Report on Infrastructure Assets as at 30 June 2020												
Buildings	Council Office/Admin Centre	–	–	23	35	2,132	3,609	1.0%	63.0%	36.0%	0.0%	0.0%
	Council Works Depot	–	–	17	15	1,421	1,787	19.0%	14.0%	67.0%	0.0%	0.0%
	Council Public Halls	3	3	47	46	6,806	11,119	15.0%	37.0%	48.0%	0.0%	0.0%
	Libraries	–	–	37	53	1,427	1,853	18.0%	73.0%	9.0%	0.0%	0.0%
	Museum	–	–	4	3	505	690	31.0%	28.0%	41.0%	0.0%	0.0%
	Other – Buildings	4	4	62	40	2,682	3,172	16.0%	60.0%	23.0%	1.0%	0.0%
	Other – Bush Fire/SES Bldgs.	–	–	24	28	2,608	3,476	37.0%	31.0%	32.0%	0.0%	0.0%
	Other – Swimming Pool Bldgs.	–	–	–	29	2,192	2,679	93.0%	6.0%	1.0%	0.0%	0.0%
	Other – Child Care Centres	–	–	4	2	677	857	1.0%	99.0%	0.0%	0.0%	0.0%
	Amenities/Toilets	–	–	16	97	2,632	3,284	47.0%	36.0%	17.0%	0.0%	0.0%
	Other -Sports Grounds	–	–	22	30	6,066	8,637	25.0%	44.0%	31.0%	0.0%	0.0%
	Sub-total	7	7	256	378	29,148	41,163	25.7%	41.7%	32.5%	0.1%	0.0%
Roads	Roads – Sealed	432	432	912	577	10,885	17,451	21.0%	29.0%	40.0%	10.0%	0.0%
	Unsealed roads	417	417	708	929	5,694	8,428	39.0%	28.0%	13.0%	20.0%	0.0%
	Roads – Pavement	1,581	1,581	50	50	64,443	102,024	15.0%	34.0%	45.0%	6.0%	0.0%
	Sealed Road - Sub Pavement	–	–	–	–	2,357	2,388	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	61	51	13,052	19,365	12.0%	64.0%	24.0%	0.0%	0.0%
	Footpaths	–	–	41	33	8,663	12,296	17.0%	63.0%	20.0%	0.0%	0.0%
	Carparks	3	3	–	–	1,771	2,235	19.0%	73.0%	7.0%	1.0%	0.0%
	Other road assets	15	15	–	–	1,234	2,041	41.0%	21.0%	35.0%	3.0%	0.0%
	Bulk earthworks	–	–	–	–	43,629	43,629	100.0%	0.0%	0.0%	0.0%	0.0%
	Bridges – Concrete	–	–	–	–	16,689	20,137	43.0%	53.0%	4.0%	0.0%	0.0%
	Bridges – Timber	74	74	295	97	1,071	4,047	13.0%	27.0%	53.0%	7.0%	0.0%
	Bridges – Composite	–	–	–	–	10,993	15,059	0.0%	95.0%	5.0%	0.0%	0.0%
	Bridge Size Culverts	–	–	–	–	726	1,346	0.0%	29.0%	71.0%	0.0%	0.0%
	Sub-total	2,522	2,522	2,067	1,737	181,209	250,446	33.2%	36.2%	26.6%	4.0%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Water supply network	Reticulation	2,118	2,118	283	298	17,759	33,891	6.0%	30.0%	39.0%	25.0%	0.0%	
	Trunk Mains	3,244	3,244	122	69	17,342	34,975	15.0%	20.0%	28.0%	37.0%	0.0%	
	Mains/Meters	–	–	12	9	94	202	0.0%	0.0%	100.0%	0.0%	0.0%	
	Reservoirs	30	30	102	170	8,252	13,351	6.0%	51.0%	42.0%	1.0%	0.0%	
	Water Treatment Plant	26	26	142	140	1,317	1,973	36.0%	20.0%	39.0%	5.0%	0.0%	
	Bores	160	160	51	61	1,838	2,649	22.0%	46.0%	8.0%	24.0%	0.0%	
	Dams	–	–	194	276	39,599	41,601	97.0%	3.0%	0.0%	0.0%	0.0%	
	Pump stations	186	186	33	34	1,791	3,102	29.0%	38.0%	9.0%	24.0%	0.0%	
Sub-total		5,764	5,764	939	1,057	87,992	131,744	38.4%	21.3%	22.8%	17.5%	0.0%	
Sewerage network	Sewerage rising (Pipelines)	156	156	–	–	7,035	10,408	14.0%	54.0%	26.0%	6.0%	0.0%	
	Gravity/Rising Mains	4,905	4,905	257	298	29,564	47,739	14.0%	21.0%	24.0%	41.0%	0.0%	
	Pump Stations	456	456	339	253	13,024	18,599	27.0%	37.0%	26.0%	10.0%	0.0%	
	Treatment Works	144	144	826	758	20,512	28,850	38.0%	34.0%	26.0%	2.0%	0.0%	
	Other – Manholes	1,569	1,569	–	–	6,264	12,279	3.0%	19.0%	27.0%	51.0%	0.0%	
	Sub-total		7,230	7,230	1,422	1,309	76,399	117,875	20.8%	29.4%	25.3%	24.5%	0.0%
Stormwater drainage	Aerated Systems - S/W	–	–	–	–	53	67	100.0%	0.0%	0.0%	0.0%	0.0%	
	Stormwater Conduits	–	–	106	34	25,270	36,578	10.0%	50.0%	40.0%	0.0%	0.0%	
	Inlets & Junction Pits	–	–	–	–	4,177	5,961	13.0%	49.0%	38.0%	0.0%	0.0%	
	Culverts	428	428	73	17	8,726	14,274	6.0%	35.0%	47.0%	12.0%	0.0%	
	Other – Detention Basin	–	–	5	2	166	175	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total		428	428	184	53	38,392	57,055	9.7%	45.9%	41.4%	3.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	–	–	1,001	2,279	29.0%	61.0%	10.0%	0.0%	0.0%	
	Other – Open Space	74	74	687	652	3,528	5,956	31.0%	20.0%	44.0%	5.0%	0.0%	
	Sub-total		74	74	687	652	4,529	8,235	30.4%	31.3%	34.6%	3.6%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Other infrastructure assets	Retaining Walls	105	105	–	–	8,198	9,132	76.0%	10.0%	9.0%	5.0%	0.0%
	Boat Ramps / Jetties, Boardwalks	33	33	47	20	1,952	2,950	31.0%	55.0%	9.0%	5.0%	0.0%
	Landslips	–	–	–	–	4,395	4,679	94.0%	6.0%	0.0%	0.0%	0.0%
	Other	62	62	–	–	2,963	4,029	64.0%	17.0%	13.0%	6.0%	0.0%
	Sub-total	200	200	47	20	17,508	20,790	71.3%	16.8%	7.7%	4.1%	0.0%
TOTAL - ALL ASSETS		16,225	16,225	5,602	5,206	440,071	639,689	30.4%	32.2%	27.2%	10.2%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	4,915	82.47%	81.96%	>=100.00%
Depreciation, amortisation and impairment	5,960			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	16,225	3.69%	3.43%	<2.00%
Net carrying amount of infrastructure assets	440,071			
Asset maintenance ratio				
Actual asset maintenance	5,206	92.93%	102.31%	>100.00%
Required asset maintenance	5,602			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	16,225	2.54%	2.37%	
Gross replacement cost	639,689			

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

(1) Excludes Work In Progress (WIP)

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

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	77.41%	128.39%	34.82%	29.08%	29.39%	26.07%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.17%	0.60%	6.55%	6.48%	9.46%	9.52%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	87.63%	106.22%	112.57%	95.72%	92.05%	100.63%	>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	0.83%	0.42%	4.38%	4.38%	6.13%	6.29%	

(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.