

Tweed Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

Living and loving the Tweed



Tweed Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Living and loving the Tweed



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	82
On the Financial Statements (Sect 417 [3])	85

Overview

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

Civic and Cultural Centre, Tumbulgum Road
Murwillumbah NSW 2484

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.tweed.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

About the Auditor's Reports

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

In NSW the Auditor provides 2 audit reports:

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

About the Councillor/Management Statement

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

About the Notes to the Financial Statements

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

Introduction

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

What you will find in the Statements

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

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

Who uses the Financial Statements?

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

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

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

Tweed Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

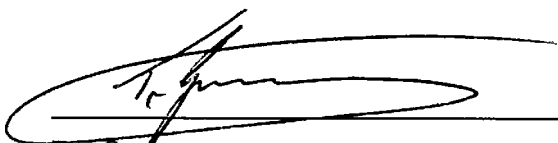
Signed in accordance with a resolution of Council made on 21 November 2019.



Katie Milne
Mayor
21 November 2019



Chris Cherry
Councillor
21 November 2019



Troy Green
General Manager
21 November 2019



Michael Chorton
Responsible Accounting Officer
21 November 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
111,136	Rates and annual charges	3a	112,063	108,597
46,920	User charges and fees	3b	49,774	47,366
9,821	Interest and investment revenue	3c	10,361	9,421
2,954	Other revenues	3d	3,508	5,866
17,553	Grants and contributions provided for operating purposes	3e,3f	26,468	31,349
17,319	Grants and contributions provided for capital purposes	3e,3f	24,858	35,383
<u>Other income:</u>				
–	Net share of interests in joint ventures and associates using the equity method	15	–	96
205,703	Total income from continuing operations		227,032	238,078
Expenses from continuing operations				
57,915	Employee benefits and on-costs	4a	56,616	55,786
11,665	Borrowing costs	4b	12,203	12,591
47,707	Materials and contracts	4c	49,024	51,501
42,624	Depreciation and amortisation	4d	46,387	44,756
16,931	Other expenses	4e	15,334	15,185
–	Net losses from the disposal of assets	5	7,198	6,394
–	Net share of interests in joint ventures and associates using the equity method	15	8	–
176,842	Total expenses from continuing operations		186,770	186,213
28,861	Operating result from continuing operations		40,262	51,865
28,861	Net operating result for the year		40,262	51,865
28,861	Net operating result attributable to council		40,262	51,865
11,542	Net operating result for the year before grants and contributions provided for capital purposes		15,404	16,482

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		40,262	51,865
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	26,479	98,026
Total items which will not be reclassified subsequently to the operating result		26,479	98,026
Total other comprehensive income for the year		26,479	98,026
Total comprehensive income for the year		66,741	149,891
Total comprehensive income attributable to Council		66,741	149,891

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	21,868	10,627	9,567
Investments	6(b)	167,801	111,621	155,398
Receivables	7	17,520	21,344	20,793
Inventories	8a	791	993	912
Other	8b	550	866	708
Total current assets		<u>208,530</u>	<u>145,451</u>	<u>187,378</u>
Non-current assets				
Investments	6(b)	174,664	205,081	140,867
Receivables	7	263	269	93
Infrastructure, property, plant and equipment	9(a)	2,855,320	2,830,062	2,707,667
Intangible assets	10	1,049	1,079	722
Investments accounted for using the equity method	15	1,192	1,200	–
Total non-current assets		<u>3,032,488</u>	<u>3,037,691</u>	<u>2,849,349</u>
TOTAL ASSETS		<u>3,241,018</u>	<u>3,183,142</u>	<u>3,036,727</u>
LIABILITIES				
Current liabilities				
Payables	11	11,346	15,951	15,426
Income received in advance	11	7,913	5,576	4,666
Borrowings	11	9,115	8,506	8,130
Provisions	12	22,813	23,004	21,805
Total current liabilities		<u>51,187</u>	<u>53,037</u>	<u>50,027</u>
Non-current liabilities				
Payables	11	695	1,039	559
Borrowings	11	149,838	156,807	164,113
Provisions	12	5,506	5,208	4,868
Total non-current liabilities		<u>156,039</u>	<u>163,054</u>	<u>169,540</u>
TOTAL LIABILITIES		<u>207,226</u>	<u>216,091</u>	<u>219,567</u>
Net assets		<u>3,033,792</u>	<u>2,967,051</u>	<u>2,817,160</u>
EQUITY				
Accumulated surplus	13a	1,486,566	1,446,304	1,394,439
Revaluation reserves	13a	1,547,226	1,520,747	1,422,721
Council equity interest		<u>3,033,792</u>	<u>2,967,051</u>	<u>2,817,160</u>
Total equity		<u>3,033,792</u>	<u>2,967,051</u>	<u>2,817,160</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve ²	Total equity	Accumulated surplus	IPP&E revaluation reserve ²	Total equity
Opening balance		1,446,304	1,766,571	3,212,875	1,394,439	1,668,545	3,062,984
Correction of prior period errors	13b	–	(245,824)	(245,824)	–	(245,824)	(245,824)
Restated opening balance		1,446,304	1,520,747	2,967,051	1,394,439	1,422,721	2,817,160
Net operating result for the year		40,262	–	40,262	51,865	–	51,865
Restated net operating result for the period		40,262	–	40,262	51,865	–	51,865
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	26,479	26,479	–	98,026	98,026
Other comprehensive income		–	26,479	26,479	–	98,026	98,026
Total comprehensive income		40,262	26,479	66,741	51,865	98,026	149,891
Equity – balance at end of the reporting period		1,486,566	1,547,226	3,033,792	1,446,304	1,520,747	2,967,051

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

(2) See Note 13(b) for details regarding the restatement as a result of prior period error

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
110,950	Rates and annual charges		111,431	107,014
46,076	User charges and fees		53,481	49,320
9,668	Investment and interest revenue received		9,984	9,361
35,121	Grants and contributions		49,191	55,373
–	Bonds, deposits and retention amounts received		–	2,209
16,931	Other		9,418	10,464
<u>Payments</u>				
(56,393)	Employee benefits and on-costs		(57,054)	(54,815)
(50,839)	Materials and contracts		(56,002)	(55,792)
(11,443)	Borrowing costs		(11,691)	(12,115)
–	Bonds, deposits and retention amounts refunded		(514)	–
(16,931)	Other		(16,322)	(15,401)
83,140	Net cash provided (or used in) operating activities	14b	91,922	95,618
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		54,900	91,000
2,210	Sale of infrastructure, property, plant and equipment		1,309	1,462
<u>Payments</u>				
(15,259)	Purchase of investment securities		(80,712)	(111,464)
(46,883)	Purchase of infrastructure, property, plant and equipment		(49,361)	(67,738)
–	Purchase of intangible assets		(227)	(552)
–	Deferred debtors and advances made		–	(2)
(59,932)	Net cash provided (or used in) investing activities		(74,091)	(87,294)
Cash flows from financing activities				
<u>Receipts</u>				
3,066	Proceeds from borrowings and advances		2,250	1,200
<u>Payments</u>				
(8,838)	Repayment of borrowings and advances		(8,840)	(8,464)
(5,772)	Net cash flow provided (used in) financing activities		(6,590)	(7,264)
17,436	Net increase/(decrease) in cash and cash equivalents		11,241	1,060
6,000	Plus: cash and cash equivalents – beginning of year	14a	10,627	9,567
23,436	Cash and cash equivalents – end of the year	14a	21,868	10,627
Additional Information:				
273,504	plus: Investments on hand – end of year	6(b)	342,465	316,702
296,940	Total cash, cash equivalents and investments		364,333	327,329

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Income from continuing operations	17
4	Expenses from continuing operations	24
5	Gains or losses from the disposal, replacement and de-recognition of assets	27
6(a)	Cash and cash equivalent assets	28
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	31
7	Receivables	32
8	Inventories and other assets	35
9(a)	Infrastructure, property, plant and equipment	37
9(b)	Externally restricted infrastructure, property, plant and equipment	41
10	Intangible assets	42
11	Payables and borrowings	42
12	Provisions	45
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	48
14	Statement of cash flows – additional information	51
15	Interests in other entities	52
16	Commitments	54
17	Contingencies and other assets/liabilities not recognised	55
18	Financial risk management	57
19	Material budget variations	61
20	Fair Value Measurement	62
21	Related Party Transactions	69
22	Events occurring after the reporting date	70
23	Statement of developer contributions	71
24	Financial result and financial position by fund	75
25(a)	Statement of performance measures – consolidated results	77
25(b)	Statement of performance measures – by fund	78
 Additional Council disclosures (unaudited)		
25(c)	Statement of performance measures – consolidated results (graphs)	79
26	Council information and contact details	81

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These consolidated financial statements were authorised for issue by Council on 21 November 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

(ii) Useful lives of assets

Council has used significant judgment in determining the useful lives of assets and the associated consumption (depreciation expense).

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of Council.

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Tweed Coast Holiday Parks

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of approximately \$1,487,000 - refer Note 16.

Of these commitments, approximately \$785,000 relate to short-term and low value leases.

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

For the remaining operating lease commitments of approximately \$700,000, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$530,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complementary right-of-use assets (on its balance sheet) of approximately \$530,000 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will be unaffected while net current assets will be \$150,000 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will increase by approximately \$150,000 for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$150,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

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

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

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

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

The impact of AASB15 is expected to be minimal.

AASB 1058 Income of NFP Entities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

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

The impacts of AASB1058 for Council are expected to be minimal.

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

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

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

As per a NSW Office of Local Government recommendation, Council has the option to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost. It is not yet known whether Council has the capacity to determine the market value of many of its leased assets.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018 Restated
\$ '000										
Functions or activities										
Natural resource management	919	6,411	4,571	5,065	(3,652)	1,346	704	6,241	44,533	31,901
Asset protection	2,660	2,895	8,246	5,966	(5,586)	(3,071)	1,462	217	199,921	201,671
Utility services	95,931	96,014	67,868	65,125	28,063	30,889	236	123	1,380,999	707,106
Managing community growth	39	31	897	1,120	(858)	(1,089)	12	12	–	–
Built environment	3,031	4,965	6,197	6,551	(3,166)	(1,586)	–	–	–	–
Engagement	73,276	71,291	11,791	10,971	61,485	60,320	7,813	7,729	191,739	808,059
People	7,740	5,641	12,978	13,278	(5,238)	(7,637)	3,899	2,026	58,823	55,995
Places	17,800	17,163	29,648	29,890	(11,848)	(12,727)	1,986	840	314,691	316,546
Moving around	23,131	29,697	36,568	40,867	(13,437)	(11,170)	16,115	21,900	968,507	954,212
Assurance	1,015	3,293	5,005	4,977	(3,990)	(1,684)	143	–	58,515	75,651
Support services	1,490	677	3,001	2,403	(1,511)	(1,726)	–	–	23,290	32,001
Total functions and activities	227,032	238,078	186,770	186,213	40,262	51,865	32,370	39,088	3,241,018	3,183,142

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Natural resource management

Biodiversity, bushland, coastal, and waterways management. Environmental sustainability and sustainable agriculture

Asset protection

Floodplain management and stormwater drainage

Utility services

Rubbish & recycling, Tweed Laboratory, sewerage services and water supply

Managing community growth

Strategic land use planning

Built environment

Building certification, development assessment and development engineering

Engagement

Animal management, communications, contact centre, councillor & civic business and financial services

People

Cemeteries, community & cultural development, community services, compliance services, economic development, environmental health, events, lifeguard services, local emergency management, pest management, public toilets and tourism

Places

Aquatic centres, art gallery, auditoriums, holiday parks, libraries, museums, parks & gardens, saleyards and sporting fields

Moving around

Airfield, construction services, design services, roads, traffic and footpaths & cycleways

Assurance

Governance, audit and legal services

Support services

Fleet management, Human resources & workplace health & safety, information technology and procurement services

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	52,019	50,620
Farmland	3,014	3,001
Business	5,240	5,104
Less: pensioner rebates (mandatory)	(1,707)	(1,704)
Rates levied to ratepayers	58,566	57,021
Pensioner rate subsidies received	951	937
Total ordinary rates	59,517	57,958
Special rates		
Koala beach	83	81
Cobaki Lakes	575	563
Rates levied to ratepayers	658	644
Total special rates	658	644
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	13,107	12,783
Water supply services	6,656	6,120
Sewerage services	30,006	29,129
Waste management services (non-domestic)	2,879	2,738
Less: pensioner rebates (mandatory)	(1,714)	(1,723)
Annual charges levied	50,934	49,047
Pensioner subsidies received:		
– Water	375	371
– Sewerage	362	358
– Domestic waste management	217	219
Total annual charges	51,888	49,995
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>112,063</u>	<u>108,597</u>

Council has used 2017 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. 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.

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 grants received from the NSW Government to provide a contribution towards the pensioner rebates. The Office of Local Government has directed that these grants be disclosed as Rates and Annual Charges.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	619	581
Water supply services	22,598	22,393
Sewerage services	3,069	3,057
Waste management services (non-domestic)	2,692	2,981
Total specific user charges	28,978	29,012
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	142	139
Section 603 certificates	180	220
Town planning	990	1,008
Animal control	164	172
Health approvals	881	811
Building	1,468	1,750
Total fees and charges – statutory/regulatory	3,825	4,100
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	36	35
Caravan park	9,912	8,171
Cemeteries	1,027	877
Leaseback fees – Council vehicles	485	496
Library and art gallery	504	475
Parking fees	14	14
Water connection fees	364	349
Beach vehicles	20	22
Parks and gardens	144	138
Pools	1,838	1,644
Sewer/drainage	348	406
Other	1,658	1,055
Sportsgrounds	90	76
Tweed laboratory	531	496
Total fees and charges – other	16,971	14,254
TOTAL USER CHARGES AND FEES	49,774	47,366

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	394	406
– Cash and investments	10,014	9,018
– Deferred debtors	2	24
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(49)	(27)
TOTAL INTEREST AND INVESTMENT REVENUE	10,361	9,421

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

Overdue rates and annual charges (general fund)	208	228
General Council cash and investments	2,056	2,226

Restricted investments/funds – external:

Development contributions		
– Section 7.11	2,180	1,142
Water fund operations	1,667	1,629
Sewerage fund operations	2,899	2,379
Domestic waste management operations	555	470
Other externally restricted assets	298	385

Restricted investments/funds – internal:

Internally restricted assets	498	962
------------------------------	-----	-----

Total interest and investment revenue

10,361	9,421
---------------	--------------

Accounting policy for interest and investment revenue

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

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

(d) Other revenues

Rental income – other council properties	741	927
Fines – parking	337	278
Fines – other	137	45
Legal fees recovery – rates and charges (extra charges)	136	153
Legal fees recovery – other	29	8
Insurance claims recoveries	597	2,735
Tweed coast holiday parks other income	400	121
Other	1,131	495
Initial recognition of an associate (RTRL)	–	1,104
TOTAL OTHER REVENUE	3,508	5,866

Accounting policy for other revenue

Parking fees and fines are recognised as revenue on receipt.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,869	3,846	–	–
Financial assistance – local roads component	1,375	1,403	–	–
Payment in advance - future year allocation				
Financial assistance – general component	3,944	3,882	–	–
Financial assistance – local roads component	1,495	1,501	–	–
Total general purpose	10,683	10,632	–	–
Specific purpose				
Water supplies	48	–	–	–
Bushfire and emergency services	158	163	–	10
Community centres	–	–	227	–
Economic development	–	–	30	–
Library	240	273	–	–
LIRS subsidy	119	123	–	–
Public halls	–	–	21	–
Recreation and culture	–	–	1,221	–
Street lighting	153	155	–	–
Transport (other roads and bridges funding)	6,546	14,574	4,182	3,410
Other waste and sustainability improvement	188	123	–	–
Art gallery	100	113	47	109
Community service	463	1,013	–	–
Cycleways/walkways	–	–	2,127	544
Other	2,977	663	1,079	1,028
Environment (incl. coastal/estuary management)	1,482	544	142	5,421
Museums	–	–	34	–
Pedestrian facilities	–	–	–	25
Positions funded by other govt. dept	103	165	–	–
Total specific purpose	12,577	17,909	9,110	10,547
Total grants	23,260	28,541	9,110	10,547
Grant revenue is attributable to:				
– Commonwealth funding	13,823	11,298	3,317	2,792
– State funding	9,437	17,243	5,793	7,755
	23,260	28,541	9,110	10,547

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	4,930	5,667
S 64 – water supply contributions		–	–	2,912	4,220
S 64 – sewerage service contributions		–	–	1,434	2,248
Total developer contributions – cash		–	–	9,276	12,135
Non-cash contributions					
Water S 64 – in kind		–	–	457	980
Sewerage S 64 – in kind		–	–	1,698	2,539
Total developer contributions non-cash		–	–	2,155	3,519
Total developer contributions	23	–	–	11,431	15,654
Other contributions:					
Cash contributions					
Community services		317	157	–	–
Heritage/cultural		365	–	–	–
Recreation and culture		–	–	13	633
RMS contributions (regional roads, block grant)		2,268	2,222	152	221
Sewerage (excl. section 64 contributions)		209	197	–	–
Other		49	48	33	36
Environment		–	184	–	–
Roads		–	–	–	788
Total other contributions – cash		3,208	2,808	198	1,678
Non-cash contributions					
Community services		–	–	–	592
Other		–	–	232	–
Dedications (other than by s7.11) – land		–	–	1,031	781
Art gallery		–	–	649	572
Dedications (other than by s7.11) – drainage		–	–	752	2,548
Dedications (other than by s7.11) – land under roads		–	–	43	174
Dedications (other than by s7.11) – open space		–	–	198	867
Dedications (other than by s7.11) – roads		–	–	1,214	1,970
Total other contributions – non-cash		–	–	4,119	7,504
Total other contributions		3,208	2,808	4,317	9,182
Total contributions		3,208	2,808	15,748	24,836
TOTAL GRANTS AND CONTRIBUTIONS		26,468	31,349	24,858	35,383

Accounting policy for grants and contributions

Grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	2,586	2,710
Add: operating grants recognised in the current period but not yet spent	1,333	1,739
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(1,110)	(1,863)
Unexpended and held as restricted assets (operating grants)	2,809	2,586
Capital grants		
Unexpended at the close of the previous reporting period	3,433	2,778
Add: capital grants recognised in the current period but not yet spent	836	771
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(1,135)	(116)
Unexpended and held as restricted assets (capital grants)	3,134	3,433
Contributions		
Unexpended at the close of the previous reporting period	39,923	36,111
Add: contributions recognised in the current period but not yet spent	6,152	3,988
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(1,456)	(176)
Unexpended and held as restricted assets (contributions)	44,619	39,923

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	48,759	47,559
Travel expenses	75	104
Employee leave entitlements (ELE)	7,366	7,871
Superannuation	5,383	5,062
Workers' compensation insurance	835	315
Fringe benefit tax (FBT)	122	94
Payroll tax	970	1,028
Training costs (other than salaries and wages)	279	263
Other	198	200
Total employee costs	63,987	62,496
Less: capitalised costs	(7,371)	(6,710)
TOTAL EMPLOYEE COSTS EXPENSED	56,616	55,786

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		11,634	12,092
Total interest bearing liability costs expensed		11,634	12,092
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
- Remediation liabilities	12	339	165
- Interest free loan received		230	334
Total other borrowing costs		569	499
TOTAL BORROWING COSTS EXPENSED		12,203	12,591

Accounting policy for borrowing costs

Borrowing costs for loans are expensed over the life of the loan.

\$ '000	2019	2018
---------	------	------

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	47,470	49,552
Auditors remuneration ²	139	116
Legal expenses:		
– Legal expenses: planning and development	1,032	1,396
– Legal expenses: other	49	107
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	334	330
Total materials and contracts	49,024	51,501
TOTAL MATERIALS AND CONTRACTS	49,024	51,501

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	324	330
Other	10	–
	334	330

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditors of Council and its controlled entity

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

Audit and review of financial statements	115	93
Remuneration for audit and other assurance services	115	93

Total Auditor-General remuneration

	115	93
--	-----	----

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

Audit and review of financial statements – TCHP	24	23
Remuneration for audit and other assurance services	24	23

Total remuneration of non NSW Auditor-General audit firms

	24	23
--	----	----

Total Auditor remuneration

	139	116
--	-----	-----

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		3,381	2,853
Office equipment		121	144
Furniture and fittings		122	111
Infrastructure:			
– Buildings		2,636	1,922
– Other structures		13	15
– Roads		12,339	12,463
– Bridges		2,270	2,254
– Footpaths		720	703
– Stormwater drainage		2,582	2,540
– Water supply network		7,461	7,346
– Sewerage network		11,584	11,392
– Swimming pools		308	304
– Other open space/recreational assets		1,754	1,576
– Other infrastructure		665	538
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a),12	110	221
– Quarry assets	9(a),12	64	179
Intangible assets	10	257	195
Total gross depreciation and amortisation costs		46,387	44,756
Total depreciation and amortisation costs		46,387	44,756
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>46,387</u>	<u>44,756</u>

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

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method, except for building assets, transport and water/sewerage above ground assets, in which case Council uses straight-line condition based depreciation in order to allocate an asset cost over its estimated useful life.

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	–	(81)
Caretakers remuneration – holiday parks	2,457	1,920
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	757	789
– Waste levy	267	536
– Department of Lands levy – holiday parks	538	384
Councillor expenses – mayoral fee	43	43
Councillor expenses – councillors' fees	138	138
Councillors' expenses (incl. mayor)	34	36
Donations, contributions and assistance to other organisations (Section 356)	2,777	2,694
Electricity and heating	4,711	5,005
Insurance	1,691	1,917
Street lighting	1,370	1,300
Telephone and communications	501	495
Other	50	9
Total other expenses	15,334	15,185
TOTAL OTHER EXPENSES	15,334	15,185

Accounting policy for other expenses

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

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		648	18
Less: carrying amount of property assets sold/written off		(3,567)	(354)
Net gain/(loss) on disposal		(2,919)	(336)
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		661	1,444
Less: carrying amount of plant and equipment assets sold/written off		(1,239)	(1,959)
Net gain/(loss) on disposal		(578)	(515)
Infrastructure			
	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,701)	(5,543)
Net gain/(loss) on disposal		(3,701)	(5,543)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		54,900	91,000
Less: carrying amount of investments sold/redeemed/matured		(54,900)	(91,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(7,198)	(6,394)

Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,439	3,193
Cash-equivalent assets		
– Deposits at call	20,429	7,434
Total cash and cash equivalents	21,868	10,627

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	–	–	8,000	56,081
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	151,859	120,000	103,621	149,000
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	15,942	54,664	–	–
Total Investments	167,801	174,664	111,621	205,081
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	189,669	174,664	122,248	205,081
Financial assets at fair value through the profit and loss				
Floating rate notes and fixed rate bonds	–	–	8,000	56,081
Total	–	–	8,000	56,081
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	151,859	120,000	103,621	149,000
Total	151,859	120,000	103,621	149,000
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
NCD's, FRN's (with maturities > 3 months)	15,942	54,664	–	–
Total	15,942	54,664	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Recognition and de-recognition

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

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

Impairment of financial assets

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

Impairment of available for sale investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	189,669	174,664	122,248	205,081
attributable to:				
External restrictions	141,049	113,205	90,726	141,512
Internal restrictions	37,746	61,459	23,711	63,569
Unrestricted	10,874	–	7,811	–
	189,669	174,664	122,248	205,081

\$ '000	2019	2018
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – sewer	6,174	6,190
Other – security deposits	3,934	4,457
External restrictions – included in liabilities	10,108	10,647

External restrictions – other

Developer contributions – general	44,612	39,923
Specific purpose unexpended grants	5,943	6,019
Water supplies	3,243	4,283
Water supplies – asset replacement	59,573	55,720
Sewerage services	3,335	4,153
Sewerage services – Banora Point laboratory	930	895
Sewerage services – asset replacement	90,046	79,762
Domestic waste management	21,719	17,673
Holiday parks	14,506	12,939
Special rate – Koala Beach	239	224
External restrictions – other	244,146	221,591

Total external restrictions

	254,254	232,238
--	----------------	----------------

Internal restrictions

Employees leave entitlement	13,569	13,569
Carry over works	11,494	8,628
Unexpended loans	3,852	3,091
Unexpended grants	–	1,501
Asset management reserve – infrastructure	18,275	17,964
Community facilities	11,949	10,497
Software and equipment – asset management	4,617	3,592
Access funding	182	204
Art gallery construction	236	201
Beach vehicle licence income	229	229
Catchment water quality	443	269
Insurance	230	80
Land development	613	529
Museum donations	97	47
Non-DWM management	20,035	15,843
Plant operations	6,812	5,168
Revolving energy fund	271	271
Road land sale	40	40

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
7 year plan	3,151	2,445
Voluntary Planning Agreements	3,110	3,112
Total internal restrictions	99,205	87,280
TOTAL RESTRICTIONS	353,459	319,518

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	4,494	–	3,862	–
Interest and extra charges	691	–	607	–
User charges and fees	3,308	–	3,940	–
Accrued revenues				
– Interest on investments	3,472	–	3,130	–
– Other income accruals	–	–	820	–
Deferred debtors	5	90	3	92
Government grants and subsidies	4,925	–	7,859	–
Loans to sporting clubs	20	173	20	177
Net GST receivable	704	–	1,202	–
Total	17,619	263	21,443	269
Less: provision of impairment				
Doubtful debts	(99)	–	(99)	–
Total provision for impairment – receivables	(99)	–	(99)	–
TOTAL NET RECEIVABLES	17,520	263	21,344	269

Externally restricted receivables

Water supply

– Specific purpose grants	11	–	6	–
– Rates and availability charges	237	–	225	–
– Other	3,333	–	3,052	–

Sewerage services

– Specific purpose grants	11	–	6	–
– Rates and availability charges	1,130	–	1,080	–
– Other	1,780	–	1,261	–

Domestic waste management

	571	–	489	–
--	-----	---	-----	---

Other

Tweed Coast Holiday Parks	96	–	150	–
---------------------------	----	---	-----	---

Total external restrictions	7,169	–	6,269	–
------------------------------------	--------------	----------	--------------	----------

Unrestricted receivables	10,351	263	15,075	269
---------------------------------	---------------	------------	---------------	------------

TOTAL NET RECEIVABLES	17,520	263	21,344	269
------------------------------	---------------	------------	---------------	------------

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	99	180
+ new provisions recognised during the year	–	3
– amounts already provided for and written off this year	–	(81)
– amounts provided for but recovered during the year	–	(3)
Balance at the end of the period	99	99

Accounting policy for receivables**Recognition and measurement**

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

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

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

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

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

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

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

The Council uses the 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.

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 become insolvent or has entered into bankruptcy proceedings.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	779	–	811	–
Other	12	–	182	–
Total inventories at cost	791	–	993	–
<u>TOTAL INVENTORIES</u>	<u>791</u>	<u>–</u>	<u>993</u>	<u>–</u>

(b) Other assets

Prepayments	550	–	866	–
<u>TOTAL OTHER ASSETS</u>	<u>550</u>	<u>–</u>	<u>866</u>	<u>–</u>

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Prepayments	37	–	34	–
Total water	37	–	34	–
Sewerage				
Prepayments	75	–	47	–
Total sewerage	75	–	47	–
Other				
Prepayments	67	–	179	–
Trading stock	12	–	182	–
Total other	79	–	361	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	191	–	442	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,150	–	1,417	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,341</u>	<u>–</u>	<u>1,859</u>	<u>–</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

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

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	13,556	–	13,556	11,059	4,238	–	–	(10,313)	(1,082)	–	–	17,458	–	17,458
Plant and equipment	41,938	(13,071)	28,867	1,820	494	(1,108)	(3,381)	797	–	–	–	42,421	(14,932)	27,489
Office equipment	1,298	(977)	321	–	14	–	(121)	–	–	–	–	1,313	(1,099)	214
Furniture and fittings	2,946	(2,167)	779	2	34	–	(122)	–	–	–	–	2,982	(2,289)	693
Land:														
– Operational land	347,670	–	347,670	–	7,390	(600)	–	1,933	(21,411)	(3,241)	–	331,741	–	331,741
– Community land	37,879	–	37,879	–	40	–	–	–	21,411	–	11,319	70,649	–	70,649
– Crown land	67,869	–	67,869	–	545	–	–	–	–	–	6,263	74,677	–	74,677
– Land under roads (pre 1/7/08)	44,222	–	44,222	–	–	–	–	–	–	–	14,592	58,814	–	58,814
– Land under roads (post 30/6/08)	902	–	902	–	43	–	–	–	–	–	312	1,257	–	1,257
Infrastructure:														
– Buildings	182,880	(22,766)	160,114	1,203	1,381	(2,967)	(2,636)	1,688	–	(16,585)	–	185,398	(43,200)	142,198
– Other structures	695	(355)	340	–	–	–	(13)	–	–	–	–	695	(368)	327
– Roads	706,853	(183,631)	523,222	9,814	1,811	(468)	(12,339)	2,353	–	–	101	716,611	(192,117)	524,494
– Bridges	193,819	(31,802)	162,017	1,368	–	(548)	(2,270)	1,069	–	–	–	195,260	(33,624)	161,636
– Footpaths	42,020	(8,440)	33,580	237	213	(95)	(720)	–	–	–	16	42,331	(9,100)	33,231
– Bulk earthworks (non-depreciable)	149,328	–	149,328	366	160	(12)	–	432	–	–	19	150,293	–	150,293
– Stormwater drainage	239,116	(80,120)	158,996	356	1,569	(123)	(2,582)	80	–	–	114	240,917	(82,507)	158,410
– Water supply network	609,947	(104,902)	505,045	1,080	2,788	(1,992)	(7,461)	1,175	–	–	8,325	622,180	(113,220)	508,960
– Sewerage network	699,677	(158,528)	541,149	2,470	1,832	(453)	(11,584)	593	–	–	5,244	709,486	(170,235)	539,251
– Swimming pools	5,260	(2,544)	2,716	59	–	(10)	(308)	–	–	–	–	5,262	(2,805)	2,457
– Other open space/recreational assets	41,359	(11,625)	29,734	112	467	(132)	(1,754)	11	82	–	–	41,712	(13,192)	28,520
– Other infrastructure	20,011	(6,463)	13,548	–	793	–	(665)	28	–	–	–	20,746	(7,042)	13,704
Other assets:														
– Artworks	6,927	–	6,927	–	756	–	–	–	–	–	–	7,683	–	7,683
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	2,228	(1,127)	1,101	–	–	–	(110)	–	–	–	–	2,228	(1,237)	991
– Quarry assets	536	(356)	180	–	57	–	(64)	–	–	–	–	593	(420)	173
Total Infrastructure, property, plant and equipment	3,458,936	(628,874)	2,830,062	29,946	24,625	(8,508)	(46,130)	(154)	(1,000)	(19,826)	46,305	3,542,707	(687,387)	2,855,320

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated
\$ '000														
Capital work in progress	16,829	–	16,829	10,000	6,036	–	–	(19,000)	(309)	–	–	13,556	–	13,556
Plant and equipment	34,735	(12,471)	22,264	8,197	308	(1,902)	(2,853)	2,853	–	–	–	41,938	(13,071)	28,867
Office equipment	1,825	(1,426)	399	–	66	–	(144)	–	–	–	–	1,298	(977)	321
Furniture and fittings	2,727	(2,056)	671	–	199	–	(111)	20	–	–	–	2,946	(2,167)	779
Land:														
– Operational land	270,981	–	270,981	–	1,369	–	–	60	(125)	–	75,385	347,670	–	347,670
– Community land	37,338	–	37,338	–	536	–	–	–	125	(120)	–	37,879	–	37,879
– Crown land	67,869	–	67,869	–	–	–	–	–	–	–	–	67,869	–	67,869
– Land under roads (pre 1/7/08)	44,222	–	44,222	–	–	–	–	–	–	–	–	44,222	–	44,222
– Land under roads (post 30/6/08)	728	–	728	–	174	–	–	–	–	–	–	902	–	902
Infrastructure:														
– Buildings	172,376	(20,739)	151,637	3,439	2,698	(354)	(1,922)	4,616	–	–	–	182,880	(22,766)	160,114
– Other structures	355	–	355	–	–	–	(15)	–	–	–	–	695	(355)	340
– Roads	697,066	(178,156)	518,910	14,571	3,046	(3,191)	(12,463)	2,301	–	–	48	706,853	(183,631)	523,222
– Bridges	192,447	(29,548)	162,899	–	939	–	(2,254)	433	–	–	–	193,819	(31,802)	162,017
– Footpaths	40,921	(7,726)	33,195	611	537	(100)	(703)	–	–	–	40	42,020	(8,440)	33,580
– Bulk earthworks (non-depreciable)	147,757	–	147,757	1,321	225	–	–	–	–	–	25	149,328	–	149,328
– Stormwater drainage	234,271	(77,648)	156,623	381	4,390	(59)	(2,540)	102	–	–	99	239,116	(80,120)	158,996
– Water supply network	597,577	(96,807)	500,770	1,296	1,439	(1,754)	(7,346)	393	–	–	10,247	609,947	(104,902)	505,045
– Sewerage network	677,441	(144,336)	533,105	1,166	4,804	(438)	(11,392)	1,602	–	–	12,302	699,677	(158,528)	541,149
– Swimming pools	5,240	(2,240)	3,000	20	–	–	(304)	–	–	–	–	5,260	(2,544)	2,716
– Other open space/recreational assets	35,126	(10,205)	24,921	474	4,565	(58)	(1,576)	1,270	138	–	–	41,359	(11,625)	29,734
– Other infrastructure	11,595	(6,014)	5,581	79	3,076	–	(538)	5,350	–	–	–	20,011	(6,463)	13,548
Other assets:														
– Artworks	6,291	–	6,291	–	636	–	–	–	–	–	–	6,927	–	6,927
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	2,228	(907)	1,321	–	–	–	(221)	–	–	–	–	2,228	(1,127)	1,101
– Quarry assets	177	(177)	–	–	359	–	(179)	–	–	–	–	536	(356)	180
Total Infrastructure, property, plant and equipment	3,298,122	(590,456)	2,707,666	41,555	35,402	(7,856)	(44,561)	–	(171)	(120)	98,146	3,458,936	(628,874)	2,830,062

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Capital additions are classified as either "New" or "Renewal". Renewal expenditure is defined as the full or partial replacement of existing assets. All other capital expenditure is classified as new. Where an existing asset is replaced with an asset of substantially increased functional capacity, and the differential cost of the additional capacity is both material and can be reliably measured, then that portion of the expenditure is classified as new, with the balance being classified as renewal.

Land is not depreciated. Depreciation on other assets is generally calculated using the straight-line method (subject to the exceptions described in Note 4) to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Buildings	Years
Office equipment	3 to 10	Buildings - floor	60 to 130
Office furniture	4 to 20	Buildings - envelope	45 to 125
Computer equipment	4	Buildings - roof	40 to 90
Vehicles	2.5		
Heavy plant/road making equipment	5 to 10		
Other plant and equipment	5 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	100
Reticulation pipes: PVC and other	70	Culverts	75
Pumps and telemetry	20		
Transportation assets			
Sealed roads: surface	20 to 30	Bridges - concrete	80 to 100
Concrete/paved road	80	Bridges - other	30 to 100
Road pavement - gravel	10	Footpaths	30 to 60
Road pavement - sealed	60 to 100	Kerb and guttering	80
Road pavement - sub-base	180 to 300	Traffic facilities	20 to 80
Other Infrastructure Assets			
Bulk earthworks	Infinite	Flood control structures	80

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

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's consolidated 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".

Notwithstanding the above, Council has determined that it does not control Rural Fire Service plant and vehicles, in accordance with SAC 4, AASB 10, and the Framework for the Preparation of Financial Statements. Council therefore does not recognise these assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(b). Externally restricted infrastructure, property, plant and equipment

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
\$ '000						
Water supply						
WIP	3,799	–	3,799	4,104	–	4,104
Plant and equipment	238	154	84	245	143	102
Office equipment	9	6	3	9	4	5
Furniture and fittings	20	20	–	20	20	–
Land						
– Operational land	53,538	–	53,538	48,018	–	48,018
– Community land	123	–	123	82	–	82
Buildings	2,767	847	1,920	6,258	984	5,274
Infrastructure	621,453	113,220	508,233	609,221	104,902	504,319
Other assets	728	–	728	728	–	728
Total water supply	682,675	114,247	568,428	668,685	106,053	562,632
Sewerage services						
WIP	2,490	–	2,490	1,758	–	1,758
Plant and equipment	1,122	841	281	1,165	856	309
Office equipment	25	19	6	25	15	10
Furniture and fittings	92	89	3	92	88	4
Land						
– Operational land	56,959	–	56,959	56,157	–	56,157
– Community land	258	–	258	220	–	220
Buildings	7,190	1,734	5,456	6,978	609	6,369
Infrastructure	709,486	170,233	539,253	699,677	158,528	541,149
Total sewerage services	777,622	172,916	604,706	766,072	160,096	605,976
Domestic waste management						
Plant and equipment	27	14	13	62	40	22
Office equipment	27	27	–	16	16	–
Furniture and fittings	198	198	–	198	182	16
Land						
– Operational land	3,980	–	3,980	3,980	–	3,980
Buildings	1,350	305	1,045	975	250	725
Other structures	66	66	–	66	66	–
Total DWM	5,648	610	5,038	5,297	554	4,743
Holiday Parks						
– Capital WIP	16	–	16	392	–	392
– Plant & Equipment	8,402	895	7,507	7,601	746	6,855
– Office Equipment	85	63	22	85	61	24
– Operational Land	53,232	–	53,232	51,531	–	51,531
– Buildings	18,383	3,242	15,141	16,668	2,029	14,639
– Swimming Pools	269	235	34	269	220	49
Total other restrictions	80,387	4,435	75,952	76,546	3,056	73,490
TOTAL RESTRICTED I,PP&E	1,546,332	292,208	1,254,124	1,516,600	269,759	1,246,841

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	4,393	3,979
Accumulated amortisation	(3,314)	(3,257)
Net book value – opening balance	1,079	722
Movements for the year		
– Purchases	226	552
– Amortisation charges	(256)	(195)
– Gross book value written off	(36)	(138)
– Accumulated amortisation charges written off	36	138
Closing values at 30 June		
Gross book value	4,582	4,393
Accumulated amortisation	(3,533)	(3,314)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	1,049	1,079
The net book value of intangible assets represents:		
– Software	1,049	1,079
	1,049	1,079

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 services. No direct payroll, and payroll related costs of employees' time spent on the project are capitalised. 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.

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	5,729	–	8,366	–
Goods and services – capital expenditure	1,757	–	3,141	–
Accrued expenses:				
– Borrowings	380	–	401	–
– Other expenditure accruals	220	–	613	–
Security bonds, deposits and retentions	3,260	695	3,430	1,039
Total payables	11,346	695	15,951	1,039

Income received in advance

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Rates, charges, and holiday parks prepayments	7,913	–	5,576	–
Total income received in advance	7,913	–	5,576	–
Borrowings				
Loans – secured ¹	9,115	149,838	8,506	156,807
Total borrowings	9,115	149,838	8,506	156,807
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>28,374</u>	<u>150,533</u>	<u>30,033</u>	<u>157,846</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	6,278	57,558	2,910	59,197
Sewer	3,230	21,639	3,138	24,572
Other – bonds and deposits	3,923	–	4,457	–
Other – holiday parks	3,983	–	2,737	–
Payables and borrowings relating to externally restricted assets	17,414	79,197	13,242	83,769
Total payables and borrowings relating to restricted assets	17,414	79,197	13,242	83,769
Total payables and borrowings relating to unrestricted assets	10,960	71,336	16,791	74,077
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>28,374</u>	<u>150,533</u>	<u>30,033</u>	<u>157,846</u>

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

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

Total payables and borrowings	–	–
--------------------------------------	----------	----------

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	Closing balance
Loans – secured	165,313	(6,590)	–	230	–	158,953		
TOTAL	165,313	(6,590)	–	230	–	158,953		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	172,243	(7,264)	–	334	–	165,313	
TOTAL	172,243	(7,264)	–	334	–	165,313	

\$ '000	2019	2018
---------	------	------

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

Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	300	300
Total financing arrangements	1,300	1,300

Drawn facilities as at balance date:

– Credit cards/purchase cards	20	19
Total drawn financing arrangements	20	19

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	280	281
Total undrawn financing arrangements	1,280	1,281

Additional financing arrangements information**Breaches and defaults**

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

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

Accounting policy for payables and borrowings

Council measures 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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

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

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	5,215	–	4,982	–
Sick leave	5,153	1,632	4,584	1,505
Long service leave	12,119	862	13,438	762
Sub-total – aggregate employee benefits	22,487	2,494	23,004	2,267
Asset remediation/restoration:				
Asset remediation/restoration (future works)	326	3,012	–	2,941
Sub-total – asset remediation/restoration	326	3,012	–	2,941
TOTAL PROVISIONS	22,813	5,506	23,004	5,208

(a) Provisions relating to restricted assets**Externally restricted assets**

Domestic waste management	–	1,379	–	1,169
Provisions relating to externally restricted assets	–	1,379	–	1,169

Internally restricted assets

Non-Domestic waste management	–	1,379	–	1,169
Provisions relating to internally restricted assets	–	1,379	–	1,169

Total provisions relating to restricted assets**Total provisions relating to unrestricted assets****TOTAL PROVISIONS**

\$ '000	2019	2018
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	16,183	13,566
	16,183	13,566

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,941	2,941
Changes to provision:		
– Revised costs	57	57
– Revised life	37	37
– Revised discount rate	267	267
Unwinding of discount	36	36
Total other provisions at end of period	3,338	3,338
2018		
At beginning of year	2,417	2,417
Additional provisions	359	359
Unwinding of discount	165	165
Total other provisions at end of period	2,941	2,941

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tips and quarries.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries, annual leave, and vesting sick leave expected to be wholly settled within 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short-term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability is recognised in these reports.

Provisions for wages and salaries and annual leave are classified as current.

Provisions for vesting sick leave expected to be settled within 12 months of the reporting date, and all long service leave for employees with 4 or more years of service, are classified as current

Other long-term employee benefit obligations

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

The liability for all long-service leave and annual leave in respect of services provided by employees (which is not expected to be wholly settled within 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured as the present value of expected future payments. 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Vesting sick leave not expected to be settled within 12 months of the reporting date, and long service leave for those employees with less than 4 years of service, are classified as non-current.

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Council has retrospectively applied restrictions (discounting) to valuations of operational land, in those cases where restrictions to the use of the land apply and are unable to be removed by Council. Affected land includes Crown land within holiday parks, and land beneath canals.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to asset revaluation reserve at that date.

In 2018 Council transferred \$175 million from Operational Land to Other Infrastructure, based on a judgment that land under canals should be categorised as marine structures. This categorisation is now judged to be incorrect and the transfer is now reversed. Opening balances and comparatives have therefore been adjusted between Operational land and Other Infrastructure.

Comparatives have been changed to reflect the correction of errors. The impact is shown in the tables below.

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

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, property, plant and equipment			
Operational land	516,805	(245,824)	270,981
Total assets	3,282,551	(245,824)	3,036,727
Total liabilities	219,567	–	219,567
Revaluation reserves	1,668,545	(245,824)	1,422,721
Accumulated surplus	1,394,439	–	1,394,439
Total equity	3,062,984	(245,824)	2,817,160

Adjustments to the comparative figures for the year ended 30 June 2018**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, property, plant and equipment			
Operational land	418,586	(70,916)	347,670
Other infrastructure	188,456	(174,908)	13,548
Total assets	3,428,966	(245,824)	3,183,142
Total liabilities	216,091	–	216,091

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Revaluation reserves	1,766,571	(245,824)	1,520,747
Accumulated surplus	1,446,304	–	1,446,304
Total equity	3,212,875	(245,824)	2,967,051

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

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

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

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

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

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

Measurement of equity instruments

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

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

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has not resulted in the earlier recognition of credit loss (bad debt provisions), as through an analysis of historical write-off of bad debts, Council has determined that any expected credit loss will be immaterial.

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Term deposits	Held to maturity	Amortised cost	271,859	–	–	271,859
Floating rate notes and fixed rate bonds	Available for sale	FVOCI	70,606	–	–	70,606
Trade and other receivables	Loans and receivables	Amortised cost	17,520	–	–	17,520
Cash and cash equivalents	Loans and receivables	Amortised cost	21,868	–	–	21,868
Total financial assets under AASB 9 at 1 July 2018			381,853	–	–	381,853
Financial liabilities						
Loans	Other financial liabilities	Other financial liabilities	158,953	–	–	158,953
Trade/other payables	Other financial liabilities	Other financial liabilities	19,954	–	–	19,954
Total financial liabilities under AASB 9 at 1 July 2018			178,907	–	–	178,907

Notes to the table above**Reclassify investments from 'available for sale' to FVOCI–equity**

Council previously classified investments as 'available for sale' with changes in value being taken through a financial asset reserve. On adoption of AASB 9, investments with a fair value of \$70m were reclassified from the 'available for sale investment revaluation reserve' to the 'financial asset at fair value through other comprehensive income reserve' since they are not held for trading.

Reclassification from 'held to maturity' to 'amortised cost'

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	21,868	10,627
Balance as per the Statement of Cash Flows		21,868	10,627
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		40,262	51,865
Adjust for non-cash items:			
Depreciation and amortisation		46,387	44,756
Net losses/(gains) on disposal of assets		7,198	6,394
Non-cash capital grants and contributions		(5,439)	(11,023)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		49	27
Initial recognition of an associate (RTRL)		–	(1,104)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		230	334
- Unwinding of discount rates on reinstatement provisions		303	165
Share of net (profits)/losses of associates/joint ventures using the equity method		8	(96)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		3,830	(644)
Increase/(decrease) in provision for impairment of receivables		–	(81)
Decrease/(increase) in inventories		202	(81)
Decrease/(increase) in other current assets		316	(158)
Increase/(decrease) in payables		(2,637)	300
Increase/(decrease) in accrued interest payable		(21)	(23)
Increase/(decrease) in other accrued expenses payable		(393)	494
Increase/(decrease) in other liabilities		1,823	3,119
Increase/(decrease) in provision for employee benefits		(290)	1,015
Increase/(decrease) in other provisions		94	359
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		91,922	95,618
(c) Non-cash investing and financing activities			
Other dedications		232	–
Art gallery		649	572
Development contributions – general		2,403	6,932
Development contributions – water		457	980
Development contributions – sewerage		1,698	2,539
Total non-cash investing and financing activities		5,439	11,023

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Associates	(8)	96	1,192	1,200
Total	(8)	96	1,192	1,200

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Name of Operation/Entity	Principal activity
Tweed Coast Holiday Parks Reserve Trusts	Holiday parks

Interests in Subsidiary	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

The nature and extent of significant restrictions relating to the Subsidiary

Tweed Shire Council is the manager of the Tweed Coast Holiday Parks Reserve Trusts. TCHP surplus funds are reinvested back into the business.

Summarised financial information for the Subsidiary

\$ '000	2019	2018
Summarised statement of comprehensive income		
Revenue	10,610	8,677
Expenses	(8,349)	(7,137)
Profit for the period	2,261	1,540
Total comprehensive income	2,261	1,540
Summarised statement of financial position		
Current assets	14,681	13,452
Non-current assets	53,232	51,530
Total assets	67,913	64,982
Current liabilities	4,615	3,051
Total liabilities	4,615	3,051
Net assets	63,298	61,931
Summarised statement of cash flows		
Cash flows from operating activities	5,033	2,794
Cash flows from investing activities	(444)	(1,920)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

Cash flows from financing activities	(1,261)	(2,466)
Net increase (decrease) in cash and cash equivalents	3,328	(1,592)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

(b) Associates

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

Council has incorporated the following associates into its consolidated financial statements. On 1 July 2017 Council entered into a new agreement with other local councils to operate regional library services. Richmond Tweed Regional Library (RTRL) was previously controlled by Lismore City Council. The execution of the new agreement has resulted in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to, on termination of the agreement, equal share of the total equity as at 1 July 2017 and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

Summarised financial information for individually immaterial associates

In addition to the joint ventures and associates disclosed individually above, Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

\$ '000	2019	2018
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,191	1,200
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(8)	96
Total comprehensive income – individually immaterial associates	(8)	96

Accounting policy for associates

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

(c) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2019	2019
		Net profit	Net assets
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles.	(378)	20

Reasons for non-recognition

Council's share of NEWLOG net assets is 11.72%. Council considers this immaterial to the consolidated financial statements.

Note 16. Commitments

\$ '000	2019	2018
---------	------	------

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	1,541	1,900
Plant and equipment	137	48
Infrastructure	6,300	4,101
Land	–	3,494
Total commitments	7,978	9,543

These expenditures are payable as follows:

Within the next year	7,824	9,543
Later than one year and not later than 5 years	154	–
Total payable	7,978	9,543

Sources for funding of capital commitments:

Unrestricted general funds	3,689	2,314
Future grants and contributions	1,742	3,791
Section 7.11 and 64 funds/reserves	192	1,735
Unexpended grants	–	45
Externally restricted reserves	12	–
Internally restricted reserves	852	–
New loans (to be raised)	109	–
Unrestricted water funds	564	1,511
Unrestricted sewerage funds	818	147
Total sources of funding	7,978	9,543

Details of capital commitments

Capital commitments represent the unfulfilled portion of contracts awarded for asset related capital works, such as roads, water and sewer infrastructure.

(b) Operating lease commitments (non-cancellable)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
Within the next year	450	345
Later than one year and not later than 5 years	842	534
Later than 5 years	195	1
Total non-cancellable operating lease commitments	1,487	880

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

Leased assets include computer equipment, buildings, land, and land under water (over which marine assets are constructed).

Terms range from less than 1 year to 33 years remaining.

Conditions relating to operating leases:

No lease agreements impose any financial restrictions on Council regarding future debt etc.

Note 17. Contingencies and other assets/liabilities not recognised

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

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

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

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

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

Description of the funding arrangements.

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

Division B	1.9 x times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses. However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up. The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 1,402,091.07. The last valuation of the Scheme was performed by Mr. Richard Boyfield FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$624,400. Council's expected contribution to the plan for the next annual reporting period is \$1,326,712.52.

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

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

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

The share of this surplus that is broadly attributed to Council is estimated to be in the order of \$226,650 or 1.57% as at 30 June 2019.

Council's share of any deficit or surplus 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 or asset has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct any 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.

Past service contributions of \$1,258,000 are estimated to be remaining.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

ASSETS NOT RECOGNISED**(i) 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.

Note 18. Financial risk management

Risk management

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	21,868	10,627	21,868	10,627
Receivables	17,783	20,411	17,783	20,411
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	271,859	252,621	271,859	252,621
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	70,606	–	70,606	–
Fair value through profit and loss				
Investments				
– 'Held for trading'	–	64,081	–	64,081
Total financial assets	382,116	347,740	382,116	347,740
Financial liabilities				
Payables	12,041	16,990	12,041	16,990
Loans/advances	158,953	165,313	204,569	202,555
Total financial liabilities	170,994	182,303	216,610	219,545

Fair value is determined as follows:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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

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

Council's Financial Services unit manages the cash and investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and the Minister's investment order. This policy is regularly periodically 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 their changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	7,060	7,060	(7,060)	(7,060)
Possible impact of a 1% movement in interest rates	3,643	3,643	(3,643)	(3,643)
2018				
Possible impact of a 10% movement in market values	6,408	6,408	(6,408)	(6,408)
Possible impact of a 1% movement in interest rates	3,273	3,273	(3,273)	(3,273)

(b) Credit risk

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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 predominantly financial institutions 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.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	909	1,342	1,797	446	4,494
2018						
Gross carrying amount	–	460	1,226	1,928	248	3,862

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	12,645	–	340	20	383	13,388
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	17,206	–	192	60	392	17,850
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	3,955	8,085	–	–	12,040	12,041
Loans and advances	7.13%	–	20,485	71,867	161,080	253,432	158,953
Total financial liabilities		3,955	28,570	71,867	161,080	265,472	170,994
2018							
Trade/other payables	0.00%	4,469	12,521	–	–	16,990	16,990
Loans and advances	7.12%	–	20,494	75,321	177,077	272,892	165,313
Total financial liabilities		4,469	33,015	75,321	177,077	289,882	182,303

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 21/06/2018 and is not required to be audited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
REVENUES					
Rates and annual charges	111,136	112,063	927	1%	F
User charges and fees	46,920	49,774	2,854	6%	F
Interest and investment revenue	9,821	10,361	540	5%	F
Other revenues	2,954	3,508	554	19%	F
Council received \$581,000 from Department of Justice as an ex-gratia payment reimbursing costs incurred for clean-up of residential properties subsequent to the March 2017 flood event.					
Operating grants and contributions	17,553	26,468	8,915	51%	F
Grants associated with the March 2017 flood event amounted to \$8.5 million.					
Capital grants and contributions	17,319	24,858	7,539	44%	F
Non-cash contributions, representing dedicated assets, are not included in the budget.					
EXPENSES					
Employee benefits and on-costs	57,915	56,616	1,299	2%	F
Borrowing costs	11,665	12,203	(538)	(5)%	U
Materials and contracts	47,707	49,024	(1,317)	(3)%	U
Depreciation and amortisation	42,624	46,387	(3,763)	(9)%	U
Other expenses	16,931	15,334	1,597	9%	F
Net losses from disposal of assets	–	7,198	(7,198)	∞	U
STATEMENT OF CASH FLOWS					
Net cash provided from (used in) operating activities	83,140	91,922	8,782	11%	F
Grants and contributions receipts exceeded budget expectations.					
Net cash provided from (used in) investing activities	(59,932)	(74,091)	(14,159)	24%	U
Net purchases of investment securities exceeded budget expectations. Capital works such as Byrill Creek bridge, Industry Central, water reservoirs, Cudgen Creek boardwalk and the Rail Trail either exceeded budget expectations or were not foreseen and were not included in the original budget.					

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net cash provided from (used in) financing activities	(5,772)	(6,590)	(818)	14% U
Budgeted borrowing for bridge reconstruction did not proceed as the works were deferred.				

Note 20. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Held for trading'		30/06/19	–	–	–	–
– 'Financial assets at fair value through other comprehensive income'			–	70,606	–	70,606
Total financial assets			–	70,606	–	70,606
Infrastructure, property, plant and equipment						
	9(a)					
Operational land		01/07/18	–	331,741	–	331,741
Community land including Crown land		01/07/18	–	–	145,326	145,326
Land under roads		01/07/18	–	–	60,071	60,071
Buildings		01/07/18	–	–	142,198	142,198
Roads (including bulk earthworks)		30/06/15	–	–	674,787	674,787
Bridges		30/06/15	–	–	161,636	161,636
Footpaths		30/06/15	–	–	33,231	33,231
Stormwater drainage		30/06/15	–	–	158,410	158,410
Water supply network		01/07/16	–	–	508,960	508,960
Sewerage network		01/07/16	–	–	539,251	539,251
Total infrastructure, property, plant and equipment			–	331,741	2,423,870	2,755,611
Fair value measurement hierarchy						

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs Restated	Level 3 Significant unobservable inputs Restated	Total
2018						
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/18	–	64,081	–	64,081
Total financial assets			–	64,081	–	64,081
Infrastructure, property, plant and equipment	9(a)					
Operational land		01/07/18	–	347,670	–	347,670
Community land including Crown land		01/07/18	–	–	105,748	105,748
Land under roads		01/07/18	–	–	45,124	45,124
Buildings		01/07/18	–	–	160,114	160,114
Roads (including bulk earthworks)		30/06/15	–	–	672,551	672,551
Bridges		30/06/15	–	–	162,017	162,017
Footpaths		30/06/15	–	–	33,580	33,580
Stormwater drainage		30/06/15	–	–	158,996	158,996
Water supply network		01/07/16	–	–	505,045	505,045
Sewerage network		01/07/16	–	–	541,149	541,149
Total infrastructure, property, plant and equipment			–	347,670	2,384,324	2,731,994

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 reporting period, there were no transfers between level 1 and level 2 fair value hierarchies.

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

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

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

Financial assets

Council's financial assets are held in a number of forms including cash on hand and at bank, deposits at call, term deposits, floating rate notes and fixed rate bonds. Of these, floating rate notes and fixed rate bonds are fair valued.

These investments are valued by Laminar Group Pty Ltd, using marked to market methodology. Laminar has elected to use the mid-price, that is, the price point that falls halfway between the bid and offer spread to value securities held in portfolios within the Treasury Direct system. Typically when an asset has no bid price or ask price, other level 2 inputs are used to determine the most appropriate fair value, such as quoted prices for similar assets, interest rates, yield curves and credit spreads. Appropriateness may change depending upon market conditions and asset type.

Movements in investments, including fair value movements, are reported to Council monthly.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

Operational Land

Council's operational land includes all of Council's land classified as operational land under the Local Government Act 1993. Land use is extremely varied and includes public parks, drainage reserves, sportsfields, sewer pump stations and other uses.

Valuation indices are applied on an annual basis only where the percentage indexation results in a material change. A comprehensive revaluation is ordinarily completed every five years, the most recent one being performed for 1 July 2018 by APV Valuers and Asset Management.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence such as sales of dissimilar but comparable land. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Current Replacement Cost) rather than the amount for which it could be sold (Market Value).

Operational land has historically been valued at highest and best use; that is at values provided by independent professional valuers. The *Local Government Code of Accounting Practice and Financial Reporting – Appendix F* – references NSW Treasury Policy Paper TPP14-01 which promotes the need to take restrictions on assets into account in determining asset values. As crown land has restrictions imposed by the state government that Council cannot remove – Council has used the Valuer Generals' valuations as a proxy for these restricted land parcels. Likewise canal land which is predominately under water has also been re assessed using Valuer Generals' valuations.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining a rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 2.

Community Land

Council's Community Land is land owned by Council and Council Administered Crown Land (CACL). It is land intended for public access and use or where other restrictions applied to the land create some obligation to maintain public access. Many of these parcels of land have no practical use other than for parks, reserves and cemeteries. Community Land cannot be sold, cannot be leased or licensed for more than 21 years at a time and must have a plan of management for it.

A revaluation was performed for 1 July 2018 (value date), when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2017. Only in a couple of instances where the Valuer has not yet provided a land value, a unit rate per square metre is applied at the same rate as a similar community land parcel within close proximity.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

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

Land under Roads is land under roadways, and road reserves, including land under footpaths, nature strips and median strips, as per AASB1051.

Land under Roads was recognised for the first time at 30 June 2011. Council elected to recognise Land under Roads acquired pre 1 July 2008 and post 30 June 2008 as per ASSB 116 - Property, Plant and Equipment. Fair Value for Land under Roads was determined using the Englobio methodology derived from the Local Government Code of Accounting Practice and Financial Reporting. This method applies the total shires road reserve in square metres to the average shires rate calculated from the latest Valuers General Unimproved Capital Values (UCV), with a 90% discount.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

A revaluation was performed for 1 July 2018 (value date), when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2017.

This asset class is categorised as Level 3 as inputs used in the valuation require significant professional judgement and are therefore unobservable.

Buildings

Buildings are owned or controlled. They are componentised into Floor, Building Envelope, Floor Fit-out, Internal Screens Fit-out, Roof, Mechanical Services, Fire Services and Transportation and Security Services. Building use is extremely varied and includes civic centre administration, depot, community and cultural services such as museums, art galleries, libraries, childcare and aged care, sport and recreation clubhouse amenities and public amenities.

A comprehensive revaluation is ordinarily completed every five years, the most recent one being performed for 1 July 2018 by a registered valuation company.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence; Such as sales of dissimilar but comparable buildings or if the value is driven by its cash generation, a Discounted Cash Flow (DCF) approach is used to determine its fair value. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Depreciated Current Replacement Cost) rather than what you could sell it for (Market Value).

This asset class is categorised as Level 3 with the key unobservable input to the valuation being the Gross Replacement Cost which is influenced by changes in construction costs. Other unobservable inputs are condition changes to any of the buildings components and hence patterns of consumption and remaining useful life. Professional judgement is required to establish the value of a building which is intrinsically linked to the value of the associated land, as combined, they represent fair value of the entire parcel.

The depreciation method used for this asset class is straight line.

Roads

This asset class comprises the Road Carriageway, Car Parks, Kerb and Gutter, Retaining Walls and Traffic Facilities. The road carriageway consists of the trafficable portion of a road, between but not including the kerb and gutter. The road carriageway is componentised into surface, pavement, pavement sub base and formation and further separated into segments for inspection and valuation.

A valuation of Road assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

The valuation process commences with a condition assessment of each asset. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The condition of Tweed Shire Council's road segment asset stock is determined by visual inspection in a revaluation year, with the latest condition assessment undertaken late in 2015.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption and remaining service potential. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Bridges

Council's Bridge asset register consists of all pedestrian and vehicle access bridges. Bridge assets are componentised into significant parts with different useful lives and patterns of consumption, including the Sub Structure (abutments and foundations), Super Structure, Rails and Surface (where applicable).

A valuation of Bridge assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

The valuation process commences with a condition assessment of each asset. Bridges were physically inspected to determine condition. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The data collected is used to calculate the remaining service potential of each asset with the latest condition assessment undertaken late in 2015.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life and remaining life. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Footpaths

This asset class consists of footpaths on road reserves and cycle-ways on Council owned and controlled reserves. Footpaths are segmented to match the adjacent road segment. No further componentisation is undertaken.

A valuation of Footpath assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

A condition assessment was undertaken by an external provider in 2015 to determine footpath condition ratings. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. Footpath unit rates were developed by a registered valuation company. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgement based on historical information and experience was applied in determining and remaining useful life. The depreciation method used for this asset class is condition based straight-line.

Drainage Infrastructure

This asset class consists of pits, pipes, open channels, culverts and headwalls. Pipes are segmented from node to node. No further componentisation is undertaken.

A valuation of Drainage assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

Fair Values were calculated by a registered valuation company. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, and remaining life. Asset conditions are assumed based on the age of the pipe with some sample testing via CCTV inspections. A condition scale of 1 to 5 is assigned to each asset, with 1 representing

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

excellent condition and 5 representing very poor condition. The depreciation method used for this asset class is condition based straight-line.

Water Supply Network

Assets within this class comprise dams, weirs, reservoirs, water treatment plant, water pumping stations and water pipelines. This asset class is classified as being valued using Level 3 inputs.

The water supply network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 1.6% for the 2018/19 reporting period. This asset class is classified as being valued using Level 3 inputs.

Sewerage Network

Assets within this class comprise sewer treatment plants, sewer pumping stations, sewer pipelines. This asset class is classified as being valued using Level 3 inputs.

The sewerage network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 1.6% for the 2018/19 reporting period.

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

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

\$ '000	Community Land	Land under Roads	Buildings	Roads	Bridges
2018					
Opening balance	105,207	44,950	151,637	666,667	162,899
Purchases (GBV)	536	174	10,753	21,464	1,372
Disposals (WDV)	–	–	(354)	(3,191)	–
Depreciation and impairment	–	–	(1,922)	(12,463)	(2,254)
FV gains – other comprehensive income	–	–	–	73	–
Other movement	5	–	–	–	–
Closing balance	105,748	45,124	160,114	672,550	162,017
2019					
Opening balance	105,748	45,124	160,114	672,550	162,017
Purchases (GBV)	585	43	4,272	14,936	2,437
Disposals (WDV)	–	–	(2,967)	(480)	(548)
Depreciation and impairment	–	–	(2,636)	(12,339)	(2,270)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Community Land	Land under Roads	Buildings	Roads	Bridges
FV gains – other comprehensive income	17,582	14,904	(16,585)	120	–
Other movement	21,411	–	–	–	–
Closing balance	145,326	60,071	142,198	674,787	161,636

\$ '000	Footpaths	Stormwater drainage	Water supply network	Sewerage network	Total
2018					
Opening balance	33,195	156,623	500,770	533,105	2,355,053
Purchases (GBV)	1,148	4,873	3,128	7,572	51,020
Disposals (WDV)	(100)	(59)	(1,754)	(438)	(5,896)
Depreciation and impairment	(703)	(2,540)	(7,346)	(11,392)	(38,620)
FV gains – other comprehensive income	40	99	10,247	12,302	22,761
Other movement	–	–	–	–	5
Closing balance	33,580	158,996	505,045	541,149	2,384,323
2019					
Opening balance	33,580	158,996	505,045	541,149	2,384,323
Purchases (GBV)	450	2,005	5,043	4,895	34,666
Disposals (WDV)	(95)	(123)	(1,992)	(453)	(6,658)
Depreciation and impairment	(720)	(2,582)	(7,461)	(11,584)	(39,592)
FV gains – other comprehensive income	16	114	8,325	5,244	29,720
Other movement	–	–	–	–	21,411
Closing balance	33,231	158,410	508,960	539,251	2,423,870

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,692	1,816
Post-employment benefits	184	177
Other long-term benefits	3	32
Termination benefits	–	166
Total	1,879	2,191

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Employee expenses relating to close family members of KMP	1	128	–		–	–
2018						
Employee expenses relating to close family members of KMP	1	121	–		–	–

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

Note 21. Related Party Transactions (continued)

¹ Close family members of Council's KMP are employed by Council under the relevant pay award on an arm's length basis. There is 1 close family member of KMP currently employed by Council.

Note 22. Events occurring after the reporting date

The Crown Land Amendment Act 2016 came into effect on 1 July 2018. As part of the enactment process, councils were granted a 12-month transition period to make the necessary operational changes from being a Reserve Trust Manager under the Crown Lands Act 1989 to a Crown Land Manager under the Crown Land Amendment Act 2016.

With effect from 1 July 2019, the Tweed Coast Holiday Parks Reserve Trust ceased operation and Crown Reserves previously recorded in the Trust were transferred to Council's General Fund. Tweed Holiday Parks will continue to provide funding for the ongoing maintenance of Crown Reserves.

Tweed Holiday Parks which were previously accounted for under the Tweed Coast Holiday Parks Reserve Trust will continue to operate as a separate Business Activity and as such will be reported in the Special Purpose Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	630	14	–	18	(41)	–	621	–
Roads	18,862	1,358	–	1,562	(227)	–	21,555	–
Traffic facilities	150	15	–	5	(1)	–	169	–
Parking	1,700	–	–	50	(47)	–	1,703	–
Open space	10,999	1,636	–	306	(589)	–	12,352	–
Community facilities	4,222	416	–	133	(77)	–	4,694	–
Other	1,766	440	–	58	(472)	–	1,792	–
Path/cycleways	496	93	–	16	(5)	–	600	–
Street trees	238	–	–	7	(4)	–	241	–
S7.11 contributions – under a plan	39,063	3,972	–	2,155	(1,463)	–	43,727	–
Total S7.11 and S7.12 revenue under plans	39,063	3,972	–	2,155	(1,463)	–	43,727	–
S7.11 not under plans	860	–	–	25	–	–	885	–
S64 contributions	–	4,346	2,155	–	(4,346)	–	–	–
Total contributions	39,923	8,318	2,155	2,180	(5,809)	–	44,612	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Open space	5,078	–	–	128	–	–	5,206	–
------------	-------	---	---	-----	---	---	-------	---

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Total	5,078	–	–	128	–	–	5,206	–
CONTRIBUTION PLAN NUMBER 2								
Drainage	426	3	–	12	(40)	–	401	–
Total	426	3	–	12	(40)	–	401	–
CONTRIBUTION PLAN NUMBER 3								
Community facilities	2	–	–	–	–	–	2	–
Total	2	–	–	–	–	–	2	–
CONTRIBUTION PLAN NUMBER 4								
Roads	18,761	1,358	–	1,559	(227)	–	21,451	–
Total	18,761	1,358	–	1,559	(227)	–	21,451	–
CONTRIBUTION PLAN NUMBER 5								
Open space	640	198	–	21	(147)	–	712	–
Total	640	198	–	21	(147)	–	712	–
CONTRIBUTION PLAN NUMBER 6								
Street trees	238	–	–	7	(4)	–	241	–
Total	238	–	–	7	(4)	–	241	–
CONTRIBUTION PLAN NUMBER 7								
Drainage	204	11	–	6	(1)	–	220	–
Open space	752	34	–	23	(2)	–	807	–
Total	956	45	–	29	(3)	–	1,027	–
CONTRIBUTION PLAN NUMBER 11								
Community facilities (libraries)	826	213	–	28	(67)	–	1,000	–
Total	826	213	–	28	(67)	–	1,000	–
CONTRIBUTION PLAN NUMBER 12								
Traffic facilities – bus shelters (other)	150	15	–	5	(1)	–	169	–
Total	150	15	–	5	(1)	–	169	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 13								
Other (cemeteries)	88	30	–	3	(23)	–	98	–
Total	88	30	–	3	(23)	–	98	–
CONTRIBUTION PLAN NUMBER 14								
Roads (mebbin springs)	101	–	–	3	–	–	104	–
Total	101	–	–	3	–	–	104	–
CONTRIBUTION PLAN NUMBER 15								
Community facilities	2,087	203	–	66	(10)	–	2,346	–
Total	2,087	203	–	66	(10)	–	2,346	–
CONTRIBUTION PLAN NUMBER 16								
Other (surf lifesaving)	104	7	–	3	(16)	–	98	–
Total	104	7	–	3	(16)	–	98	–
CONTRIBUTION PLAN NUMBER 18								
Other (council admin fees)	1,574	403	–	52	(433)	–	1,596	–
Total	1,574	403	–	52	(433)	–	1,596	–
CONTRIBUTION PLAN NUMBER 19								
Open space	(420)	8	–	(12)	–	–	(424)	–
Community facilities	1,272	–	–	38	–	–	1,310	–
Path/cycleways	114	–	–	3	–	–	117	–
Total	966	8	–	29	–	–	1,003	–
CONTRIBUTION PLAN NUMBER 21								
Open space	2	–	–	–	–	–	2	–
Community facilities	35	–	–	1	–	–	36	–
Total	37	–	–	1	–	–	38	–
CONTRIBUTION PLAN NUMBER 22								
Path/cycleways (shire wide cycleways)	382	93	–	13	(5)	–	483	–
Total	382	93	–	13	(5)	–	483	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 23								
Parking (shire wide car parking)	1,700	–	–	50	(47)	–	1,703	–
Total	1,700	–	–	50	(47)	–	1,703	–
CONTRIBUTION PLAN NUMBER 25								
Open space (salt open space)	1,189	30	–	35	(1)	–	1,253	–
Total	1,189	30	–	35	(1)	–	1,253	–
CONTRIBUTION PLAN NUMBER 26								
Open space (shirewide)	2,510	1,158	–	98	(375)	–	3,391	–
Total	2,510	1,158	–	98	(375)	–	3,391	–
CONTRIBUTION PLAN NUMBER 27								
Open space	384	163	–	13	(16)	–	544	–
Total	384	163	–	13	(16)	–	544	–
CONTRIBUTION PLAN NUMBER 28								
Open space	865	45	–	–	(48)	–	862	–
Total	865	45	–	–	(48)	–	862	–

S7.11 Contributions – not under a plan

CONTRIBUTIONS NOT UNDER A PLAN

Drainage	311	–	–	9	–	–	320	–
Traffic facilities	115	–	–	4	–	–	119	–
Open space	457	–	–	13	–	–	470	–
Community facilities	(25)	–	–	(1)	–	–	(26)	–
Footpath	2	–	–	–	–	–	2	–
Total	860	–	–	25	–	–	885	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	76,558	6,017	29,614
User charges and fees	21,985	24,156	3,641
Interest and investment revenue	5,795	1,667	2,899
Other revenues	3,331	168	9
Grants and contributions provided for operating purposes	25,473	424	571
Grants and contributions provided for capital purposes	18,357	3,369	3,132
Total income from continuing operations	151,499	35,801	39,866
Expenses from continuing operations			
Employee benefits and on-costs	44,321	5,082	7,213
Borrowing costs	5,701	4,243	2,259
Materials and contracts	30,323	9,504	9,197
Depreciation and amortisation	27,065	7,549	11,773
Other expenses	11,912	1,356	2,200
Net losses from the disposal of assets	2,760	3,971	467
Share of interests in joint ventures and associates using the equity method	8	–	–
Total expenses from continuing operations	122,090	31,705	33,109
Operating result from continuing operations	29,409	4,096	6,757
Net operating result for the year	29,409	4,096	6,757
Net operating result attributable to each council fund	29,409	4,096	6,757
Net operating result for the year before grants and contributions provided for capital purposes	11,052	727	3,625

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	24,567	(4,184)	1,485
Investments	78,801	27,000	62,000
Receivables	11,018	3,581	2,921
Inventories	791	–	–
Other	438	37	75
Total current assets	115,615	26,434	66,481
Non-current assets			
Investments	97,664	40,000	37,000
Receivables	263	–	–
Infrastructure, property, plant and equipment	1,682,186	568,428	604,706
Investments accounted for using the equity method	1,192	–	–
Intangible assets	1,034	15	–
Total non-current assets	1,782,339	608,443	641,706
TOTAL ASSETS	1,897,954	634,877	708,187
LIABILITIES			
Current liabilities			
Payables	10,492	454	400
Income received in advance	7,913	–	–
Borrowings	4,645	1,640	2,830
Provisions	22,813	–	–
Total current liabilities	45,863	2,094	3,230
Non-current liabilities			
Payables	695	–	–
Borrowings	70,641	57,558	21,639
Provisions	5,506	–	–
Total non-current liabilities	76,842	57,558	21,639
TOTAL LIABILITIES	122,705	59,652	24,869
Net assets	1,775,249	575,225	683,318
EQUITY			
Accumulated surplus	1,013,060	216,682	256,824
Revaluation reserves	762,189	358,543	426,494
Council equity interest	1,775,249	575,225	683,318
Total equity	1,775,249	575,225	683,318

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	22,659	11.20%	11.26%	11.26%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	202,223				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	173,850	76.56%	71.17%	74.40%	>60.00%
Total continuing operating revenue ¹	227,081				
3. Unrestricted current ratio					
Current assets less all external restrictions	60,121	2.76x	1.77x	3.52x	>1.50x
Current liabilities less specific purpose liabilities	21,774				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	81,249	3.86x	3.81x	3.66x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	21,043				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	5,185	4.50%	3.99%	4.35%	<10.00%
Rates, annual and extra charges collectible	115,157				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	293,727	23.43 mths	21.55 mths	20.70 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	12,535				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	10.42%	12.93%	14.49%	9.51%	11.14%	6.41%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	70.28%	64.01%	88.36%	84.93%	89.80%	87.19%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.76x	1.77x	4.88x	7.67x	20.58x	8.67x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.61x	5.16x	2.85x	2.20x	3.54x	3.00x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.49%	3.98%	6.53%	4.05%	4.13%	3.99%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.96	13.29	39.45	32.81	55.99	46.84	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

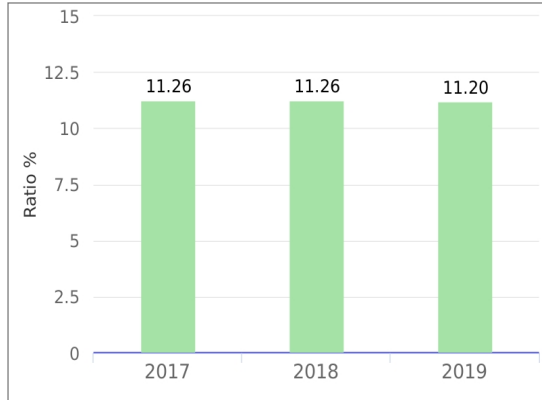
(1) - (2) Refer to Notes at Note 28a above.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2018/19 result	
2018/19 ratio	11.20%
Remains at an acceptable level	

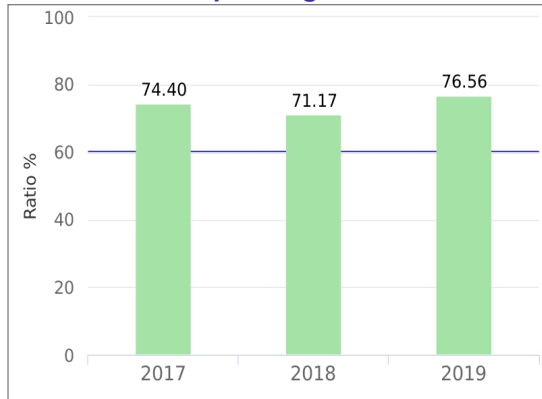
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2018/19 result	
2018/19 ratio	76.56%
Remains at an acceptable level	

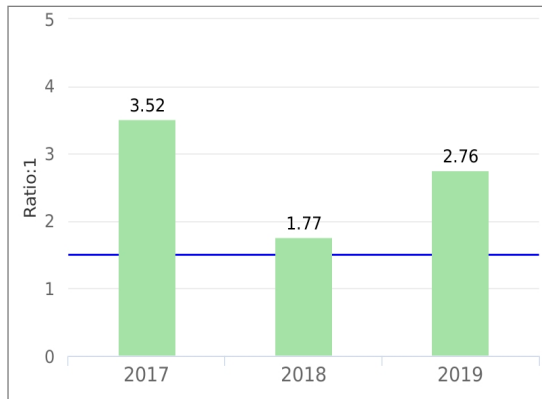
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2018/19 result	
2018/19 ratio	2.76x
Higher proportion of shorter term investments has improved this ratio	

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

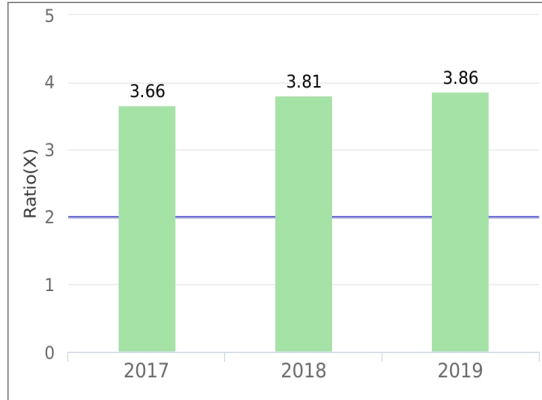
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2018/19 result

2018/19 ratio 3.86x

Remains at an acceptable level

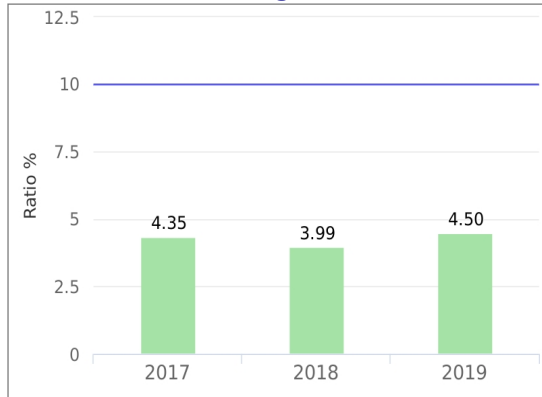
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2018/19 result

2018/19 ratio 4.50%

Remains at an acceptable ratio

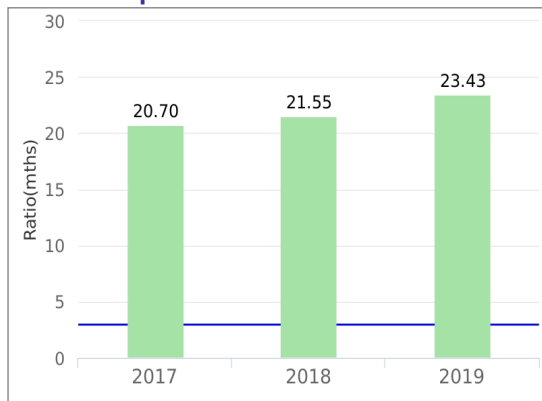
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2018/19 result

2018/19 ratio 23.43 mths

Remains at an acceptable ratio

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

Civic & Cultural Centre Tumbulgum Road
Murwillumbah NSW 2484

Contact details

Mailing Address:

PO Box 816
Murwillumbah NSW 2484

Opening hours:

8:30am - 4:15pm
Monday to Friday
Closed Public Holidays

Telephone: 1300 292 872

Facsimile: 02 6670 2149

Internet: www.tweed.nsw.gov.au

Email: tsc@council.nsw.gov.au

Officers

General Manager
Troy Green

Responsible Accounting Officer

Michael Chorlton

Auditor

Audit Office of New South Wales

Elected members

Mayor

Katie Milne

Councillors

Pryce Allsop
Reece Byrnes
Chris Cherry
Ron Cooper
James Owen
Warren Polglase

Other information

ABN: 90 178 732 496



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Tweed Shire Council

To the Councillors of the Tweed Shire Council

Opinion

I have audited the accompanying financial statements of Tweed Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

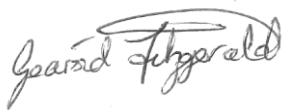
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

26 November 2019
SYDNEY



Cr Katie Milne
 Mayor
 Tweed Shire Council
 PO Box 816
 MURWILLUMBAH NSW 2484

Contact: Gearoid Fitzgerald
 Phone no: 02 9275 7392
 Our ref: D1928264/1795

26 November 2019

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of Tweed Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	112.1	108.6	↑ 3.2
Grants and contributions revenue	51.3	66.7	↓ 23.1
Operating result for the year	40.3	51.9	↓ 22.4
Net operating result before capital grants and contributions	15.4	16.5	↓ 6.7

Council's operating result (\$40.3 million including the effect of depreciation and amortisation expense of \$46.4 million) was \$11.6 million lower than the 2017–18 result.

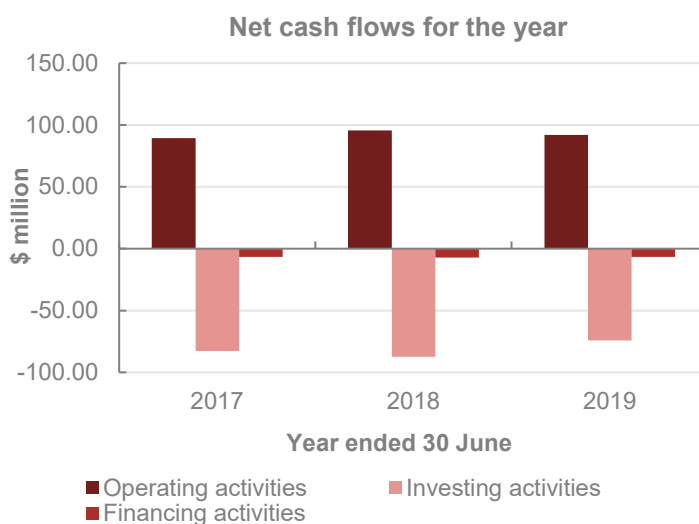
This key drivers of the movement in operating result are:

- Significant one-off funding was received in 2017–18, including:
 - Recognition of Council's share in Richmond Tweed Regional Library (\$1.1 million)
 - Insurance recoveries relating to the 2017 flood damage (\$2.7 million)
 - Grant funding relating to the 2017 flood damage (\$11 million)
- Decrease in grants and contributions received for operating purposes of \$4.9 million
- Increased rate and annual charges revenue of \$3.5 million
- Increase in caravan park 'User Charges and fees' of \$1.7 million due to park closures for upgrades performed during 2017–18.

All other revenue and expenditure remained relatively consistent with the prior year given no major changes occurring in the operation or strategic direction of the Council.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities have been positive and remained stable over the past three years.
- More cash was used in investing activities in 2018 to replace and/or restore property, plant and equipment lost and/or damaged in the March 2017 flood event.
- Financing activities have remained consistent over the 3-year period, as there have been no major changes to Council's borrowing activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	254.3	232.2	<ul style="list-style-type: none"> • Externally restricted cash and investments have increased compared to the prior year with a number of developments in the area giving rise to significant increases in Developer Contributions and water and sewer asset replacements. • Internally restricted cash and investments relating to Non-DWM management and carry over works have increased from the prior year.
Internal restrictions	99.2	87.3	
Unrestricted	10.9	7.8	
Cash and investments	364.4	327.3	

Debt

Council has total borrowings of \$159 million (\$165.3 million at 30 June 2018). An additional \$2.25 million was borrowed during the year. Council continues to repay borrowings in accordance with existing loan agreements.

Council also has other financing facilities available of \$1.3 million which comprise the bank overdraft and purchase card facilities.

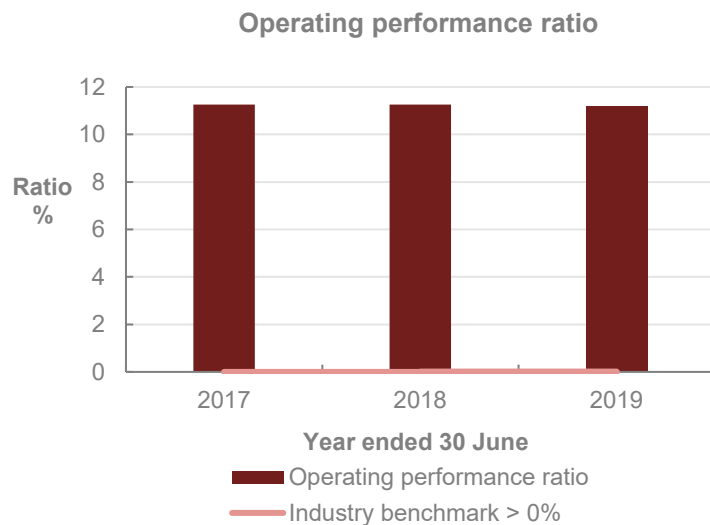
At 30 June 2019 the bank overdraft facility was undrawn and the purchase card facility was drawn by \$0.02 million.

PERFORMANCE

Operating performance ratio

Council's 'operating performance ratio' of 11.2 per cent continues to exceed the industry benchmark and is consistent across the years.

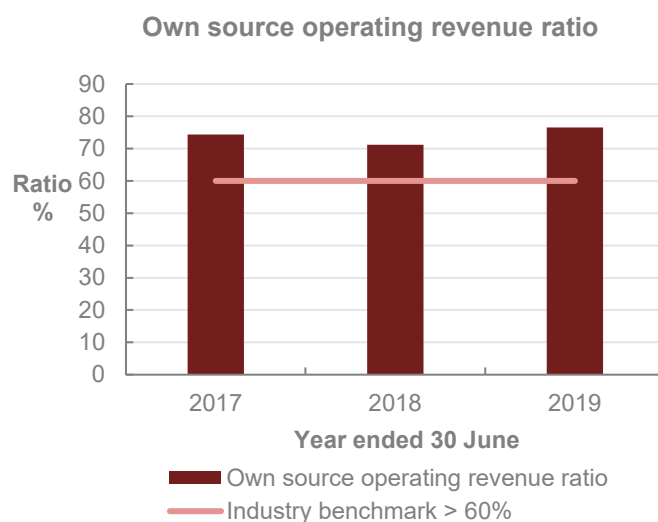
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council continues to exceed the industry benchmark which illustrates that revenue streams, such as the Tweed Coast Holiday Parks, reduce the reliance on government funding.

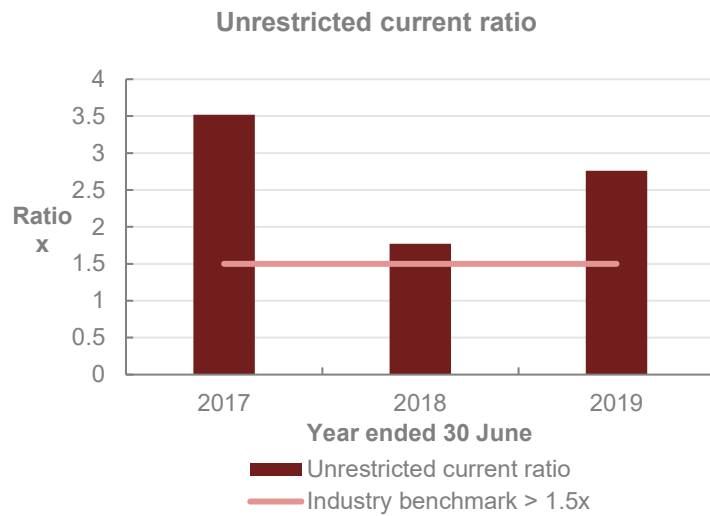
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council's 'unrestricted current ratio' exceeds the industry benchmark and has improved in the current year. A key driver of this is investment in short term financial assets, which has increased current investments by \$56.2 million.

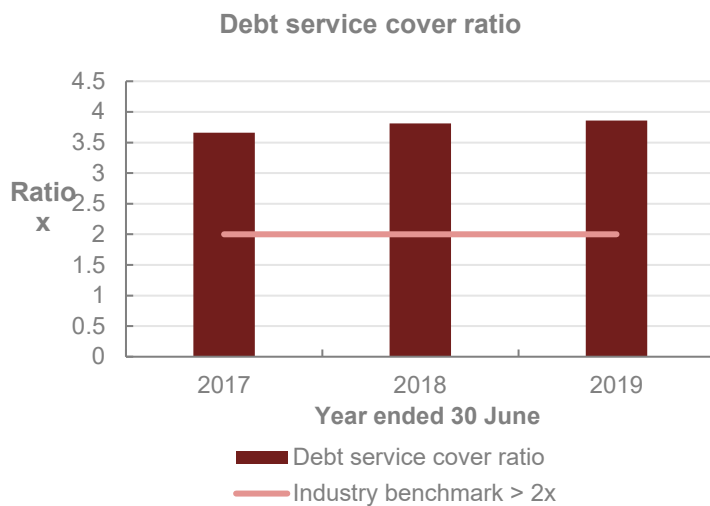
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

While Council's 'debt service cover ratio' of 3.9 times remains above the industry benchmark, it has increased from the prior year due to an increase in Council's result before capital grants and contributions.

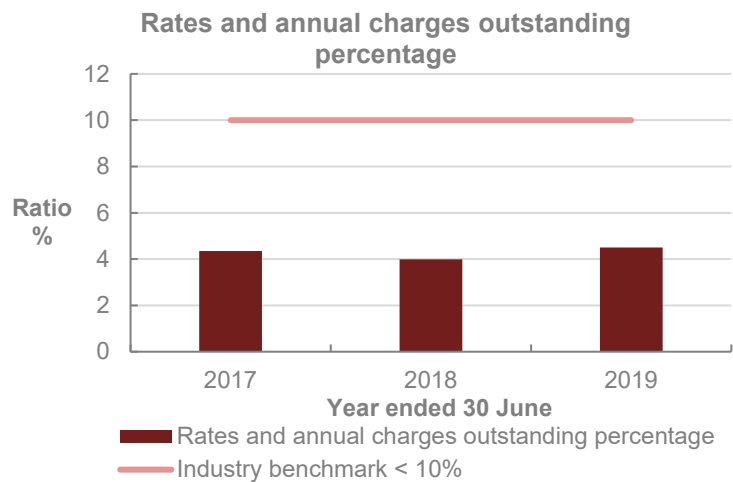
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's 'rates and annual charges outstanding ratio' of 4.5 per cent continues to be below the industry benchmark and reflects Council's ongoing debt recovery activity.

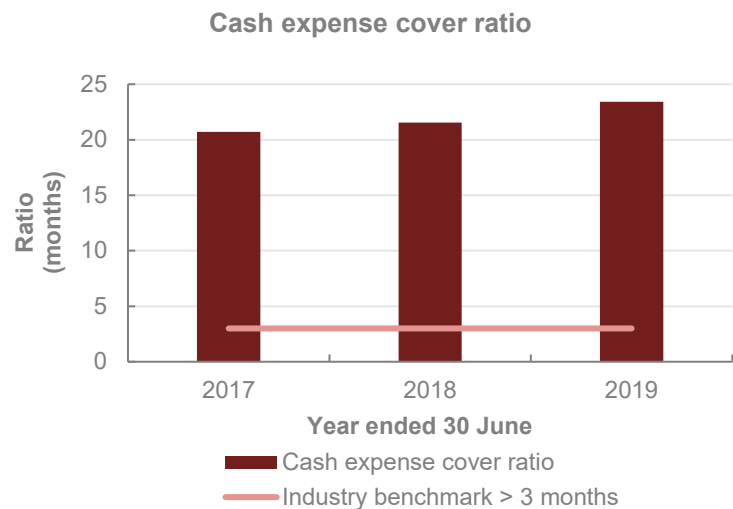
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council continues to maintain its 'cash expense cover ratio' well above the industry benchmark.

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



Infrastructure, property, plant and equipment renewals

Council's infrastructure renewal expenditure in the 2018–19 year was \$29.9 million compared to \$41.6 million in the 2017–18 financial year.

For the past two years, renewal expenditure has been below the rate at which these assets are depreciating.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 1.</p>

Prior period error

Council performed a comprehensive revaluation of operational land and buildings as at 1 July 2018. In completing the revaluation, it was identified that previously, external restrictions placed on the operational land (including Crown land and land under canals) were not incorporated in the valuation. It was also noted that land under canals was previously recorded as Other Infrastructure. Valuer General (VG) values were subsequently adopted as a valuation basis for Crown land and land under canals. These were considered as prior period errors and they were adjusted retrospectively. Council's disclosure of the impact of correcting this prior period error is disclosed in Note 13(b).

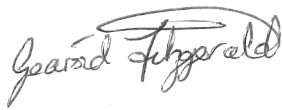
Legislative compliance

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

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

The Council's:

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



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

cc: Mr Troy Green, General Manager
Mr Colin Wight, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Living and loving the Tweed



Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Holiday Parks	6
Income Statement – Commercial Waste	7
Statement of Financial Position – Water Supply Business Activity	8
Statement of Financial Position – Sewerage Business Activity	9
Statement of Financial Position – Holiday Parks	10
Statement of Financial Position – Commercial Waste	11
Correction of Prior Period Errors - Tweed Coast Holiday Parks	12
Note 1 – Significant Accounting Policies	13
Auditor's Report on Special Purpose Financial Statements	16

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).

Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

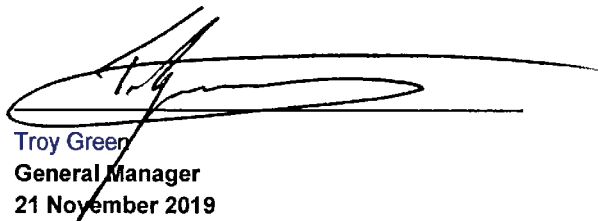
Signed in accordance with a resolution of Council made on 21 November 2019.



Katie Milne
Mayor
21 November 2019



Chris Cherry
Councillor
21 November 2019



Troy Green
General Manager
21 November 2019



Michael Chorlton
Responsible Accounting Officer
21 November 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	6,017	5,820
User charges	24,156	23,582
Interest	1,667	1,629
Grants and contributions provided for non-capital purposes	424	371
Other income	168	370
Total income from continuing operations	32,432	31,772
Expenses from continuing operations		
Employee benefits and on-costs	5,082	5,058
Borrowing costs	4,243	4,355
Materials and contracts	9,504	9,509
Depreciation, amortisation and impairment	7,549	7,432
Loss on sale of assets	3,971	1,754
Calculated taxation equivalents	942	937
Debt guarantee fee (if applicable)	296	304
Other expenses	1,356	1,461
Total expenses from continuing operations	32,943	30,810
Surplus (deficit) from continuing operations before capital amounts	(511)	962
Grants and contributions provided for capital purposes	3,369	5,200
Surplus (deficit) from continuing operations after capital amounts	2,858	6,162
Surplus (deficit) from all operations before tax	2,858	6,162
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(265)
SURPLUS (DEFICIT) AFTER TAX	2,858	5,897
Plus accumulated surplus	212,695	205,400
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	942	937
– Debt guarantee fees	296	304
– Corporate taxation equivalent	–	265
Less:		
– Tax equivalent dividend paid	(109)	(108)
Closing accumulated surplus	216,682	212,695
Return on capital %	0.7%	0.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	2,858	5,897
Less: capital grants and contributions (excluding developer contributions)	(457)	(980)
Surplus for dividend calculation purposes	2,401	4,917
Potential dividend calculated from surplus	1,201	2,459

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	29,614	28,717
Liquid trade waste charges	3,069	3,057
Fees	572	573
Interest	2,899	2,379
Grants and contributions provided for non-capital purposes	571	555
Other income	9	93
Total income from continuing operations	36,734	35,374
Expenses from continuing operations		
Employee benefits and on-costs	7,213	7,125
Borrowing costs	2,259	2,457
Materials and contracts	9,197	8,483
Depreciation, amortisation and impairment	11,773	11,516
Loss on sale of assets	467	438
Calculated taxation equivalents	1,116	1,102
Debt guarantee fee (if applicable)	123	137
Other expenses	2,200	2,423
Total expenses from continuing operations	34,348	33,681
Surplus (deficit) from continuing operations before capital amounts	2,386	1,693
Grants and contributions provided for capital purposes	3,132	4,787
Surplus (deficit) from continuing operations after capital amounts	5,518	6,480
Surplus (deficit) from all operations before tax	5,518	6,480
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(656)	(466)
SURPLUS (DEFICIT) AFTER TAX	4,862	6,014
Plus accumulated surplus	250,176	242,560
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,116	1,102
– Debt guarantee fees	123	137
– Corporate taxation equivalent	656	466
Less:		
– Tax equivalent dividend paid	(109)	(103)
Closing accumulated surplus	256,824	250,176
Return on capital %	0.8%	0.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	4,862	6,014
Less: capital grants and contributions (excluding developer contributions)	(1,698)	(2,539)
Surplus for dividend calculation purposes	3,164	3,475
Potential dividend calculated from surplus	1,582	1,738

Income Statement – Holiday Parks

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Fees	9,912	8,171
Interest	298	385
Other income	400	121
Total income from continuing operations	10,610	8,677
Expenses from continuing operations		
Employee benefits and on-costs	492	480
Materials and contracts	2,965	2,413
Depreciation, amortisation and impairment	440	703
Loss on sale of assets	297	117
Calculated taxation equivalents	582	563
Other expenses	4,156	3,424
Total expenses from continuing operations	8,932	7,700
Surplus (deficit) from continuing operations before capital amounts	1,678	977
Surplus (deficit) from continuing operations after capital amounts	1,678	977
Surplus (deficit) from all operations before tax	1,678	977
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(461)	(269)
SURPLUS (DEFICIT) AFTER TAX	1,217	708
Plus accumulated surplus	31,328	32,254
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	582	563
– Corporate taxation equivalent	461	269
Less:		
– Dividend paid	(1,260)	(2,466)
Closing accumulated surplus	32,328	31,328
Return on capital %	3.2%	1.9%

Income Statement – Commercial Waste

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Access charges	2,915	2,772
User charges	3,259	3,933
Other income	377	8
Total income from continuing operations	6,551	6,713
Expenses from continuing operations		
Employee benefits and on-costs	392	248
Borrowing costs	210	82
Materials and contracts	2,475	2,679
Depreciation, amortisation and impairment	98	145
Loss on sale of assets	19	–
Calculated taxation equivalents	58	61
Other expenses	158	296
Total expenses from continuing operations	3,410	3,511
Surplus (deficit) from continuing operations before capital amounts	3,141	3,202
Surplus (deficit) from continuing operations after capital amounts	3,141	3,202
Surplus (deficit) from all operations before tax	3,141	3,202
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(864)	(881)
SURPLUS (DEFICIT) AFTER TAX	2,277	2,321
Plus accumulated surplus	19,484	16,221
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	58	61
– Corporate taxation equivalent	864	881
Closing accumulated surplus	22,683	19,484
Return on capital %	57.2%	58.5%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	–	3
Investments	27,000	19,000
Receivables	3,581	3,283
Other	37	34
Total current assets	30,618	22,320
Non-current assets		
Investments	40,000	41,000
Infrastructure, property, plant and equipment	568,428	562,632
Intangible assets	15	23
Total non-current assets	608,443	603,655
TOTAL ASSETS	639,061	625,975
LIABILITIES		
Current liabilities		
Bank overdraft	4,184	667
Payables	454	691
Borrowings	1,640	1,552
Total current liabilities	6,278	2,910
Non-current liabilities		
Borrowings	57,558	59,197
Total non-current liabilities	57,558	59,197
TOTAL LIABILITIES	63,836	62,107
NET ASSETS	575,225	563,868
EQUITY		
Accumulated surplus	216,682	212,695
Revaluation reserves	358,543	351,173
TOTAL EQUITY	575,225	563,868

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,485	–
Investments	62,000	31,000
Receivables	2,921	2,348
Other	75	46
Total current assets	66,481	33,394
Non-current assets		
Investments	37,000	60,000
Infrastructure, property, plant and equipment	604,706	605,976
Total non-current assets	641,706	665,976
TOTAL ASSETS	708,187	699,370
LIABILITIES		
Current liabilities		
Bank overdraft	–	278
Payables	400	327
Borrowings	2,830	2,533
Total current liabilities	3,230	3,138
Non-current liabilities		
Borrowings	21,639	24,572
Total non-current liabilities	21,639	24,572
TOTAL LIABILITIES	24,869	27,710
NET ASSETS	683,318	671,660
EQUITY		
Accumulated surplus	256,824	250,176
Revaluation reserves	426,494	421,484
TOTAL EQUITY	683,318	671,660

Statement of Financial Position – Holiday Parks

as at 30 June 2019

\$ '000	2019 Category 1	2018 ¹ Category 1 Restated
ASSETS		
Current assets		
Cash and cash equivalents	5,647	2,319
Investments	8,859	10,621
Receivables	96	150
Inventories	12	182
Other	67	180
Total current assets	14,681	13,452
Non-current assets		
Infrastructure, property, plant and equipment	53,232	51,531
Total non-current assets	53,232	51,531
TOTAL ASSETS	67,913	64,983
LIABILITIES		
Current liabilities		
Payables	4,615	3,051
Total current liabilities	4,615	3,051
TOTAL LIABILITIES	4,615	3,051
NET ASSETS	63,298	61,932
EQUITY		
Accumulated surplus	32,328	31,328
Revaluation reserves	30,970	30,604
TOTAL EQUITY	63,298	61,932

(1) See prior period error note for details

Statement of Financial Position – Commercial Waste

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	818	1,718
Investments	20,035	15,843
Total current assets	20,853	17,561
Non-current assets		
Infrastructure, property, plant and equipment	5,858	5,615
Total non-current assets	5,858	5,615
TOTAL ASSETS	26,711	23,176
LIABILITIES		
Current liabilities		
Payables	123	133
Total current liabilities	123	133
Non-current liabilities		
Provisions	1,379	1,169
Total non-current liabilities	1,379	1,169
TOTAL LIABILITIES	1,502	1,302
NET ASSETS	25,209	21,874
EQUITY		
Accumulated surplus	22,683	19,484
Revaluation reserves	2,526	2,390
TOTAL EQUITY	25,209	21,874

Tweed Shire Council

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

Prior period error – Tweed Coast Holiday Parks

\$ '000

Nature of prior-period error

Tweed Coast Holiday Parks has retrospectively applied restrictions (discounting) to valuations of Crown land.

Provisions for employee entitlements have been removed as liabilities are extinguished on payment of monthly invoices to Tweed Shire Council.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustments through to equity at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position.

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

	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Statement of Financial Position			
Land	94,927	(71,889)	23,038
Infrastructure, property, plant and equipment	112,796	(71,889)	40,907
Total Assets	130,389	(71,889)	58,500
Provisions	382	(382)	–
Total Liabilities	2,552	(382)	2,170
Accumulated surplus	31,878	(382)	31,496
Revaluation reserves	95,959	(71,889)	24,070
Total equity	127,837	(72,271)	56,330

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

	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Statement of Financial Position			
Land	101,460	(71,889)	29,571
Infrastructure, property, plant and equipment	123,419	(71,889)	51,530
Total assets	136,870	(71,889)	64,981
Provisions	376	(376)	–
Total liabilities	3,427	(376)	3,051
Accumulated surplus	30,951	376	31,328
Revaluation reserves	102,493	(71,889)	30,604
Total equity	133,443	(71,513)	61,932

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

- a. Tweed Water
Supply of water
- b. Tweed Sewerage
Sewerage Services
- c. Tweed Coast Holiday Parks
Holiday/Caravan parks
- d. Commercial Waste
Non-domestic solid waste collection and disposal

Category 2

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

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

Note 1. Significant Accounting Policies (continued)

Nil

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Tweed Shire Council

To the Councillors of the Tweed Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Tweed Shire Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- water supply
- sewerage
- Tweed Coast Holiday Parks
- commercial Waste.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

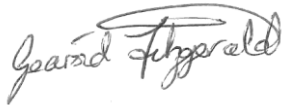
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

26 November 2019
SYDNEY

Tweed Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Living and loving the Tweed



Special Schedules

for the year ended 30 June 2019

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	61,872	60,187
Plus or minus adjustments ²	b	194	294
Notional general income	c = a + b	62,066	60,481
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	1,676	1,391
Sub-total	k = (c + g + h + i + j)	63,742	61,872
Total permissible income	o = k + n	63,742	61,872
Less notional general income yield	p	63,741	61,872
Catch-up or (excess) result	q = o - p	1	-
Carry forward to next year ³	t = q + r + s	1	-

Notes

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

To the Councillors of Tweed Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

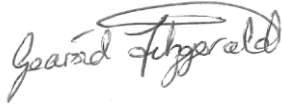
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in cursive script that reads "Gearoid Fitzgerald". The signature is written in black ink and is positioned above the printed name.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

26 November 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Civic Buildings/Admin	403	403	378	254	31,390	42,361	17.0%	41.0%	26.0%	15.0%	1.0%
	Community	270	270	153	279	15,471	20,284	35.0%	24.0%	30.0%	8.0%	3.0%
	Cultural	28	28	36	163	24,732	31,562	41.0%	52.0%	6.0%	1.0%	0.0%
	Emergency	139	139	46	18	2,614	3,828	10.0%	23.0%	50.0%	14.0%	3.0%
	Operational	271	271	207	171	31,453	22,191	8.0%	47.0%	31.0%	8.0%	6.0%
	Public Toilets	91	91	73	163	6,202	7,942	30.0%	25.0%	31.0%	10.0%	4.0%
	Recreation	241	241	287	218	26,500	34,572	3.0%	48.0%	38.0%	11.0%	0.0%
	Residential	56	56	38	30	3,836	4,293	69.0%	0.0%	12.0%	19.0%	0.0%
	Sub-total	1,499	1,499	1,218	1,296	142,198	167,033	21.4%	41.0%	26.3%	9.6%	1.7%
Other structures	Other structures	127	127	92	11	327	695	49.0%	3.0%	4.0%	9.0%	35.0%
	Sub-total	127	127	92	11	327	695	49.0%	3.0%	4.0%	9.0%	35.0%
Roads	Sealed roads	6,400	6,400	4,098	2,678	455,331	628,219	31.0%	52.0%	14.0%	3.0%	0.0%
	Unsealed roads	89	89	38	657	3,760	6,396	58.0%	20.0%	19.0%	2.0%	1.0%
	Bridges	17	17	200	386	161,637	195,260	83.0%	16.0%	1.0%	0.0%	0.0%
	Footpaths	681	681	342	480	33,231	42,331	65.0%	7.0%	17.0%	10.0%	1.0%
	Kerb and gutter	852	852	263	210	47,689	60,246	74.0%	13.0%	8.0%	4.0%	1.0%
	Street furniture	27	27	12	133	11,253	13,072	92.0%	5.0%	2.0%	1.0%	0.0%
	Car parks	139	139	39	28	8,178	8,678	75.0%	9.0%	11.0%	4.0%	1.0%
	Bulk earthworks	–	–	–	–	148,575	150,294	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	8,205	8,205	4,992	4,572	869,654	1,104,496	54.5%	33.6%	9.4%	2.4%	0.1%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost				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 assets agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance			1	2	3	4	5
Water supply network	Dams/weirs	63	63	380	252	67,169	77,052	16.0%	81.0%	3.0%	0.0%	0.0%
	Mains	1,691	1,691	2,456	2,636	313,840	369,854	75.0%	18.0%	0.0%	0.0%	7.0%
	Reservoirs	510	510	350	441	36,073	48,647	8.0%	40.0%	39.0%	13.0%	0.0%
	Pumping station/s	493	493	1,237	979	12,915	24,138	12.0%	44.0%	34.0%	9.0%	1.0%
	Treatment	275	275	3,065	2,325	78,237	101,763	54.0%	40.0%	5.0%	1.0%	0.0%
	Other	–	–	–	–	726	726	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,032	3,032	7,488	6,633	508,960	622,180	56.6%	32.1%	5.6%	1.5%	4.2%
Sewerage network	Mains	5,400	5,400	2,360	1,870	322,871	394,973	66.0%	19.0%	6.0%	2.0%	7.0%
	Pumping station/s	360	360	4,445	3,527	56,910	90,207	16.0%	48.0%	33.0%	3.0%	0.0%
	Treatment	435	435	4,846	4,717	159,470	224,306	30.0%	52.0%	17.0%	1.0%	0.0%
	Sub-total	6,195	6,195	11,651	10,114	539,251	709,486	48.3%	33.1%	12.9%	1.8%	3.9%
Stormwater drainage	Stormwater drainage	15,915	15,915	643	1,163	158,410	240,917	30.0%	28.0%	29.0%	2.0%	11.0%
	Sub-total	15,915	15,915	643	1,163	158,410	240,917	30.0%	28.0%	29.0%	2.0%	11.0%
Open space / recreational assets	Swimming pools	273	273	49	44	2,456	5,261	0.0%	85.0%	1.0%	14.0%	0.0%
	Recreation other structures	596	596	626	614	28,521	41,712	73.0%	9.0%	15.0%	2.0%	1.0%
	Sub-total	869	869	675	658	30,977	46,973	64.8%	17.5%	13.4%	3.3%	1.0%
Other infrastructure assets	Other structures	1,001	1,001	137	128	13,704	13,704	61.0%	6.0%	23.0%	5.0%	5.0%
	Sub-total	1,001	1,001	137	128	13,704	13,704	61.0%	6.0%	23.0%	5.0%	5.0%
TOTAL - ALL ASSETS		36,843	36,843	26,896	24,575	2,263,481	2,905,484	49.7%	32.7%	12.2%	2.5%	2.9%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	21,655	51.16%	67.81%	56.81%	>=100.00%
Depreciation, amortisation and impairment	42,332				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	36,843	1.63%	1.54%	1.54%	<2.00%
Net carrying amount of infrastructure assets	2,263,481				
Asset maintenance ratio					
Actual asset maintenance	24,575	91.37%	99.29%	92.91%	>100.00%
Required asset maintenance	26,896				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	36,843	1.27%	1.15%	–	
Gross replacement cost	2,905,484				

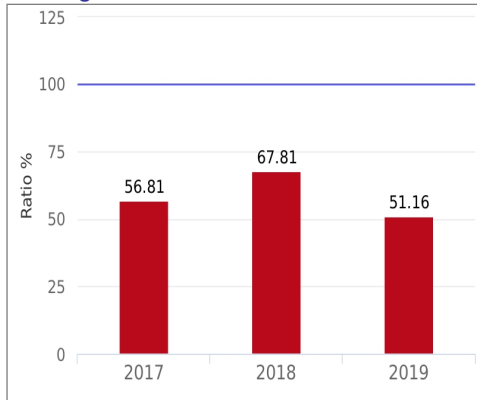
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

18/19 ratio 51.16%

The General Fund capital works program was smaller in 2019. The Byrril Creek Bridge project is the major renewal project in 2019, but is not complete and therefore is not included in this ratio.

The depreciation denominator is higher due to the removal of residual values from the depreciable amount value for Buildings.

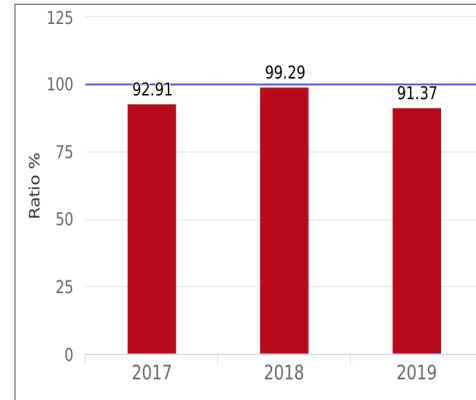
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

18/19 ratio 91.37%

A recent Buildings revaluation, and a reassessment of Sewerage assets, has resulted in the required maintenance figure being revised upwards.

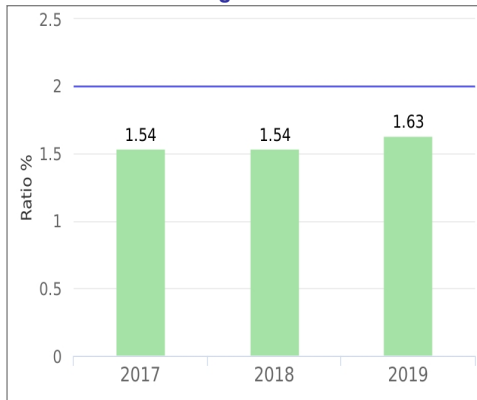
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

18/19 ratio 1.63%

Remains an acceptable ratio.

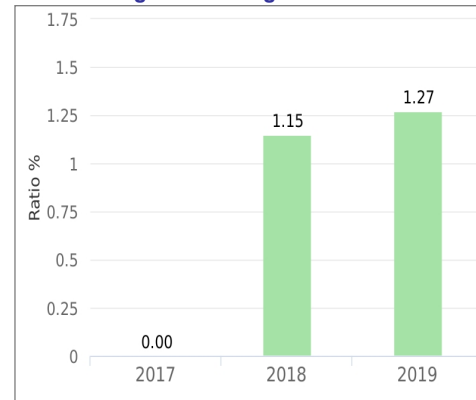
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

18/19 ratio 1.27%

Remains an acceptable ratio.

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	77.27%	94.17%	14.73%	26.41%	22.86%	43.38%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.29%	2.27%	0.59%	0.55%	1.14%	0.80%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.92%	111.65%	88.58%	99.13%	86.81%	90.66%	>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	1.75%	1.60%	0.49%	0.46%	0.87%	0.63%	

(1) Excludes Work In Progress (WIP)

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