

DRAFT

# Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---

*More than just a city. More than just one place.*



## General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	<b>3</b>
<b>2. Primary Financial Statements:</b>	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
<b>3. Notes to the Financial Statements</b>	<b>9</b>
<b>4. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	95
On the Financial Statements (Sect 417 [3])	96

### Overview

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

437 Peel Street  
TAMWORTH NSW 2340

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.tamworth.nsw.gov.au](http://www.tamworth.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2020

---

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 13 October 2020.

---

Col Murray  
Mayor  
13 October 2020

---

Phil Betts  
Councillor  
13 October 2020

---

Paul Bennett  
General Manager  
13 October 2020

---

Sherrill Young  
Responsible Accounting Officer  
13 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
69,548	Rates and annual charges	3a	70,745	68,498
35,753	User charges and fees	3b	36,834	44,559
4,757	Other revenues	3c	2,704	3,770
18,455	Grants and contributions provided for operating purposes	3d,3e	22,213	18,558
24,098	Grants and contributions provided for capital purposes	3d,3e	35,788	35,958
4,567	Interest and investment income	4	3,151	4,633
–	Fair value increment on investment properties	12	300	–
–	Rental income	15e	2,534	–
157,178	<b>Total income from continuing operations</b>		174,269	175,976
<b>Expenses from continuing operations</b>				
51,271	Employee benefits and on-costs	5a	48,558	46,609
4,650	Borrowing costs	5b	4,418	4,503
28,716	Materials and contracts	5c	33,303	34,958
33,714	Depreciation and amortisation	5d	36,076	33,390
9,839	Other expenses	5e	11,501	11,159
–	Net losses from the disposal of assets	6	2,776	6,175
–	Fair value decrement on investment properties	12	–	60
128,190	<b>Total expenses from continuing operations</b>		136,632	136,854
28,988	<b>Operating result from continuing operations</b>		37,637	39,122
28,988	<b>Net operating result for the year</b>		37,637	39,122
28,988	Net operating result attributable to council		37,613	39,067
–	Net operating result attributable to non-controlling interests		24	55
4,890	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		1,849	3,164

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>37,637</b>	<b>39,122</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	190,296	42,351
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	11(a)	754	(754)
Revaluation surplus - Intangible Assets	13b	350	-
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>191,400</b>	<b>41,597</b>
<b>Total other comprehensive income for the year</b>		<b>191,400</b>	<b>41,597</b>
<b>Total comprehensive income for the year</b>		<b>229,037</b>	<b>80,719</b>
Total comprehensive income attributable to Council		229,013	80,664
Total comprehensive income attributable to non-controlling interests		24	55

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

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

DRAFT

Statement of Financial Position  
as at 30 June 2020

\$ '000	Notes	2020	Restated 2019 <sup>2</sup>	Restated 2018 <sup>2</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7(a)	36,508	13,875	4,957
Investments	7(b)	119,844	100,764	116,398
Receivables	8	16,889	17,924	19,154
Inventories	9a	16,607	1,229	1,096
Contract assets	14a	6,392	–	–
Other	9b	342	826	233
Current assets classified as 'held for sale'	10	214	2,017	5,513
<b>Total current assets</b>		<b>196,796</b>	<b>136,635</b>	<b>147,351</b>
<b>Non-current assets</b>				
Investments	7(b)	13,000	42,000	42,000
Receivables	8	402	389	380
Infrastructure, property, plant and equipment	11(a)	1,767,985	1,555,151	1,486,992
Investment property	12	30,175	29,875	8,410
Intangible Assets	13	2,871	2,111	2,097
Right of use assets	15a	2,853	–	–
<b>Total non-current assets</b>		<b>1,817,286</b>	<b>1,629,526</b>	<b>1,539,879</b>
<b>Total assets</b>		<b>2,014,082</b>	<b>1,766,161</b>	<b>1,687,230</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	16	14,773	12,540	10,317
Income received in advance	16	–	332	897
Contract liabilities	14b	4,223	–	–
Lease liabilities	15b	727	–	–
Borrowings	16	7,559	6,319	5,931
Provisions	17	10,700	9,880	9,604
<b>Total current liabilities</b>		<b>37,982</b>	<b>29,071</b>	<b>26,749</b>
<b>Non-current liabilities</b>				
Lease liabilities	15b	2,190	–	–
Borrowings	16	78,864	65,834	70,653
Provisions	17	8,709	9,504	8,795
<b>Total non-current liabilities</b>		<b>89,763</b>	<b>75,338</b>	<b>79,448</b>
<b>Total liabilities</b>		<b>127,745</b>	<b>104,409</b>	<b>106,197</b>
<b>Net assets</b>		<b>1,886,337</b>	<b>1,661,752</b>	<b>1,581,033</b>
<b>EQUITY</b>				
Accumulated surplus	18	1,211,645	1,178,134	1,139,067
Revaluation reserves	18	674,011	482,961	441,364
<b>Council equity interest</b>		<b>1,885,656</b>	<b>1,661,095</b>	<b>1,580,431</b>
<b>Non-controlling equity interests</b>	18	681	657	602
<b>Total equity</b>		<b>1,886,337</b>	<b>1,661,752</b>	<b>1,581,033</b>

(2) Restated refer to Note 18b

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

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

Statement of Changes in Equity  
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20					as at 30/06/19				
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity
Opening balance		1,120,247	482,961	1,603,208	657	1,603,865	1,081,180	441,364	1,522,544	602	1,523,146
Correction of prior period errors	18b	57,887	–	57,887	–	57,887	57,887	–	57,887	–	57,887
Changes due to AASB 1058 and AASB 15 adoption	18c-ii	(4,452)	–	(4,452)	–	(4,452)	–	–	–	–	–
Changes due to AASB 16 adoption	18c-iii	–	–	–	–	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>1,173,682</b>	<b>482,961</b>	<b>1,656,643</b>	<b>657</b>	<b>1,657,300</b>	<b>1,139,067</b>	<b>441,364</b>	<b>1,580,431</b>	<b>602</b>	<b>1,581,033</b>
Net operating result for the year		37,613	–	37,613	24	37,637	39,067	–	39,067	55	39,122
<b>Restated net operating result for the period</b>		<b>37,613</b>	<b>–</b>	<b>37,613</b>	<b>24</b>	<b>37,637</b>	<b>39,067</b>	<b>–</b>	<b>39,067</b>	<b>55</b>	<b>39,122</b>
<b>Other comprehensive income</b>											
– Gain (loss) on revaluation of IPP&E	11(a)	–	190,296	190,296	–	190,296	–	42,351	42,351	–	42,351
– Gain/(loss) on revaluation of intangible assets at fair value through other comprehensive income	13b	350	–	350	–	350	–	–	–	–	–
– Impairment (loss) reversal relating to IPP&E	11(a)	–	754	754	–	754	–	(754)	(754)	–	(754)
<b>Other comprehensive income</b>		<b>350</b>	<b>191,050</b>	<b>191,400</b>	<b>–</b>	<b>191,400</b>	<b>–</b>	<b>41,597</b>	<b>41,597</b>	<b>–</b>	<b>41,597</b>
<b>Total comprehensive income</b>		<b>37,963</b>	<b>191,050</b>	<b>229,013</b>	<b>24</b>	<b>229,037</b>	<b>39,067</b>	<b>41,597</b>	<b>80,664</b>	<b>55</b>	<b>80,719</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,211,645</b>	<b>674,011</b>	<b>1,885,656</b>	<b>681</b>	<b>1,886,337</b>	<b>1,178,134</b>	<b>482,961</b>	<b>1,661,095</b>	<b>657</b>	<b>1,661,752</b>

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

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

Statement of Cash Flows  
for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
69,548	Rates and annual charges		70,516	68,537
37,985	User charges and fees		40,388	47,870
4,567	Investment and interest revenue received		3,827	4,535
44,992	Grants and contributions		43,354	44,728
–	Bonds, deposits and retention amounts received		927	715
12,774	Other		9,081	10,648
<i>Payments:</i>				
(51,393)	Employee benefits and on-costs		(47,491)	(47,833)
(40,182)	Materials and contracts		(42,220)	(44,464)
(4,569)	Borrowing costs		(4,083)	(4,363)
–	Bonds, deposits and retention amounts refunded		(775)	(405)
(10,823)	Other		(12,835)	(10,388)
62,899	<b>Net cash provided (or used in) operating activities</b>	19b	60,689	69,580
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
14,000	Sale of investment securities		46,954	57,970
–	Sale of infrastructure, property, plant and equipment		4,834	4,574
–	Deferred debtors receipts		2	1
<i>Payments:</i>				
–	Purchase of investment securities		(37,034)	(42,336)
–	Purchase of investment property		–	(20,000)
(80,777)	Purchase of infrastructure, property, plant and equipment		(65,934)	(56,369)
–	Purchase of intangible assets		(483)	(71)
(66,777)	<b>Net cash provided (or used in) investing activities</b>		(51,661)	(56,231)
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
10,590	Proceeds from borrowings and advances		20,590	1,500
<i>Payments:</i>				
(6,657)	Repayment of borrowings and advances		(6,320)	(5,931)
–	Lease liabilities (principal repayments)		(665)	–
3,933	<b>Net cash flow provided (used in) financing activities</b>		13,605	(4,431)
55	<b>Net increase/(decrease) in cash and cash equivalents</b>		22,633	8,918
13,875	Plus: cash and cash equivalents – beginning of year	19a	13,875	4,957
13,930	<b>Cash and cash equivalents – end of the year</b>	19a	36,508	13,875
128,452	plus: Investments on hand – end of year	7(b)	132,844	142,764
142,382	<b>Total cash, cash equivalents and investments</b>		169,352	156,639

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

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



Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	21
5	Expenses from continuing operations	22
6	Gain or loss from disposal of assets	26
7(a)	Cash and cash equivalents	27
7(b)	Investments	27
7(c)	Restricted cash, cash equivalents and investments	29
8	Receivables	31
9	Inventories and other assets	33
10	Non-current assets classified as held for sale	35
11(a)	Infrastructure, property, plant and equipment	36
11(b)	Infrastructure, property, plant and equipment – current year impairments	41
12	Investment properties	42
13	Intangible assets	43
14	Contract assets and liabilities	44
15	Leases	45
16	Payables and borrowings	49
17	Provisions	51
18	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	55
19	Statement of cash flow information	62
20	Interests in other entities	63
21	Commitments	65
22	Contingencies	66
23	Financial risk management	70
24	Material budget variations	74
25	Fair Value Measurement	76
26	Related party disclosures	82
27	Statement of developer contributions	83
28	Result by fund	87
29(a)	Statement of performance measures – consolidated results	90
29(b)	Statement of performance measures – by fund	91
<b>Additional Council disclosures (unaudited)</b>		
29(c)	Statement of performance measures – consolidated results (graphs)	92
30	Council information and contact details	94

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 24 – Material budget variations

and are clearly marked.

#### (a) Historical cost convention

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

#### (b) Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- estimated fair values of investment properties, especially with regards to those where valuations have been made difficult due to Covid19 - refer Note 12
- estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- estimated tip remediation provisions – refer Note 17
- employee benefit provisions – refer Note 17.

Council operations in particular the airport and entertainment venues have experienced a significant downturn in revenue due to Covid19. The assets associated with these operations are not considered to be impaired as they are valued at depreciable replacement cost, they are not linked to valuations methods dependant upon cash flows or income.

#### Significant judgements in applying the council's accounting policies

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Domestic Waste Management
- Central Northern Regional Libraries

##### (b) The Trust Fund

Council does not maintain a separate and distinct Trust Fund in accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended). Separate and distinct cash funded liability accounts are maintained within Council's Consolidated Fund. These specific liability accounts take the place of trust accounts and are used to account for all money and assets 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.

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council does not recognise services provided by volunteers in its income statement due to the cost of trying to reliably capture and assign a value to the many services volunteers in our community provide.

#### New accounting standards and interpretations issued not yet effective

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

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have an impact on the Council's future financial statements, financial position, financial performance or cash flows as Tamworth Regional Council has not entered into any Service Concession Arrangements.

#### AASB 1059 Service Concession Arrangements: Grantors

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. Based on a review of Tamworth Regional Councils operations there will be no impact of AASB 1059 as there are no Service Concession Arrangements entered into.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

---

#### **New accounting standards adopted during the year**

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 18.

DRAFT

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Restated Total assets held (current and non-current)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
A Region of Progressive leadership	2,308	2,935	9,112	11,393	(6,804)	(8,458)	263	608	16,320	14,101
A Spirit of Community	21,515	18,070	29,962	29,706	(8,447)	(11,636)	11,114	10,298	155,262	135,359
A Prosperous Region	4,805	2,844	7,150	5,966	(2,345)	(3,122)	1,338	541	68,144	56,224
An Accessible Region	28,923	32,449	37,852	38,710	(8,929)	(6,261)	13,216	12,043	954,599	775,845
A Region for the Future	69,053	72,545	52,556	51,079	16,497	21,466	864	2,409	819,757	784,632
General Purpose Income	47,665	47,133	–	–	47,665	47,133	10,861	10,524	–	–
<b>Total functions and activities</b>	<b>174,269</b>	<b>175,976</b>	<b>136,632</b>	<b>136,854</b>	<b>37,637</b>	<b>39,122</b>	<b>37,656</b>	<b>36,423</b>	<b>2,014,082</b>	<b>1,766,161</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

#### A Spirit of Community

- Provide high-quality open spaces, parks and reserves suitable and accessible to all
- Provide high-quality sporting facilities to meet the diverse needs of the community
- Provide high-quality specialised sporting facilities to drive sporting excellence for the region and state
- Meet social justice principles through the provision of accessible and inclusive high-quality, integrated community services that meet current and emerging needs
- Preserve and celebrate the character, heritage and culture of our city, towns and villages
- Provide accessible, functional, multi-purpose facilities and spaces suitable for cultural, recreational, learning and information services and activities
- Create safe environments to live, work and play
- Provide responsive, effective emergency management and emergency prevention services

#### A Prosperous Region

- Support and facilitate economic development and employment opportunities
- Market the Tamworth Region as a destination for living, working and leisure
- Provide quality and choice in education and vocation pathways including university options
- To establish rail, air, land connections to enable local, national and international trade

#### An Accessible Region

- To maintain the current levels of service across the regions transport infrastructure
- Improve connections with capital cities, other regions and within the region
- Improve and expand the region's public and community transport services
- Traffic management and traffic safety planning
- Facilitate access to state of the art technology and communications for all residents and businesses living in the region

#### A Region for the Future

- Sound asset management planning
- Protect our natural environment
- Encourage efficient use of resources to improve environmental sustainability

#### A Region of Progressive leadership

- Provide quality customer service
- Represent and advocate community needs
- Provide inclusive opportunities for the community to get actively involved in decision-making
- Transparency and accountability of government
- To be a leader in best practice for local government

#### General Purpose Income

- Income that cannot be directly attributed to a specific function

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	24,526	23,711
Farmland	1058 (1)	5,793	5,633
Mining	1058 (1)	18	18
Business	1058 (1)	5,871	5,711
Less: pensioner rebates (mandatory)		(890)	(900)
<b>Rates levied to ratepayers</b>		<b>35,318</b>	<b>34,173</b>
Pensioner rate subsidies received	1058 (1)	493	495
<b>Total ordinary rates</b>		<b>35,811</b>	<b>34,668</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (2)	7,695	7,430
Stormwater management services	1058 (2)	605	601
Water supply services	1058 (2)	7,121	6,920
Sewerage services	1058 (2)	19,022	18,425
Waste management services (non-domestic)	1058 (2)	925	904
Less: pensioner rebates (mandatory)		(981)	(999)
<b>Annual charges levied</b>		<b>34,387</b>	<b>33,281</b>
Pensioner subsidies received:			
– Water	1058 (1)	198	199
– Sewerage	1058 (1)	181	182
– Domestic waste management	1058 (1)	168	168
<b>Total annual charges</b>		<b>34,934</b>	<b>33,830</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>70,745</b>	<b>68,498</b>

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

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	8,812	12,496
Sewerage services	15 (2)	3,081	2,831
<b>Total specific user charges</b>		<b>11,893</b>	<b>15,327</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	1,304	1,480
Private works – section 67	15 (2)	431	1,117
Regulatory/ statutory fees	15 (1)	576	418
<b>Total fees and charges – statutory/regulatory</b>		<b>2,311</b>	<b>3,015</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	3,924	5,032
Cemeteries	15 (1)	403	310
Community Services	15 (1)	357	372
Parking fees	15 (1)	318	419
RMS charges (state roads not controlled by Council)	15 (2)	6,088	7,335
Swimming centres	15 (2)	237	308
Country music festival	15 (1)	1,785	2,002
Hire charge council facilities	15 (1)	1,361	2,326
Sewerage services	15 (2)	1,061	1,159
Sporting facilities	15 (1)	370	487
Waste/recycling depot	15 (1)	6,293	5,948
Venue ticket sales	15 (1)	134	154
Other	15 (1)	299	365
<b>Total fees and charges – other</b>		<b>22,630</b>	<b>26,217</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>36,834</b>	<b>44,559</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

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

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

**2019 accounting policy**

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



Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – investment property		–	469
Rental income – other council properties (2019 only)		–	632
Fines	1058 (1)	205	258
Commissions and agency fees	1058 (1)	396	455
Insurance claims recoveries	1058 (1)	699	129
Sales – general	15 (1)	253	266
Antenna leases	15 (2)	367	286
Insurance rebate	1058 (1)	130	130
Consultancy services	15 (2)	407	628
Sponsorship income	15 (1)	14	33
Other	1058 (1)	147	198
Container Deposit Scheme	15 (1)	86	286
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,704</u></b>	<b><u>3,770</u></b>

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

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

**Accounting policy for other revenue**

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

Parking fees and fines are recognised as revenue when payment for the penalty is received.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	1058 (1)	5,272	5,166	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	1058 (1)	5,590	5,358	–	–
<b>Total general purpose</b>		<b>10,862</b>	<b>10,524</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	–	–	1,450	–
Astronomy Centre	1058 (2)	–	–	559	122
Bushfire and emergency services	1058 (2)	593	316	1	24
CCTV Security	1058 (2)	–	–	169	526
Community care	1058 (2)	654	484	–	–
Disaster mitigation and rehabilitation <sup>1</sup>		–	(1)	–	–
Heritage and cultural	1058 (2)	376	356	6	–
Local Infrastructure Renewal Scheme	1058 (1)	65	80	–	–
Noxious weed control	1058 (1)	100	112	–	–
Transport (roads to recovery)	1058 (2)	1,190	1,515	–	–
Training	1058 (2)	21	34	–	–
Park Upgrades	1058 (2)	–	–	745	1,233
Stormwater	1058 (2)	–	–	171	–
Street lighting	1058 (1)	170	169	–	–
Shared Paths/Cycleways	1058 (2)	–	–	2,530	–
Northern Inland Centre of Sporting Excellence	1058 (2)	–	–	8,577	7,443
Transport (airport)	1058 (2)	–	–	635	3,359
Transport (other roads and bridges funding)	1058 (2)	3,978	404	5,309	6,233
Drought Communities Programme	1058 (2)	–	557	–	443
Truck Wash - Tamworth Regional Livestock Exchange	1058 (2)	–	369	–	–
Waste Facilities	1058 (2)	–	196	2	–
Other	1058 (2)	135	296	46	129
Organic Recycling Facility <sup>1</sup>	1058 (2)	–	–	(688)	1,500
<b>Total specific purpose</b>		<b>7,282</b>	<b>4,887</b>	<b>19,512</b>	<b>21,012</b>
<b>Total grants</b>		<b>18,144</b>	<b>15,411</b>	<b>19,512</b>	<b>21,012</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		15,441	13,170	2,498	6,120
– State funding		2,676	2,226	16,914	14,830
– Other funding		27	15	100	62
		<b>18,144</b>	<b>15,411</b>	<b>19,512</b>	<b>21,012</b>

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

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

(1) Unspent grant funds returned

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	825	1,087
S 7.12 – fixed development consent levies		1058 (1)	–	–	388	437
S 64 – water supply contributions		1058 (1)	–	–	1,374	1,637
S 64 – sewerage service contributions		1058 (1)	–	–	490	601
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>3,077</b>	<b>3,762</b>
<b>Total developer contributions <sup>1</sup></b>	27		<b>–</b>	<b>–</b>	<b>3,077</b>	<b>3,762</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Other councils – joint works/services		1058 (2)	640	638	–	–
RMS contributions (regional roads, block grant)		1058 (2)	3,128	2,398	–	–
Water supplies (excl. section 64 contributions)			–	–	–	10
Other		1058 (1)	25	28	25	12
Capital works		15 (2)	–	–	806	111
Sewage Services		1058 (1)	250	74	6	2
Donations		1058 (1)	26	9	–	–
Kerb and Gutter		1058 (2)	–	–	–	32
<b>Total other contributions – cash</b>			<b>4,069</b>	<b>3,147</b>	<b>837</b>	<b>167</b>
<b>Non-cash contributions</b>						
Dedications – subdivisions (other than by s7.11)		15 (1)	–	–	7,735	8,121
NSW State Government - 25 Fitzroy Street		15 (1)	–	–	–	1,280
NSW State Government - Crown Land		15 (1)	–	–	4,627	1,616
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>12,362</b>	<b>11,017</b>
<b>Total other contributions</b>			<b>4,069</b>	<b>3,147</b>	<b>13,199</b>	<b>11,184</b>
<b>Total contributions</b>			<b>4,069</b>	<b>3,147</b>	<b>16,276</b>	<b>14,946</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>22,213</b>	<b>18,558</b>	<b>35,788</b>	<b>35,958</b>

(1) Total income differs to note 24 due to internal payments

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

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

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

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

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

**Accounting policy for grants and contributions**

**Accounting policy from 1 July 2019**

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations (continued)

---

#### Grant income under AASB 15

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

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

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

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

#### Grant income

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

(f) Unspent grants and contributions – external restrictions

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

**Operating grants**

Unexpended at the close of the previous reporting period	2,497	1,535
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	462	1,528
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,206)	(566)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<u>1,753</u>	<u>2,497</u>

**Capital grants**

Unexpended at the close of the previous reporting period	3,265	2,090
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	1,477	2,526
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(1,847)	(1,351)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<u>2,895</u>	<u>3,265</u>

**Contributions**

Unexpended at the close of the previous reporting period	39,575	36,925
<b>Add:</b> contributions recognised as income in the current period but not yet spent	3,850	4,801
<b>Less:</b> contributions recognised in a previous reporting period now spent	(4,603)	(2,151)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<u>38,822</u>	<u>39,575</u>

Note 4. Interest and investment income

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

**Interest on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	329	331
– Cash and investments	2,822	4,302
<b>Total Interest and investment income</b>	<u>3,151</u>	<u>4,633</u>

**Interest revenue is attributable to:**

**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	268	274
General Council cash and investments	827	1,772

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	116	173
– Section 64	597	794
Water fund operations	566	699
Sewerage fund operations	777	921
<b>Total interest and investment revenue</b>	<u>3,151</u>	<u>4,633</u>

**Accounting policy for interest and investment revenue**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	38,057	36,128
Employee leave entitlements (ELE)	7,826	7,312
Superannuation	4,278	4,168
Workers' compensation insurance	1,376	1,103
Fringe benefit tax (FBT)	173	177
Payroll tax	237	299
Other	386	307
<b>Total employee costs</b>	<b>52,333</b>	<b>49,494</b>
Less: capitalised costs	(3,775)	(2,885)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>48,558</b>	<b>46,609</b>
Number of 'full-time equivalent' employees (FTE) at year end	557	540

**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 22 for more information.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		6	–
Interest on loans		4,088	4,355
<b>Total interest bearing liability costs</b>		<b>4,094</b>	<b>4,355</b>
Less: capitalised costs <sup>1</sup>		(10)	–
<b>Total interest bearing liability costs expensed</b>		<b>4,084</b>	<b>4,355</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	17	334	148
<b>Total other borrowing costs</b>		<b>334</b>	<b>148</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,418</b>	<b>4,503</b>

**Accounting policy for borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

(1) Manilla Water Treatment Plant

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	23,671	24,990
Contractor and consultancy costs	9,291	8,122
Auditors remuneration <sup>2</sup>	162	185
<b>Legal expenses:</b>		
Expenses from short-term leases (2020 only)	–	–
Expenses from leases of low value assets (2020 only)	86	–
Expenses from Peppercorn leases (2020 only)	–	–
– Legal expenses: planning and development	1	522
– Legal expenses: other	92	133
Variable lease expense relating to usage (2020 only)	–	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	1,006
<b>Total materials and contracts</b>	<b>33,303</b>	<b>34,958</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>33,303</b>	<b>34,958</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**1. Operating lease payments are attributable to:**

Buildings	–	706
Office Equipment	–	300
	–	1,006

**2. Auditor remuneration**

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

**Non NSW Auditor-General audit firms**

**(i) Audit and other assurance services**

Audit and review of financial statements	111	94
Other audit and assurance services – internal auditors	51	91
<b>Remuneration for audit and other assurance services</b>	<b>162</b>	<b>185</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>162</b>	<b>185</b>
<b>Total Auditor remuneration</b>	<b>162</b>	<b>185</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		3,743	3,460
Office equipment		6	6
Furniture and fittings		362	396
Land improvements (depreciable)		469	476
<b>Infrastructure:</b>	11(a)		
– Buildings – non-specialised		1,127	1,209
– Buildings – specialised		264	264
– Other structures		1,056	1,629
– Roads		10,353	9,797
– Bridges		2,021	948
– Footpaths		485	369
– Stormwater drainage		2,582	2,371
– Water supply network		5,253	4,950
– Sewerage network		5,896	5,864
– Swimming pools		135	130
– Other open space/recreational assets		968	887
<b>Right of use assets</b>	15	729	–
<b>Other assets:</b>			
– Library books		293	243
– Other		165	164
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	17,11(a)	750	605
– Quarry assets	17,11(a)	7	7
Intangible assets	13	73	57
<b>Total gross depreciation and amortisation costs</b>		<b>36,737</b>	<b>33,832</b>
Less: capitalised costs		(661)	(442)
<b>Total depreciation and amortisation costs</b>		<b>36,076</b>	<b>33,390</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	11(a)		
– Water supply network		(754)	754
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>(754)</b>	<b>754</b>
Amounts taken through revaluation reserve	11(a)	754	(754)
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>36,076</b>	<b>33,390</b>

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

**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 13 for intangible assets and Note 15 for right of use assets.

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



Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

**Impairment of non-financial assets**

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

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

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

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	418	533
Training costs (other than salaries and wages)	809	903
Travel expenses	593	597
Bad and doubtful debts	316	(226)
Contributions/levies to other levels of government	991	1,292
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,128	950
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	183	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	118	146
Donations, contributions and assistance to other organisations (Section 356)	353	551
Electricity and heating	3,473	3,375
Insurance	1,709	1,590
Street lighting	679	626
Telephone and communications	549	503
Sustainability rebates	87	29
Other	51	69
<b>Total other expenses</b>	<b>11,501</b>	<b>11,159</b>
<b>TOTAL OTHER EXPENSES</b>	<b>11,501</b>	<b>11,159</b>

**Accounting policy for other expenses**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		558	–
Less: carrying amount of property assets sold/written off		(370)	–
<b>Net gain/(loss) on disposal</b>		<b>188</b>	<b>–</b>
<b>Plant and equipment</b>			
	11(a)		
Proceeds from disposal – plant and equipment		1,276	1,659
Less: carrying amount of plant and equipment assets sold/written off		(1,459)	(1,781)
<b>Net gain/(loss) on disposal</b>		<b>(183)</b>	<b>(122)</b>
<b>Infrastructure</b>			
	11(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,978)	(5,467)
<b>Net gain/(loss) on disposal</b>		<b>(3,978)</b>	<b>(5,467)</b>
<b>Non-current assets classified as ‘held for sale’</b>			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		3,000	2,915
Less: carrying amount of ‘held for sale’ assets sold/written off		(1,803)	(3,501)
<b>Net gain/(loss) on disposal</b>		<b>1,197</b>	<b>(586)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2,776)</b>	<b>(6,175)</b>

**Accounting policy for disposal of assets**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	36,508	13,875
<b>Total cash and cash equivalents</b>	<b>36,508</b>	<b>13,875</b>

**Accounting policy for cash and cash equivalents**

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
Financial assets at amortised cost	108,500	13,000	85,996	42,000
Financial assets at fair value through other comprehensive income	11,344	–	14,768	–
<b>Total Investments</b>	<b>119,844</b>	<b>13,000</b>	<b>100,764</b>	<b>42,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>156,352</b>	<b>13,000</b>	<b>114,639</b>	<b>42,000</b>
<b>Financial assets / held to maturity (2018)</b>				
Term deposits	108,500	13,000	85,996	42,000
<b>Total</b>	<b>108,500</b>	<b>13,000</b>	<b>85,996</b>	<b>42,000</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Other long term financial assets	11,344	–	14,768	–
<b>Total</b>	<b>11,344</b>	<b>–</b>	<b>14,768</b>	<b>–</b>

	Fair value at 30/06/20	Dividend income recognised during 1/7/19 – 30/6/20
<b>Financial assets designated as at fair value through other comprehensive income</b>		
NSW Treasury Corporation IM Funds	11,344	73
<b>Total</b>	<b>11,344</b>	<b>73</b>

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

**Accounting policy for investments**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

---

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits 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 as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value normally any changes in fair value are recognised in other comprehensive income (financial asset reserve) and on disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss. Due to the immaterial movement in unit value the amount of \$1,888.65 decrement was offset against the dividend received for the TCorp Investment.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	156,352	13,000	114,639	42,000
<b>attributable to:</b>				
External restrictions	128,915	13,000	94,849	42,000
Internal restrictions	27,285	–	19,122	–
Unrestricted	152	–	668	–
	156,352	13,000	114,639	42,000

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

Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	4,019	–
Specific purpose unexpended loans – general	525	865
Specific purpose unexpended loans – water	6,588	492
Specific purpose unexpended loans – sewer	1,664	1,664
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	629	–
	13,425	3,021

**External restrictions – included in liabilities**

**External restrictions – other**

Developer contributions – general	6,872	6,458
Developer contributions – water fund	18,674	20,459
Developer contributions – sewer fund	13,264	12,672
Specific purpose unexpended grants (recognised as revenue) – general fund	–	5,293
Specific purpose unexpended grants (recognised as revenue) – sewer fund	–	469
Water supplies	23,481	27,592
Sewerage services	45,475	41,000
Deposits, retentions and bonds	1,664	1,834
Domestic waste management	19,060	18,051
	128,490	133,828

**External restrictions – other**

**Total external restrictions**

**Internal restrictions**

Airport	2,663	2,409
Asset management provisions	955	1,099
Car parking	946	720
Central business district	101	338
Central Northern Regional Library	600	495
Community care facilities	1,061	895
Cultural facilities	243	287
Developer contribution plans – prior need	1,841	1,563
Drainage levy	1,363	1,067
Economic affairs	106	(759)
Employee provisions	2,290	2,334
FAG (General purpose component)	3,311	3,180
FAG (Roads component)	4,084	4,386
Governance provisions	1,336	1,341
Internal loan from reserves - Cemetery Extension <sup>1</sup>	(1,565)	(1,625)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Internal loan from reserves - Pilot Training Facility <sup>1</sup>	(10,000)	(20,000)
Internal loan from reserves – Drainage works <sup>1</sup>	(1,431)	(1,649)
Internal loan from reserves – Street light replacement <sup>1</sup>	(994)	(1,159)
Local works	425	714
Natural disasters provisions	328	150
On site sewer management	42	42
Parks and sporting facilities	650	1,957
Pilot Training Facility <sup>1</sup>	(1,040)	(331)
Plant replacement	6,046	5,820
Quarry remediation	312	289
Quarry renewal	154	154
Regional Development	1,609	1,990
Special Rate Variation Asset Renewal	3,754	4,237
Sustainability projects	167	154
Transport provisions	7,928	9,024
<b>Total internal restrictions</b>	<b>27,285</b>	<b>19,122</b>
<b>TOTAL RESTRICTIONS</b>	<b>169,200</b>	<b>155,971</b>

(1) Loan between discretionary General Fund internal reserves as approved by Council

DRAFT

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

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	4,720	402	2,641	389
Interest and extra charges	790	–	829	–
User charges and fees	7,996	–	9,472	–
Accrued revenues				
– Interest on investments	555	–	1,191	–
– Other income accruals	1,406	–	145	–
Net investment in finance lease	–	–	–	–
Deferred debtors	–	–	2	–
Government grants and subsidies	304	–	3,685	–
Net GST receivable	477	–	585	–
Insurance claim	889	–	249	–
Contributions	749	–	73	–
Other debtors	374	–	107	–
<b>Total</b>	<b>18,260</b>	<b>402</b>	<b>18,979</b>	<b>389</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(361)	–	(354)	–
Interest and extra charges	(155)	–	(154)	–
User charges and fees	(855)	–	(547)	–
<b>Total provision for impairment – receivables</b>	<b>(1,371)</b>	<b>–</b>	<b>(1,055)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>16,889</b>	<b>402</b>	<b>17,924</b>	<b>389</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,055	1,795
+ new provisions recognised during the year	336	118
– amounts already provided for and written off this year	–	(515)
– amounts provided for but recovered during the year	(20)	(343)
<b>Balance at the end of the year</b>	<b>1,371</b>	<b>1,055</b>

#### 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 at fair value, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

##### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over one (1) year past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.



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

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Tamworth Global Gateway Park Industrial Land	15,431	–	–	–
Stores and materials	1,176	–	1,229	–
<b>TOTAL INVENTORIES</b>	<b>16,607</b>	<b>–</b>	<b>1,229</b>	<b>–</b>

**(b) Other assets**

Prepayments	342	–	826	–
<b>TOTAL OTHER ASSETS</b>	<b>342</b>	<b>–</b>	<b>826</b>	<b>–</b>

**(i) Other disclosures**

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>				
Residential	–	–	–	–
Tamworth Global Gateway Park Industrial Land	15,431	–	–	–
<b>Total real estate for resale</b>	<b>15,431</b>	<b>–</b>	<b>–</b>	<b>–</b>

(Valued at the lower of cost and net realisable value)

**Represented by:**

Acquisition costs	15,431	–	–	–
Development costs	–	–	–	–
Borrowing costs	–	–	–	–
Other holding costs	–	–	–	–
Other properties – book value	–	–	–	–
<b>Total costs</b>	<b>15,431</b>	<b>–</b>	<b>–</b>	<b>–</b>

Less: provision for under recovery

	–	–	–	–
<b>Total real estate for resale</b>	<b>15,431</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Movements:**

Real estate assets at beginning of the year	–	–	–	–
– Purchases and other costs	–	–	–	–
– Transfers in from (out to) Note 10	15,431	–	–	–
– WDV of sales (expense)	–	–	–	–
– Transfer between current/non-current	–	–	–	–
– Other	–	–	–	–
<b>Total real estate for resale</b>	<b>15,431</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

\$ '000	2020	2019
Tamworth Global Gateway Park Industrial Land	13,447	–
Other	–	–
	13,447	–

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.

During the year the value of stores and materials was written down by \$25k due to obsolescence, the write off was authorised by Council on June 23, 2020, item number 9.4 resolution 175/20.

**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. Council acquired the real estate for resale back on February 5, 2016. The land aquired was funded by an internal loan from Council's water and sewer funds. The interest expense of \$2.2M attributable to this loan from the time of draw down to June 30, 2020 has been expensed. Council will commence to capitalise interest associated with this development once it commences activities that are necessary to prepare the asset for its intended sale.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Non-current assets 'held for sale'</b>				
Land	214	–	2,017	–
<b>Total non-current assets 'held for sale'</b>	<b>214</b>	<b>–</b>	<b>2,017</b>	<b>–</b>
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>				
	<b>214</b>	<b>–</b>	<b>2,017</b>	<b>–</b>

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

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
<b>Opening balance</b>	2,017	5,513
Less: carrying value of assets/operations sold	(1,803)	(3,501)
<b>Balance still unsold after 12 months:</b>	<b>214</b>	<b>2,012</b>
<b>Plus new transfers in:</b>		
– Development costs	–	5
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>214</b>	<b>2,017</b>

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

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

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

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

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

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	42,163	–	42,163	15,352	31,892	–	–	–	(11,619)	–	–	77,787	–	77,787
Plant and equipment	49,076	(21,209)	27,867	4,074	1,384	(1,459)	(3,743)	–	(1,041)	–	–	49,854	(22,771)	27,083
Office equipment	164	(148)	16	–	–	–	(6)	–	–	–	–	164	(154)	10
Furniture and fittings	5,901	(4,045)	1,856	–	12	–	(362)	–	–	–	–	5,912	(4,407)	1,505
<b>Land:</b>														
– Operational land	100,675	–	100,675	–	3,353	(370)	–	–	–	(15,141)	3,760	92,278	–	92,278
– Community land	20,344	–	20,344	–	4,627	–	–	–	–	–	4,498	29,470	–	29,470
– Land under roads (post 30/6/08)	1,676	–	1,676	–	–	–	–	–	–	–	–	1,676	–	1,676
Land improvements – depreciable	13,199	(4,203)	8,996	31	59	–	(469)	–	149	–	–	13,035	(4,268)	8,767
<b>Infrastructure:</b>														
– Buildings – non-specialised	128,550	(39,451)	89,099	573	2,607	(145)	(1,127)	–	138	(290)	(125)	130,952	(40,223)	90,729
– Buildings – specialised	36,542	(4,146)	32,396	–	–	–	(264)	–	–	–	–	36,542	(4,409)	32,133
– Other structures	94,304	(67,272)	27,032	3	17	–	(1,056)	–	(351)	–	–	93,556	(67,912)	25,644
– Roads <sup>2</sup>	569,445	(163,603)	405,842	–	–	(144)	(232)	–	(400,997)	–	–	6,837	(2,369)	4,468
– Bridges <sup>2</sup>	125,597	(30,423)	95,174	823	–	(1,799)	(2,021)	–	4,188	–	108,843	316,844	(111,635)	205,209
– Footpaths <sup>2</sup>	24,534	(9,465)	15,069	–	248	–	(485)	–	550	–	8,071	39,032	(15,579)	23,453
- Transport Ancillary	–	–	–	134	167	–	(235)	–	13,733	–	4,099	26,621	(8,722)	17,899
– Stormwater drainage <sup>2</sup>	273,871	(83,156)	190,715	–	4,720	(19)	(2,582)	–	210	–	1,750	281,337	(86,544)	194,793
– Water supply network	422,766	(197,903)	224,863	254	717	(241)	(5,253)	754	2,277	–	2,098	429,452	(203,982)	225,470
– Sewerage network	336,056	(103,824)	232,232	47	1,181	(79)	(5,896)	–	1,053	–	2,152	341,405	(110,715)	230,690
– Swimming pools	11,530	(6,884)	4,646	132	3	–	(135)	–	(16)	–	–	11,617	(6,985)	4,632
– Other open space/recreational assets	35,220	(16,772)	18,448	11	326	(1)	(968)	–	244	–	–	35,742	(17,681)	18,061
- Kerb and Gutter	–	–	–	–	471	–	(562)	–	37,050	–	12,060	72,647	(23,628)	49,019
- Minor Culverts	–	–	–	–	–	–	(573)	–	22,408	–	42,759	79,675	(15,081)	64,594
- Causeways	–	–	–	140	39	(38)	(188)	–	7,513	–	331	15,203	(7,406)	7,797
- Roads Local Sealed	–	–	–	1,723	1,559	(716)	(5,126)	–	209,542	–	–	293,874	(86,892)	206,982
- Roads Local Unsealed	–	–	–	2,488	–	(561)	(1,979)	–	52,071	–	–	72,490	(20,471)	52,019
- Roads Regional Sealed	–	–	–	1,326	–	(199)	(1,222)	–	52,544	–	–	68,014	(15,565)	52,449
- Roads Regional Unsealed	–	–	–	–	–	–	(99)	–	4,231	–	–	4,946	(815)	4,131
- Carparks	–	–	–	–	–	(35)	(137)	–	5,069	–	–	7,867	(2,969)	4,898
<b>Other assets:</b>														
– Library books	2,237	(1,421)	816	–	293	–	(293)	–	–	–	–	2,530	(1,714)	816
– Art collection	3,782	–	3,782	–	–	–	–	–	–	–	–	3,783	–	3,783
– Other	6,670	(1,263)	5,407	–	101	–	(165)	–	(1)	–	–	6,765	(1,424)	5,341
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														

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

Note 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
– Tip assets	14,025	(8,107)	5,918	–	–	–	(750)	–	(825)	–	–	13,200	(8,857)	4,343
– Quarry assets	266	(147)	119	–	–	–	(7)	–	(56)	–	–	210	(154)	56
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,318,593</b>	<b>(763,442)</b>	<b>1,555,151</b>	<b>27,111</b>	<b>53,776</b>	<b>(5,806)</b>	<b>(35,935)</b>	<b>754</b>	<b>(1,936)</b>	<b>(15,431)</b>	<b>190,296</b>	<b>2,661,317</b>	<b>(893,332)</b>	<b>1,767,985</b>

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

(2) Restated refer to Note 15b

DRAFT

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

Note 11(a). Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	32,716	–	32,716	1,637	33,011	–	–	–	(25,202)	–	–	42,163	–	42,163
Plant and equipment	47,632	(20,672)	26,960	4,290	1,651	(1,695)	(3,460)	–	121	–	–	49,076	(21,209)	27,867
Office equipment	164	(142)	22	–	–	–	(6)	–	–	–	–	164	(148)	16
Furniture and fittings	5,877	(3,648)	2,229	–	23	–	(396)	–	–	–	–	5,901	(4,045)	1,856
<b>Land:</b>														
– Operational land	98,455	–	98,455	–	2,736	–	–	–	1,009	(1,525)	–	100,675	–	100,675
– Community land	18,723	–	18,723	–	1,620	–	–	–	–	–	–	20,344	–	20,344
– Land under roads (post 30/6/08)	1,204	–	1,204	–	453	–	–	–	–	–	19	1,676	–	1,676
Land improvements – depreciable	12,707	(3,737)	8,970	299	154	(5)	(476)	–	54	–	–	13,199	(4,203)	8,996
<b>Infrastructure:</b>														
– Buildings – non-specialised	125,637	(39,076)	86,561	1,015	2,450	(101)	(1,209)	–	383	–	–	128,550	(39,451)	89,099
– Buildings – specialised	36,543	(3,882)	32,661	–	–	–	(264)	–	–	–	–	36,542	(4,146)	32,396
– Other structures	93,865	(65,721)	28,144	10	534	(97)	(1,629)	–	70	–	–	94,304	(67,272)	27,032
– Roads <sup>2</sup>	460,452	(119,510)	340,942	1,370	6,625	(3,522)	(9,797)	–	70,224	–	–	569,445	(163,603)	405,842
– Bridges <sup>2</sup>	124,858	(29,762)	95,096	317	–	(285)	(948)	–	994	–	–	125,597	(30,423)	95,174
– Footpaths <sup>2</sup>	24,207	(9,225)	14,982	11	479	(34)	(369)	–	–	–	–	24,534	(9,465)	15,069
– Stormwater drainage <sup>2</sup>	321,430	(106,570)	214,860	–	4,144	(93)	(2,371)	–	(61,067)	–	35,242	273,871	(83,156)	190,715
– Water supply network	410,100	(189,669)	220,431	348	1,239	(343)	(4,950)	(754)	5,394	–	3,497	422,766	(197,903)	224,863
– Sewerage network	324,791	(97,199)	227,592	2,107	1,175	(1,025)	(5,864)	–	4,652	–	3,593	336,056	(103,824)	232,232
– Swimming pools	11,355	(6,724)	4,631	51	75	–	(130)	–	21	–	–	11,530	(6,884)	4,646
– Other open space/recreational assets	32,431	(15,926)	16,505	–	721	(48)	(887)	–	2,157	–	–	35,220	(16,772)	18,448
<b>Other assets:</b>														
– Library books	1,913	(1,178)	735	–	324	–	(243)	–	–	–	–	2,237	(1,421)	816
– Other	6,557	(1,100)	5,457	–	112	–	(164)	–	–	–	–	6,670	(1,263)	5,407
– Art collection	3,753	–	3,753	–	30	–	–	–	–	–	–	3,782	–	3,782
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	12,737	(7,502)	5,235	–	–	–	(605)	–	1,287	–	–	14,025	(8,107)	5,918
– Quarry assets	266	(139)	127	–	–	–	(7)	–	–	–	–	266	(147)	119
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,208,373</b>	<b>(721,382)</b>	<b>1,486,991</b>	<b>11,455</b>	<b>57,556</b>	<b>(7,248)</b>	<b>(33,775)</b>	<b>(754)</b>	<b>97</b>	<b>(1,525)</b>	<b>42,351</b>	<b>2,318,593</b>	<b>(763,442)</b>	<b>1,555,151</b>

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

(2) Restated Refer to Note 15b

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11(a). Infrastructure, property, plant and equipment (continued)

#### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

#### Land under roads

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11(a). Infrastructure, property, plant and equipment (continued)

---

#### **Crown reserves**

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 15.

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

#### **Rural Fire Service assets**

Section 119 of the *Rural Fire Services Act 1997 (NSW)*, requires "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".

After consideration of all elements of control for accounting purposes however, Council is of the opinion that control lies with the Rural Fire Service and does not recognise any fire fighting equipment acquired from the fire fighting fund.

DRAFT



Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(i) Impairment losses recognised direct to equity (ARR):			
Water Infrastructure - storm damage to reservoir roof located at One Tree Hill	11(a)	–	754
<b>Total impairment losses</b>		<b>–</b>	<b>754</b>
<b><u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u></b>		<b>–</b>	<b>754</b>

DRAFT

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	30,175	29,875
<b>Total owned investment property</b>	<b>30,175</b>	<b>29,875</b>

Reconciliation – owned investment property

Reconciliation of annual movement:

<b>Opening balance</b>	29,875	8,410
– Acquisitions	–	20,000
– Net gain/(loss) from fair value adjustments	300	(60)
– Transfers from/(to) owner occupied (Note 11)	–	1,525
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>30,175</b>	<b>29,875</b>

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Covid19

The 2020 valuations for all investment properties owned by Council were based on independent assessments made by Preston Rowe Paterson Registered Valuer no 186 with the exception of Council's Pilot Training Facility.

In the case of the pilot training facility it is unfeasible to substantiate a fair value due to Covid19. The facility was acquired with the intention of it being tenanted as a pilot training facility; a fair value based on lease arrangements of this nature is unobtainable at this time due to the global pandemic. Should the pandemic continue to restrict use of the property for its intended purpose, the site is made up of many components which are able to be leased out separately. For now Council is delaying entering into any long term leases for individual structures as this could impede any future lease arrangements for the facilities intended purpose.

The value adopted for 30 June 2020 is \$21,525M being the same as the value provided for the reporting period ending 30 June 2019. Council is of the belief that this valuation does not overstate the fair value of the complex due to:

- The flexibility of the site allows it to be broken up into smaller components and leased out those components being accommodation for 231, a large hangar, general aviation aircraft parking, residential accommodation and a multipurpose facility currently designed for educational purposes but could easily be used for office space.
- The facility covers a site of approximately 234,200m<sup>2</sup>. Valuations show that land in this area is currently selling at prices ranging from \$55m<sup>2</sup> to 93.50m<sup>2</sup>.
- The site is currently generating a reasonable return for a small portion of the facility being leased to the Department of Education

Users of these financial reports should adopt a higher degree of caution to this value than would normally be the case

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>(a) Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	644	573
Accumulated amortisation	(317)	(260)
<b>Net book value – opening balance</b>	<b>327</b>	<b>313</b>
<b>Movements for the year</b>		
– Purchases	48	71
– Amortisation charges	(73)	(57)
<b>Closing values at 30 June</b>		
Gross book value	692	644
Accumulated amortisation	(390)	(317)
<b>Total software – net book value</b>	<b>302</b>	<b>327</b>
<b>(b) Water Licences</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,784	1,784
<b>Net book value – opening balance</b>	<b>1,784</b>	<b>1,784</b>
<b>Movements for the year</b>		
– Purchases	435	–
– Revaluation of Water Licences	350	–
<b>Closing values at 30 June</b>		
Gross book value	2,569	1,784
<b>Total Water Licences – net book value</b>	<b>2,569</b>	<b>1,784</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>2,871</b>	<b>2,111</b>

**Accounting policy for intangible assets**

**IT development and software**

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

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

**Water Licences**

Costs incurred in acquiring water licences (excluding town water licences) that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to water licences. As a tradeable item Water licences have been revalued at 31 March 2020 by Preston Rowe Paterson, Registered Valuer NSW No 186.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities

Note 14. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Other	6,392	–
<b>Total Contract assets</b>	<b>6,392</b>	<b>–</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,723	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,500	–
<b>Total grants received in advance</b>		<b>4,223</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>4,223</b>	<b>–</b>

**Notes**

(i) Council has received funding for a number of projects including construction of an organic recycling facility, CCTV project, library redevelopment and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 and AASB 1058 being satisfied since the performance obligations are ongoing.

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	2,723
Operating grants (received prior to performance obligation being satisfied)	1,500
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>4,223</b>

**Significant changes in contract assets and liabilities**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities (continued)

**Accounting policy for contract assets and liabilities**

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

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

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

Note 15. Leases

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

(i) Council as a lessee

Council has leases over buildings with information relating to the leases in place and associated balances and transactions is provided below.

**Terms and conditions of leases**

**Buildings**

Council leases buildings for their Entertainment Venues and Tourism Promotion functions. The leases are between 5 and 7 years and they include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

**Extension options**

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

\$ '000	Buildings	Total
<b>(a) Right of use assets</b>		
Opening balance at 30 June 2019	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	3,582	3,582
Depreciation charge	(729)	(729)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>2,853</u></b>	<b><u>2,853</u></b>

\$ '000	2020 Current	2020 Non-current
---------	-----------------	---------------------

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	727	2,190
<b>TOTAL LEASE LIABILITIES</b>	<b>727</b>	<b>2,190</b>

**(i) The maturity analysis**

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	727	2,190	–	2,917	2,917

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

**(c) Income Statement**

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

Interest on lease liabilities	6
Depreciation of right of use assets	729
Expenses relating to low-value leases	86
	<b>821</b>

**(d) Statement of Cash Flows**

Total cash outflow for leases	672
	<b>672</b>

**Leases at significantly below market value – concessionary / peppercorn leases**

Council does not believe that it has many leases in place that are at significantly below market value and according are not individually material from a statement of financial position or performance perspective.

**Accounting policy**

**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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

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

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

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

**Exceptions to lease accounting**

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

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer Note 12) and/or IPP&E (refer Note 11).

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Council Properties</b>	
Lease income - Investment Properties	1,857
Lease income - Other Property	677
<b>Other lease income</b>	
<b>Total income relating to operating leases</b>	<b>2,534</b>
 <b>(ii) Operating lease expenses</b>	
<b>Investment properties</b>	
Direct operating expenses that generated rental income	1,797
<b>Other Properties</b>	
Other	514
<b>Total expenses relating to operating leases</b>	<b>2,311</b>

(iii) Maturity analysis of contractual lease income

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

< 1 year	801
1–2 years	535
2–3 years	492
3–4 years	358

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

Note 15. Leases (continued)

\$ '000	2020
4–5 years	322
> 5 years	1,326
<b>Total undiscounted contractual lease income receivable</b>	<b>3,834</b>

DRAFT



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

Note 16. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	8,708	–	8,752	–
Accrued expenses:				
– Borrowings	157	–	156	–
– Salaries and wages	1,156	–	865	–
– Other expenditure accruals	138	–	243	–
Prepaid rates	1,856	–	–	–
Security bonds, deposits and retentions	1,718	–	1,566	–
Ticket monies held	83	–	257	–
Other	957	–	701	–
<b>Total payables</b>	<b>14,773</b>	<b>–</b>	<b>12,540</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	332	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>332</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	7,559	78,864	6,319	65,834
<b>Total borrowings</b>	<b>7,559</b>	<b>78,864</b>	<b>6,319</b>	<b>65,834</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>22,332</u></b>	<b><u>78,864</u></b>	<b><u>19,191</u></b>	<b><u>65,834</u></b>

(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 23.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

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

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

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

Payables – security bonds, deposits and retentions	1,203	1,096
<b>Total payables and borrowings</b>	<b>1,203</b>	<b>1,096</b>

**(b) Changes in liabilities arising from financing activities**

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	72,153	14,270	–	–	–	–	86,423
Lease liabilities	–	(666)	–	–	–	3,583	2,917
<b>TOTAL</b>	<b>72,153</b>	<b>13,604</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,583</b>	<b>89,340</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	76,584	(4,431)	–	–	–	72,153
<b>TOTAL</b>	<b>76,584</b>	<b>(4,431)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>72,153</b>

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

**(c) Financing arrangements**

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

Bank overdraft facilities <sup>1</sup>	1,000	1,000
Credit cards/purchase cards	620	620
<b>Total financing arrangements</b>	<b>1,620</b>	<b>1,620</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	620	620
<b>Total undrawn financing arrangements</b>	<b>1,620</b>	<b>1,620</b>

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

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

**Borrowings**

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

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

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

Note 17. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	4,342	–	4,115	–
Long service leave	6,358	311	5,765	218
<b>Sub-total – aggregate employee benefits</b>	<b>10,700</b>	<b>311</b>	<b>9,880</b>	<b>218</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	8,398	–	9,286
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>8,398</b>	<b>–</b>	<b>9,286</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>10,700</u></b>	<b><u>8,709</u></b>	<b><u>9,880</u></b>	<b><u>9,504</u></b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

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

**(a) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	8,559	7,904
	8,559	7,904

**(b) Description of and movements in provisions**

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
<b>2020</b>			
At beginning of year	4,115	5,983	10,098
Additional provisions	3,090	1,773	4,863
Amounts used (payments)	(2,896)	(1,129)	(4,025)
Remeasurement effects	33	42	75
Total ELE provisions at end of year	4,342	6,669	11,011
<b>2019</b>			
At beginning of year	4,019	5,764	9,783
Additional provisions	2,978	1,191	4,169
Amounts used (payments)	(2,905)	(1,136)	(4,041)
Remeasurement effects	23	164	187
Total ELE provisions at end of year	4,115	5,983	10,098

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	9,286	9,286
<b>Changes to provision:</b>		
– Revised costs	(880)	(880)
Amounts used (payments)	(342)	(342)
Unwinding of discount	334	334
Total other provisions at end of year	8,398	8,398
<b>2019</b>		
At beginning of year	8,616	8,616
– Revised costs	1,287	1,287
Amounts used (payments)	(765)	(765)
Unwinding of discount	148	148
Total other provisions at end of year	9,286	9,286

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

**Asset remediation**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17. Provisions (continued)

#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17. Provisions (continued)

---

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.

Council has based its landfill rehabilitation provision on the use of Phytocapping rather than the EPS prescribed clay caps. Council is presently a trial site endorsed by the EPA to test Phytocapping effectiveness but the EPA has not given approval that this met EPA licence requirements; there is a risk if the EPA does not approve the technology that Council's provisions are understated. Any changes in this risk will be reflected in future financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 18. 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.

**Fair value through other comprehensive income reserve (FVOCI)**

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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

**Nature of prior-period error**

During 2018/19 Council staff undertook a revaluation of Stormwater assets resulting in the capitalisation of existing assets not previously recognised, the total of the correction for this asset category is \$28,382M and adjustments have been made to accumulated Surplus and IPPE.

During 2019/20 Council staff undertook an extensive revaluation of roads infrastructure (ref Note 10) resulting in the capitalisation of existing assets not previously recognised; in correcting this omission adjustments totalling \$29,505M have been made to Accumulated Surplus and IPPE.

The errors identified have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to the accumulated surplus at that date. In aggregate the adjustments totalled \$57,887M.

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

**Changes to the opening Statement of Financial Position at 1 July 2018**

**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Understatement of IPPE	1,429,105	57,887	1,486,992
<b>Total assets</b>	<b>1,629,343</b>	<b>57,887</b>	<b>1,687,230</b>
Understatement of Accumulated Surplus	1,081,180	57,887	1,139,067
<b>Total equity</b>	<b>1,523,146</b>	<b>57,887</b>	<b>1,581,033</b>

**Adjustments to the comparative figures for the year ended 30 June 2019**

**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Understatement of IPPE	1,525,646	29,505	1,555,151
<b>Total assets</b>	<b>1,632,247</b>	<b>29,505</b>	<b>1,661,752</b>
Understatement of Accumulated Surplus	1,148,629	29,505	1,178,134
<b>Total equity</b>	<b>1,632,247</b>	<b>29,505</b>	<b>1,661,752</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

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

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

#### (ii) AASB 15 and AASB 1058

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

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

#### Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

#### Upfront fees – Council Aquatic Facilities

Prior to adopting AASB 15, the Council recognised season entry fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e. the season period).

#### Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

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

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

#### Principal v agent

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

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

#### Licences

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



Notes to the Financial Statements

for the year ended 30 June 2020

**Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

**Prepaid rates**

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

**Grants – operating**

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

**Grants – capital**

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

**Changes in presentation**

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

- Additional line items of contract assets, contract cost assets and contract liabilities have been created.
- Movement of income received in advance items from Payables to Contract Liabilities.

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

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

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	36,508	–	–	36,508	
Investments	119,844	–	–	119,844	
Receivables	16,889	6,392	–	23,281	
Inventories	16,607	–	–	16,607	
Contract assets	6,392	(6,392)	–	–	
Other	342	–	–	342	
Current assets classified as 'held for sale'	214	–	–	214	
<b>Total current assets</b>	<b>196,796</b>	<b>–</b>	<b>–</b>	<b>196,796</b>	
<b>Current liabilities</b>					
Payables	14,773	–	–	14,773	
Income received in advance	–	344	–	344	
Contract liabilities	4,223	(344)	(3,879)	–	
Lease liabilities	727	–	–	727	
Borrowings	7,559	–	–	7,559	
Provisions	10,700	–	–	10,700	
<b>Total current liabilities</b>	<b>37,982</b>	<b>–</b>	<b>(3,879)</b>	<b>34,103</b>	

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
<b>Non-current assets</b>					
Investments	13,000	–	–	13,000	
Receivables	402	–	–	402	
Infrastructure, property, plant and equipment	1,767,985	–	–	1,767,985	
Investment property	30,175	–	–	30,175	
Intangible assets	2,871	–	–	2,871	
Right of use assets	2,853	–	–	2,853	
<b>Total non-current assets</b>	<b>1,817,286</b>	<b>–</b>	<b>–</b>	<b>1,817,286</b>	
<b>Non-current liabilities</b>					
Lease liabilities	2,190	–	–	2,190	
Borrowings	78,864	–	–	78,864	
Provisions	8,709	–	–	8,709	
<b>Total Non-current liabilities</b>	<b>89,763</b>	<b>–</b>	<b>–</b>	<b>89,763</b>	
<b>Net assets</b>	<b>1,886,337</b>	<b>–</b>	<b>3,879</b>	<b>1,890,216</b>	
<b>Equity</b>					
Accumulated surplus	1,211,645	–	3,879	1,215,524	
Revaluation reserves	674,011	–	–	674,011	
<b>Council equity interest</b>	<b>1,885,656</b>	<b>–</b>	<b>3,879</b>	<b>1,889,535</b>	
<b>Non-controlling equity interests</b>	<b>681</b>	<b>–</b>	<b>–</b>	<b>681</b>	
<b>Total equity</b>	<b>1,886,337</b>	<b>–</b>	<b>3,879</b>	<b>1,890,216</b>	

**Income Statement**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b>Income from continuing operations</b>					
Rates and annual charges	70,745	–	–	70,745	
User charges and fees	36,834	–	–	36,834	
Other revenues	2,704	–	–	2,704	
Grants and contributions provided for operating purposes	22,213	–	1,156	23,369	
Grants and contributions provided for capital purposes	35,788	–	2,723	38,511	
Interest and investment income	3,151	–	–	3,151	
Fair value increment on investment properties	300	–	–	300	
Rental income	2,534	–	–	2,534	

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<b>Total Income from continuing operations</b>	174,269	–	3,879	178,148	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	48,558	–	–	48,558	
Borrowing costs	4,418	–	–	4,418	
Materials and contracts	33,303	–	–	33,303	
Depreciation and amortisation	36,076	–	–	36,076	
Other expenses	11,501	–	–	11,501	
Net losses from the disposal of assets	2,776	–	–	2,776	
<b>Total Expenses from continuing operations</b>	136,632	–	–	136,632	
<b>Total Operating result from continuing operations</b>	37,637	–	3,879	41,516	
Net operating result for the year	37,637	–	3,879	41,516	
<b>Total comprehensive income</b>	229,037	–	3,879	232,916	

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

**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
<b>Total assets</b>	<b>1,766,161</b>	<b>–</b>	<b>1,766,161</b>
Contract liabilities	–	4,452	4,452
<b>Total liabilities</b>	<b>104,409</b>	<b>4,452</b>	<b>108,861</b>
Accumulated surplus	–	(4,452)	(4,452)
<b>Total equity</b>	<b>1,661,752</b>	<b>(4,452)</b>	<b>1,657,300</b>

**(iii) AASB 16 Leases**

**Council as a lessee**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$3,583k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.87%.

\$ '000	Balance at 1 July 2019
---------	---------------------------

<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	–
---	---

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	2,475
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	1,108
<b>Lease liabilities recognised at 1 July 2019</b>	<u>3,583</u>

**Council as a lessor**

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

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

**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	3,583	3,583
<b>Total assets</b>	<b>1,776,161</b>	<b>3,583</b>	<b>1,779,744</b>
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	3,583	3,583
<b>Total liabilities</b>	<b>104,409</b>	<b>3,583</b>	<b>107,992</b>
Accumulated surplus	1,178,134	–	1,178,134

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total equity</b>	<b>1,671,752</b>	<b>-</b>	<b>1,671,752</b>

DRAFT

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	36,508	13,875
<b>Balance as per the Statement of Cash Flows</b>		<b>36,508</b>	<b>13,875</b>

**(b) Reconciliation of net operating result to cash provided from operating activities**

<b>Net operating result from Income Statement</b>		37,637	39,122
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		36,076	33,390
Net losses/(gains) on disposal of assets		2,776	6,175
Non-cash capital grants and contributions		(12,362)	(11,017)
Adoption of AASB 15/1058		(4,452)	-
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(300)	60
Unwinding of discount rates on reinstatement provisions		334	148
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		704	1,960
Increase/(decrease) in provision for impairment of receivables		316	(740)
Decrease/(increase) in inventories		53	(133)
Decrease/(increase) in other current assets		484	(593)
Decrease/(increase) in contract assets		(6,392)	-
Increase/(decrease) in payables		(44)	1,536
Increase/(decrease) in accrued interest payable		1	(8)
Increase/(decrease) in other accrued expenses payable		186	243
Increase/(decrease) in other liabilities		1,758	(113)
Increase/(decrease) in contract liabilities		4,223	-
Increase/(decrease) in provision for employee benefits		913	315
Increase/(decrease) in other provisions		(1,222)	(765)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>60,689</b>	<b>69,580</b>

**(c) Non-cash investing and financing activities**

Other dedications		12,362	11,017
<b>Total non-cash investing and financing activities</b>		<b>12,362</b>	<b>11,017</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities

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
Central Northern Regional Libraries	Provision of library resources & services for its member Councils

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
Council's interest in Subsidiary	62%	62%	62%	62%
Non-controlling interest in Subsidiary	38%	38%	38%	38%

**The nature and extent of significant restrictions relating to the Subsidiary**

All of subsidiary funds are held in Councils bank account, use of these funds is governed by a budget set annually. Assets are predominantly library resources which are distributed and exchanged between members as and when required. No dividends or distributions are paid.

**The nature of risks associated with Council's interests in the Subsidiary**

Withdrawal of government grant funding would expose Council to a loss, however it is to be expected that member Councils would be notified in a timely manner to prevent this from happening.

**Other disclosures**

Councils financial support of the subsidiary will continue indefinitely into the future. The level of financial support is linked to the Councils average population numbers and available grant funding.

**Reporting dates of Subsidiary**

Reporting dates of the subsidiary are in line with that of Tamworth Regional Council.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
<b>Summarised statement of comprehensive income</b>		
Revenue	1,626	1,633
Expenses	(1,563)	(1,490)
<b>Profit for the period</b>	<b>63</b>	<b>143</b>
<b>Total comprehensive income</b>	<b>63</b>	<b>143</b>
Non-controlling interest share - 38%	24	55
<b>Summarised statement of financial position</b>		
Current assets	614	508
Non-current assets	1,179	1,221
<b>Total assets</b>	<b>1,793</b>	<b>1,729</b>
Non-controlling interest share - 38%	681	657

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities (continued)

**Summarised statement of cash flows**

Cash flows from operating activities	105	(222)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>105</b>	<b>(222)</b>

**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.

DRAFT



Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments

\$ '000	2020	2019
<b>Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	1,840	737
Cemetery Infrastructure	–	909
Information Technology Infrastructure	–	128
Other – Airport Infrastructure	121	–
Parks and Recreation	58	1,382
Plant and equipment	55	1,672
Road Construction	6,028	1,462
Waste Infrastructure	–	72
Water & Sewer Infrastructure	8,076	253
<b>Total commitments</b>	<b>16,178</b>	<b>6,615</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	16,178	6,615
<b>Total payable</b>	<b>16,178</b>	<b>6,615</b>
<b>Sources for funding of capital commitments:</b>		
Externally restricted reserves	1,904	756
Future grants and contributions	7,072	2,371
Internally restricted reserves	857	3,308
Section 64 funds/reserves	172	–
Unexpended loans	6,173	180
<b>Total sources of funding</b>	<b>16,178</b>	<b>6,615</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

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

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

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

###### *Description of the funding arrangements.*

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to fund the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 690,797.10 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2019, and covers the period ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$333,999.96. Council's expected contribution to the plan for the next annual reporting period is \$648,385.16.

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

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

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

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

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

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

\* Plus promotional increases

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

**(iv) Bank Guarantees**

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, as at reporting date these amounts are:

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2020 is \$159,601.43

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Contingencies (continued)

---

At June 30, 2020 Councils guarantee is limited to \$159,601.43

Tamworth Gymnastics Club. Drawn in 2019/20 Financial year. Balance as at 30/6/2020 is \$121,186.04  
Councils guarantee is limited to \$130,000.00

Council does not expect to incur any loss from these guarantees.

#### (v) Other guarantees

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

### 2. Other liabilities

#### (i) Third party claims

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

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

#### (ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

#### (iii) Investigation and potential remediation

During the 2019-2020 financial year the NSW Environmental Protection Authority (EPA) issued Tamworth Regional Council with a Proposed Preliminary Investigation Order to commence an investigation and possible remediation of two potentially contaminated land sites.

The investigation has not commenced with Council preparing to call tenders for the investigation works. There are no known costs associated with the investigation and potential remediation of the land as at 30 June 2020.

#### (iv) Over extraction of water investigation

During the reporting period, it was identified that Tamworth Regional Council had exceeded the permitted allocation of water from four (4) of the six (6) Drift Wells located on Scott Road Tamworth, owned by Tamworth Regional Council. An investigation was conducted by the Natural Resource Access Regulator (NRAR) into the over extraction of water allocated for use by Council. The investigation concluded that Council had breached Section 60C(2) of the Water Management Act 2000 on two (2) occasions and was subsequently issued with two (2) penalty notices totalling \$3,000 for these breaches.

In accordance with the requirements of the relevant legislation and regulations, Council has approved the purchase of water on the temporary market in the 2020-2021 water year to fill the deficit caused by the over extraction in 2019-2020 as well as allowing Council to source further water in the short term. The cost of this purchase has been estimated to be \$17,500 for 350 megalitres of water. The purchase of this water does not influence the penalties that arose from the investigation.

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Contingencies (continued)

---

**(ii) Infringement notices/fines**

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

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

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

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

DRAFT

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	36,508	13,875	36,508	13,875
Receivables	17,291	18,313	17,178	18,313
Investments				
– 'Financial assets at amortised cost'	121,500	127,996	121,500	127,996
<b>Fair value through other comprehensive income</b>				
Investments				
– 'Financial assets at fair value through other comprehensive income'	11,344	14,768	11,344	14,768
<b>Total financial assets</b>	<b>186,643</b>	<b>174,952</b>	<b>186,530</b>	<b>174,952</b>
<b>Financial liabilities</b>				
Payables	14,773	12,540	14,494	12,540
Loans/advances	86,423	72,153	86,423	72,153
Lease liabilities	2,917	–	2,917	–
<b>Total financial liabilities</b>	<b>104,113</b>	<b>84,693</b>	<b>103,834</b>	<b>84,693</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	1,628	1,628	1,628	1,628
<b>2019</b>				
Possible impact of a 1% movement in interest rates	1,597	1,597	1,597	1,597

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	3,663	655	473	331	5,122
<b>2019</b>						
Gross carrying amount	–	1,791	490	426	323	3,030

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
<b>2020</b>						
Gross carrying amount	8,885	274	2,013	474	1,894	13,540
Expected loss rate (%) <sup>1</sup>	0.00%	0.00%	2.00%	3.00%	50.50%	7.47%
<b>ECL provision</b>	–	–	40	14	956	1,010
<b>2019</b>						
Gross carrying amount	12,914	944	363	226	1,891	16,338
Expected loss rate (%) <sup>1</sup>	0.00%	0.00%	3.86%	9.29%	35.22%	4.29%
<b>ECL provision</b>	–	–	14	21	666	701

(1) The ECL provision differs to the amount shown in Note 8 Receivables, due to an impairment provision for rates receivables, the land parcels allowed for are likely to recoup less than the outstanding property debt due to size, accessibility, and location.



Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

(c) Liquidity risk

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

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

Overdraft facilities utilised as required.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	1,718	11,199	–	–	12,917	12,917
Loans and advances	4.90%	–	11,683	44,087	55,117	110,887	86,423
<b>Total financial liabilities</b>		<b>1,718</b>	<b>22,882</b>	<b>44,087</b>	<b>55,117</b>	<b>123,804</b>	<b>99,340</b>
<b>2019</b>							
Trade/other payables	0.00%	1,566	10,974	–	–	12,540	12,540
Loans and advances	5.76%	–	10,411	39,672	46,636	96,719	72,153
<b>Total financial liabilities</b>		<b>1,566</b>	<b>21,385</b>	<b>39,672</b>	<b>46,636</b>	<b>109,259</b>	<b>84,693</b>

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

Note 24. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25 June 2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	69,548	70,745	1,197	2% <b>F</b>
User charges and fees	35,753	36,834	1,081	3% <b>F</b>
Other revenues	4,757	2,704	(2,053)	(43)% <b>U</b>
The unfavourable budget variation is due to the reclassification of rental income from other revenues to its own line item in the income statement. This \$2,534 movement is offset by funds received for an insurance claim of \$699k in relation to a reservoir at One Tree Hill.				
Operating grants and contributions	18,455	22,213	3,758	20% <b>F</b>
At the time of budget preparation it is difficult to know what one off grant applications Council will receive a favourable outcome for during the year, as a result there is usually always a significant budget variation in this area. During the year Council was successful in receiving grant funding in the following areas for which there was not a budget allowance. An extra \$3.0M for transport infrastructure, \$200k for drought relief funding, childcare grant funds were up by \$143k when compared to budget, as was emergency funding up by \$202k.				
Capital grants and contributions	24,098	35,788	11,690	49% <b>F</b>
Council does not budget for the non-cash developer infrastructure dedications which make up \$7.7M of the (\$11.6M F) improvement on budget; likewise there was a dedication of land in the way of Crown Land which totalled \$4.6M.				
Interest and investment revenue	4,567	3,151	(1,416)	(31)% <b>U</b>
When preparing the 19/20 budget for interest and investment revenue an estimated interest rate of 2.5% was used, the average return for the year on Council's investments was 1.8% this combined with a 47k (U) result for interest on overdue rates has resulted in the lower than budgeted result for interest and investment revenue.				
<b>EXPENSES</b>				
Employee benefits and on-costs	51,271	48,558	2,713	5% <b>F</b>
Borrowing costs	4,650	4,418	232	5% <b>F</b>
Materials and contracts	28,716	33,303	(4,587)	(16)% <b>U</b>
The largest contributor to the materials and contracts variance was the increased volume (\$2.1M) of operational expenditure for private works carried out for the RMS. Other factors which contributed to this variance include expenditure on the Country Road Roundabout \$400k, an additional \$200k on sport and recreational projects, \$200k on organisational development, \$271k on repairing storm damage and a contribution of \$108k to Jewry St lighting. In addition Council also had a favourable budget variance with regards to operational grants and contributions across many projects which also contributed to the variance in materials and contracts.				
Depreciation and amortisation	33,714	36,076	(2,362)	(7)% <b>U</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>Other expenses</b>	<b>9,839</b>	<b>11,501</b>	<b>(1,662)</b>	<b>(17)% U</b>
The reclassification of the expenditure line item "Training - other than wages" - \$976k from Employee Costs (Note 5a) to Other Expenses (Note 5e) as per the Local Government Code of Accounting Practice and Financial Reporting is the main reason for this budget variation. Other contributing factors include additional expenditure of \$400k in the area of electricity and heating, \$152k on Emergency Service Levies and \$123k in sustainability rebates.				
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>2,776</b>	<b>(2,776)</b>	<b>∞ U</b>
Due to the uncertainty of this activity Council does not budget for the disposal of assets.				

STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	<b>62,899</b>	<b>60,689</b>	<b>(2,210)</b>	<b>(4)% U</b>
<b>Cash flows from investing activities</b>	<b>(66,777)</b>	<b>(51,661)</b>	<b>15,116</b>	<b>(23)% F</b>
The favourable variance is due to proceeds from the sale of Property Plant and Equipment (\$4.8F) which Council does not budget for and lower than budgeted capital expenditure especially in the water area which had a forecasted capital expenditure of \$27M but completed only \$16M, there was similarly reductions in capital expenditure in other areas of Council.				
<b>Cash flows from financing activities</b>	<b>3,933</b>	<b>13,605</b>	<b>9,672</b>	<b>246% F</b>
This is due to loans for the pilot training facility scheduled for draw down in 18/19 not being drawn until 19/20.				

DRAFT

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

Note 25. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as ‘held for sale’

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

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

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

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

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

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

2020	Notes	Date of latest valuation	Fair value measurement hierarchy			Total Restated (1)
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Investment property</b>						
		31/03/20	–	4,700	–	4,700
		31/03/20	–	1,650	–	1,650
		31/03/20	–	1,150	–	1,150
		31/03/20	–	1,150	–	1,150
	12	17/01/18	–	–	21,525	21,525
			<b>–</b>	<b>8,650</b>	<b>21,525</b>	<b>30,175</b>
<b>Infrastructure, property, plant and equipment</b>						
		30/06/20	–	–	27,083	27,083
		30/06/20	–	–	10	10
		30/06/20	–	–	1,505	1,505
		31/01/18	–	–	92,278	92,278
		30/06/20	–	–	1,676	1,676
		30/06/20	–	–	8,767	8,767
		31/01/18	–	–	122,862	122,862
		30/06/20	–	–	48,337	48,337
		30/06/15	–	–	324,947	324,947
	18b	01/01/20	–	–	367,971	367,971
	18b	01/01/19	–	–	194,793	194,793
		31/03/18	–	–	225,470	225,470
		31/03/18	–	–	230,690	230,690
		30/06/20	–	–	816	816
		30/06/14	–	–	3,783	3,783
		30/06/20	–	–	5,341	5,341
		30/06/20	–	–	29,470	29,470
			<b>–</b>	<b>–</b>	<b>1,685,799</b>	<b>1,685,799</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

2020	Notes	Date of latest valuation	Fair value measurement hierarchy			Total Restated (1)
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Non-current assets classified as 'held for sale'</b>						
Land		30/06/20	–	214	–	214
<b>Total NCA's classified as 'held for sale'</b>			<b>–</b>	<b>214</b>	<b>–</b>	<b>214</b>

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total Restated (1)
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Investment property</b>						
468-472 Peel Street		31/03/19	–	4,600	–	4,600
474 Peel Street		31/03/19	–	1,600	–	1,600
561 Peel Street		31/03/19	–	1,050	–	1,050
218 Peel Street		31/03/19	–	1,100	–	1,100
Pilot Training Facility	12	17/01/18	–	–	21,525	21,525
<b>Total investment property</b>			<b>–</b>	<b>8,350</b>	<b>21,525</b>	<b>29,875</b>

**Infrastructure, property, plant and equipment**

Plant and equipment		30/06/19	–	–	27,867	27,867
Office equipment		30/06/19	–	–	16	16
Furniture and fittings		30/06/19	–	–	1,856	1,856
Land – operational		31/01/18	–	–	100,675	100,675
Land under roads (post 30/6/08)		30/06/19	–	–	1,676	1,676
Land improvements – depreciable		30/06/19	–	–	8,996	8,996
Buildings		31/01/18	–	–	121,495	121,495
Other structures		30/06/19	–	–	50,126	50,126
Roads and Carparks		30/06/15	–	–	516,085	516,085
Bridges and Other Transport Infrastructure <sup>1</sup>	18b		–	–	–	–
Stormwater drainage <sup>1</sup>	18b	01/01/19	–	–	190,715	190,715
Water supply network		31/03/18	–	–	224,863	224,863
Sewerage network		31/03/18	–	–	232,232	232,232
Library books		30/06/19	–	–	816	816
Art collection		30/06/14	–	–	3,782	3,782
Other assets		30/06/19	–	–	5,407	5,407
Land – community		30/06/16	–	–	20,344	20,344
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>1,506,951</b>	<b>1,506,951</b>

**Non-current assets classified as 'held for sale'**

Land		30/06/19	–	2,017	–	2,017
<b>Total NCA's classified as 'held for sale'</b>			<b>–</b>	<b>2,017</b>	<b>–</b>	<b>2,017</b>

(1) Transport Infrastructure values restated - refer Note 18b

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

Council identifies at the end of the reporting period what if any transfers between the different levels of the hierarchies have occurred. During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurement.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Fair Value Measurement (continued)

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:

#### Investment property

Investment properties (other than the Pilot Training Facility) were valued using Level 2 inputs as at March 31, 2020 Preston Rowe Paterson, registered valuer NSW No 186. Observable inputs used in determining the valuation include net rentals in order to provide a rate per m<sup>2</sup> this value was then used in conjunction with sales of comparable properties. Unobservable inputs include a limited number of sales evidence on the open market.

In the case of the pilot training facility it is unfeasible to substantiate a fair value due to Covid 19. The facility was acquired with the intention of it being tenanted as a pilot training facility; a fair value based on lease arrangements of this nature is unobtainable at this time due to the global pandemic. The value adopted for 30 June 2020 is \$21,525M and is unchanged from June 30, 2019.

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

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

##### Plant & Equipment, Office Equipment, Furniture & Fittings, Land Improvements, Heritage, Library, Other

All of the above asset categories are valued at cost but are disclosed at fair value in the notes, as such no observable or unobservable inputs were used in determining fair value. This is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. As such valuation has been deemed to be made using Level 3 inputs.

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

#### Operational Land

Operational land values were obtained via external valuation using Preston Rowe Paterson, registered valuer NSW No 186. Valuations are as at 31 January, 2018. Observable inputs used in determining the highest and best use valuation include planning and other development constraints and land dimensions. Unobservable inputs used include the potential for alternative uses along with market prices for similar properties when available for an active and liquid market. As there is no active market for identical land products valuation has been made using Level 3 inputs.

Valuations are carried out every five years unless significant movement in similar markets would suggest that a valuation needs to be conducted sooner.

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

#### Community Land

Community land is valued in accordance with the Local government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 25, Appendix E; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide neither observable nor unobservable valuation techniques and valuation is being reported at Level 3.

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

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

#### Land Under Roads

Councils recognised land under roads have had Fair Value derived using the Englobo methodology. Using this method there are no observable inputs and the only unobservable input is that of the average site value for each council on a \$ per m<sup>2</sup>. This average site value is determined using values from NSW Valuer General valuations.

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Fair Value Measurement (continued)

---

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

#### **Buildings – Specialised and Non Specialised**

Non-specialised and specialised buildings were valued as at January 31, 2018 using external valuer B C Sharrock, registered valuer NSW No 186. Given that there is no observable market for identical buildings valuation was made using Level 3 inputs. When available valuation has been made using sales of comparable properties, if there were no sales of comparable properties then Fair value was ascertained using the depreciable replacement cost of the various buildings.

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

#### **Other Structures**

Other structures have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. Valuations are undertaken by suitably qualified Council staff from the relevant functional areas. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the Local Government Code of Accounting Practice and Financial Reporting used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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

#### **Roads, Bridges, Footpaths and Stormwater Drainage**

Council's transport infrastructure assets are grouped into various classes, and where necessary further broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken using Council engineers and industry consultants. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth Regional Council area where possible and Rawlinson's Construction Handbook Edition 32 2014 where recent local costs were not available. Sampling was conducted in various locations to assess asset condition and this information was then extrapolated to determine the fair value of asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

Stormwater assets were revalued during the reporting period. There has been no change to the valuation process during the reporting period.

#### **Water and Sewer Networks**

The water and sewer network of Council is also broken down into components where necessary by Councils engineering staff who conduct the valuation of these assets in house. Sampling of the condition of assets is taken using cameras and site inspections. The results of this condition assessment is used in conjunction with unit rates taken from the NSW Reference Rates Manual as published by the Office of Water to determine the depreciated replacement cost of the various assets that make up these two networks. For those items not covered by the NSW Reference Rates Manual the historical cost is indexed every year by the annual index rate which is also included in the NSW Reference Rates Manual.

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

#### **Art Collection**

Tamworth Regional Council's art collection had fair value determined using an insurance valuation as at June 30, 2014. The valuation was carried out by external valuer Helen Maxwell who is an approved valuer of Art, Australian Government Cultural Gifts and Cultural Bequests. This method of ascertaining fair valuation is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. Given that there are observable or unobservable inputs the fair value has been derived using Level 3.

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

#### **Other Open Space/Recreational Assets**

Other Open Space and recreational assets have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. Valuations are undertaken by suitably qualified Council staff from the relevant functional areas. For assets where the cost of

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the 2016 Local Government Code of Accounting Practice and Financial Reporting Appendix E used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the 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	Level 3 asset class
<b>2019</b>	
<b>Opening balance</b>	1,448,914
Transfers from/(to) another asset class	22,487
Purchases (GBV)	34,364
Disposals (WDV)	(7,248)
Depreciation and impairment	(33,917)
FV gains – other comprehensive income	42,351
<b>Closing balance</b>	<b>1,506,951</b>
<b>2020</b>	
<b>Opening balance</b>	1,506,951
Transfers from/(to) another asset class	(1,231)
Purchases (GBV)	33,647
Disposals (WDV)	(5,807)
Depreciation and impairment	(35,177)
FV gains – other comprehensive income	187,416
<b>Closing balance</b>	<b>1,685,799</b>

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Plant & Equipment	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul>
Office Equipment	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining useful life</li> </ul>
Furniture & Fittings	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining useful life</li> </ul>
Land Operational	External Valuation	<ul style="list-style-type: none"> <li>• Land Value</li> <li>• Land zoning</li> <li>• Sales of comparable properties</li> </ul>
Land Community	NSW Valuer General Valuations	<ul style="list-style-type: none"> <li>• Land Value</li> </ul>
Land Under Roads	Englobo Method	<ul style="list-style-type: none"> <li>• Land Value</li> </ul>
Land Improvements	Depreciated Replacement Cost Depreciated Historical Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>



Notes to the Financial Statements

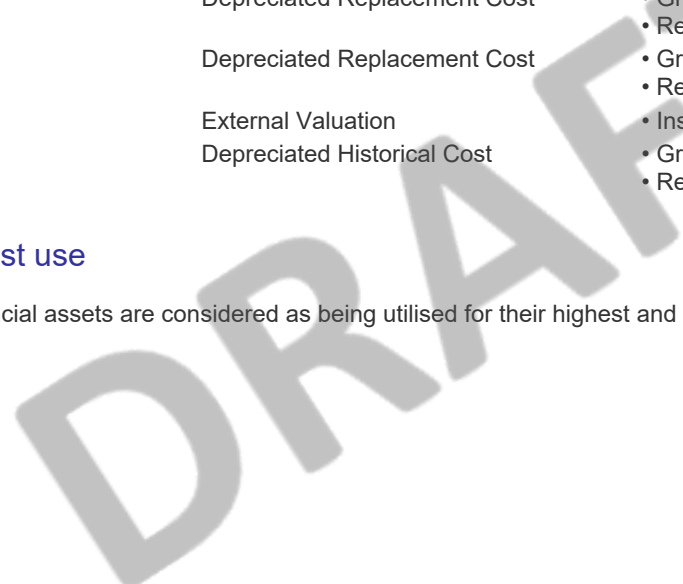
for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Buildings	External Valuation	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> <li>• Sale of Comparable Properties</li> </ul>
Other Structures	Depreciated Replacement Cost Depreciated Historical Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul>
Roads, Bridges, Footpaths	Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Stormwater Drainage	Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Water Network	Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Sewer Network	Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Other Assets	Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>
Art Collections	External Valuation	<ul style="list-style-type: none"> <li>• Insurance valuation</li> </ul>
Library Books	Depreciated Historical Cost	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>

(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 2020

Note 26. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,656	1,724
Post-employment benefits	166	172
Other long-term benefits	19	66
Termination benefits	11	70
<b>Total</b>	<b>1,852</b>	<b>2,032</b>

(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						
<b>2020</b>						
Employee expenses for close family members of KMP	1	19	–	Local Government Award	–	–
<b>2019</b>						
Employee expenses for close family members of KMP	1	53	–	Local Government Award	–	–

1 There is currently 1 close family member of council's KMP employed by council under the relevant state award on an arm's length basis.

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

Note 27. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20
	Opening Balance	Cash	Non-cash	Held as restricted asset				
Roads	1,744	355	–	31	(231)	–	1,899	
Parking	219	–	–	4	–	–	223	
Open space	148	48	–	2	(2)	–	196	
Community facilities	122	12	–	2	(49)	–	87	
Rural Fire Service	279	3	–	4	–	–	286	
Studies	151	2	–	3	–	–	156	
Garbage Disposal – Nundle	4	–	–	–	–	–	4	
Mines & Extractive Industry – Parry	626	114	–	11	–	–	751	
Rural Traffic Generating – Parry	3	–	–	–	–	–	3	
Cycleways	101	5	–	2	–	–	108	
Tamworth Regional S94 Direct Plan	1,514	289	–	27	(217)	–	1,613	
Tamworth Regional S94 Indirect Plan	1,450	388	–	26	(416)	–	1,448	
<b>S7.11 contributions – under a plan</b>	<b>6,361</b>	<b>1,216</b>	<b>–</b>	<b>112</b>	<b>(915)</b>	<b>–</b>	<b>6,774</b>	
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>6,361</b>	<b>1,216</b>	<b>–</b>	<b>112</b>	<b>(915)</b>	<b>–</b>	<b>6,774</b>	
S7.11 not under plans	95	–	–	2	–	–	97	
S7.4 planning agreements	2	–	–	–	–	–	2	
S64 contributions	33,131	1,892	–	597	(3,683)	–	31,937	
<b>Total contributions <sup>1</sup></b>	<b>39,589</b>	<b>3,108</b>	<b>–</b>	<b>711</b>	<b>(4,598)</b>	<b>–</b>	<b>38,810</b>	

(1) Total contributions received differs to note 3f due to internal transactions

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

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	
		Cash	Non-cash					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN</b>								
Parking	219	–	–	4	–	–	223	
Garbage Disposal – Nundle	4	–	–	–	–	–	4	
Mines & Extractive Industry – Parry	626	114	–	11	–	–	751	
Rural Traffic Generating – Parry	3	–	–	–	–	–	3	
Tamworth Regional S7.11 Indirect Plan	1,450	388	–	26	(416)	–	1,448	
<b>Total</b>	<b>2,302</b>	<b>502</b>	<b>–</b>	<b>41</b>	<b>(416)</b>	<b>–</b>	<b>2,429</b>	
<b>CONTRIBUTION PLAN – ROADS</b>								
Roads – Hills Plain East	3	–	–	–	–	–	3	
Roads – Manilla	14	–	–	–	–	–	14	
Roads – Parry	231	4	–	4	–	–	239	
Roads – Tamworth Urban	604	38	–	11	(190)	–	463	
Hills Plains Roads	892	313	–	16	(41)	–	1,180	
<b>Total</b>	<b>1,744</b>	<b>355</b>	<b>–</b>	<b>31</b>	<b>(231)</b>	<b>–</b>	<b>1,899</b>	
<b>CONTRIBUTION PLAN – OPEN SPACE</b>								
Drainage Hills Plains	5	–	–	–	–	–	5	
Open Space – Manilla – Active	2	–	–	–	(2)	–	–	
Open Space – Tamworth	2	–	–	–	–	–	2	
Open Space – Tamworth Urban	77	26	–	1	–	–	104	
Hills Plains Open Space & Recreation	62	22	–	1	–	–	85	
<b>Total</b>	<b>148</b>	<b>48</b>	<b>–</b>	<b>2</b>	<b>(2)</b>	<b>–</b>	<b>196</b>	
<b>CONTRIBUTION PLAN – COMMUNITY FACILITIES</b>								
Community Facilities – Hills Plain	34	–	–	1	(8)	–	27	
Community Facilities – Tamworth	9	7	–	–	–	–	16	
Community Facilities – Tamworth Urban	79	5	–	1	(41)	–	44	
<b>Total</b>	<b>122</b>	<b>12</b>	<b>–</b>	<b>2</b>	<b>(49)</b>	<b>–</b>	<b>87</b>	
<b>CONTRIBUTION PLAN – RURAL FIRE SERVICE</b>								
Rural Fire Service – Barraba	20	–	–	–	–	–	20	

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

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset
		Cash	Non-cash				
Rural Fire Service – Manilla	7	–	–	–	–	–	7
Rural Fire Service – Nundle	10	–	–	–	–	–	10
Rural Fire Service – Parry	242	3	–	4	–	–	249
<b>Total</b>	<b>279</b>	<b>3</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>286</b>
<b>CONTRIBUTION PLAN – STUDIES</b>							
Studies – Hills Plain East	33	–	–	1	–	–	34
Studies – Tamworth Urban	118	2	–	2	–	–	122
<b>Total</b>	<b>151</b>	<b>2</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>156</b>
<b>CONTRIBUTION PLAN – CYCLEWAYS</b>							
Tamworth Urban Cycleway	89	3	–	2	–	–	94
Cycleways – Tamworth	12	2	–	–	–	–	14
<b>Total</b>	<b>101</b>	<b>5</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>108</b>
<b>CONTRIBUTION PLAN – TAMWORTH REGIONAL S7.11 DIRECT PLAN</b>							
Tamworth Regional (Roads)	1,001	221	–	18	(217)	–	1,023
Tamworth Regional (Open Space & Rec)	401	49	–	7	–	–	457
Tamworth Regional (Plan Preparation)	112	19	–	2	–	–	133
<b>Total</b>	<b>1,514</b>	<b>289</b>	<b>–</b>	<b>27</b>	<b>(217)</b>	<b>–</b>	<b>1,613</b>

S7.11 Contributions – not under a plan

Payments Arising From Developer Consents

Drainage	63	–	–	1	–	–	64
Roads	99	–	–	2	–	–	101
Subdivision Works	(67)	–	–	(1)	–	–	(68)
<b>Total</b>	<b>95</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>97</b>

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

Note 27. Statement of developer contributions (continued)

	as at 30/06/19					as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset
\$ '000		Cash	Non-cash				
<b>S7.4 planning agreements</b>							
<b>S7.4 planning agreements</b>							
S7.4 Planning Agreements	2	-	-	-	-	-	2
<b>Total</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>S64 contributions</b>							
<b>S64 contributions</b>							
Water	20,459	1,390	-	369	(3,544)	-	18,674
Sewer	12,672	502	-	228	(139)	-	13,263
<b>Total</b>	<b>33,131</b>	<b>1,892</b>	<b>-</b>	<b>597</b>	<b>(3,683)</b>	<b>-</b>	<b>31,937</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	44,451	7,248	19,047
User charges and fees	22,769	9,818	4,249
Interest and investment revenue	890	1,095	1,166
Other revenues	1,690	946	68
Grants and contributions provided for operating purposes	21,965	–	249
Grants and contributions provided for capital purposes	31,137	3,277	1,374
Fair value increment on investment property	300	–	–
Rental income	2,534	–	–
<b>Total income from continuing operations</b>	<b>125,736</b>	<b>22,384</b>	<b>26,153</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	44,088	2,619	1,851
Borrowing costs	1,610	549	2,259
Materials and contracts	17,068	10,485	5,754
Depreciation and amortisation	24,798	5,320	5,958
Other expenses	8,814	1,752	935
Net losses from the disposal of assets	2,456	241	79
<b>Total expenses from continuing operations</b>	<b>98,834</b>	<b>20,966</b>	<b>16,836</b>
<b>Operating result from continuing operations</b>	<b>26,902</b>	<b>1,418</b>	<b>9,317</b>
<b>Net operating result for the year</b>	<b>26,902</b>	<b>1,418</b>	<b>9,317</b>
<b>Net operating result attributable to each council fund</b>	<b>26,878</b>	<b>1,418</b>	<b>9,317</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>24</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(4,235)</b>	<b>(1,859)</b>	<b>7,943</b>

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	31,082	200	5,226
Investments	23,910	44,810	51,124
Receivables	11,736	3,228	1,925
Inventories	16,607	–	–
Contract assets	6,392	–	–
Other	324	9	9
Non-current assets classified as 'held for sale'	214	–	–
<b>Total current assets</b>	<b>90,265</b>	<b>48,247</b>	<b>58,284</b>
<b>Non-current assets</b>			
Investments	4,585	3,733	4,682
Receivables	402	8,000	8,000
Infrastructure, property, plant and equipment	1,265,101	250,170	252,714
Investment property	30,175	–	–
Intangible assets	302	1,183	1,386
Right of use assets	2,853	–	–
<b>Total non-current assets</b>	<b>1,303,418</b>	<b>263,086</b>	<b>266,782</b>
<b>TOTAL ASSETS</b>	<b>1,393,683</b>	<b>311,333</b>	<b>325,066</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13,008	1,361	404
Contract liabilities	4,223	–	–
Lease liabilities	727	–	–
Borrowings	3,605	1,195	2,759
Provisions	10,700	–	–
<b>Total current liabilities</b>	<b>32,263</b>	<b>2,556</b>	<b>3,163</b>
<b>Non-current liabilities</b>			
Lease liabilities	2,190	–	–
Borrowings	46,282	18,585	29,997
Provisions	8,709	–	–
<b>Total non-current liabilities</b>	<b>57,181</b>	<b>18,585</b>	<b>29,997</b>
<b>TOTAL LIABILITIES</b>	<b>89,444</b>	<b>21,141</b>	<b>33,160</b>
<b>Net assets</b>	<b>1,304,239</b>	<b>290,192</b>	<b>291,906</b>
<b>EQUITY</b>			
Accumulated surplus	825,061	185,072	201,512
Revaluation reserves	478,497	105,120	90,394
<b>Council equity interest</b>	<b>1,303,558</b>	<b>290,192</b>	<b>291,906</b>
<b>Non-controlling interests</b>	<b>681</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>1,304,239</b>	<b>290,192</b>	<b>291,906</b>

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

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



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

Note 28. Result by fund (continued)

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

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

Details of individual internal loans 1	Land Acquisition
Borrower (by purpose)	General - land acquisition
Lender (by purpose)	Water/Sewer
Date of minister's approval	04/08/2016
Date raised	01/03/2016
Term (years)	5
Dates of maturity	28/02/2021
Rate of interest	3.0%
Amount originally raised	16,000,000
Total repaid during year (interest only)	320,000
<b>Principal outstanding at end of year</b>	<b>16,000,000</b>

(1) For additional information regarding the purpose of this loan refer to item 9.1 of the business papers for the council meeting held 8/9/20 which are available from council's website.

DRAFT

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	4,325	3.13%	6.71%	5.62%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	138,181				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	115,968	66.66%	69.02%	77.10%	>60.00%
Total continuing operating revenue <sup>1</sup>	173,969				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	49,263	2.76x	2.43x	3.86x	>1.50x
Current liabilities less specific purpose liabilities	17,853				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	44,819	3.93x	4.53x	4.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,403				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding <sup>3</sup>	5,396	7.25%	4.64%	4.82%	<10.00%
Rates, annual and extra charges collectible	74,425				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	158,008	16.58 mths	15.01 mths	15.44 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	9,532				

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

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

(3) Previous years numerator includes prepaid rates, (ref note 3(a) accounting policy). If the prepayments of \$1.8M for 19/20 had been included the ratio for this year would have been 4.7%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators <sup>1</sup>		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(1.87)%	0.66%	(9.73)%	9.88%	32.06%	27.01%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	57.67%	60.25%	85.36%	88.01%	93.79%	92.34%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	2.76x	2.43x	18.88x	23.60x	18.43x	15.19x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	2.94x	3.37x	6.94x	13.14x	6.95x	6.01x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding <sup>2</sup>	7.34%	3.29%	7.76%	7.53%	6.82%	6.62%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	8.45 mths	5.37 mths	35.89 mths	36.99 mths	54.36 mths	48.50 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

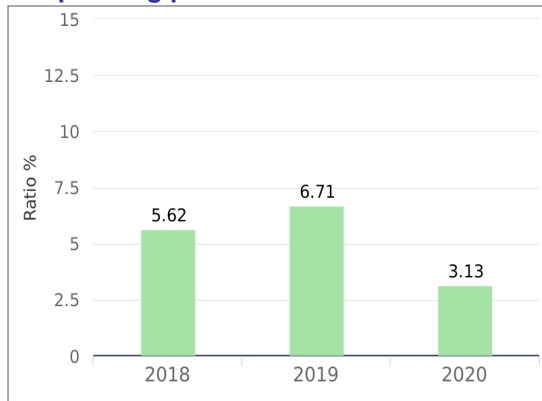
(1) Decrease in income for water usage charges due to drought is negatively impacting on some ratios

(2) Previous years the numerator included receivables with a credit balance, if applicable credit balance of \$1.8M had been included in this year the ratio would have been 3.49%

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

Note 29(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 2019/20 result**

2019/20 ratio 3.13%

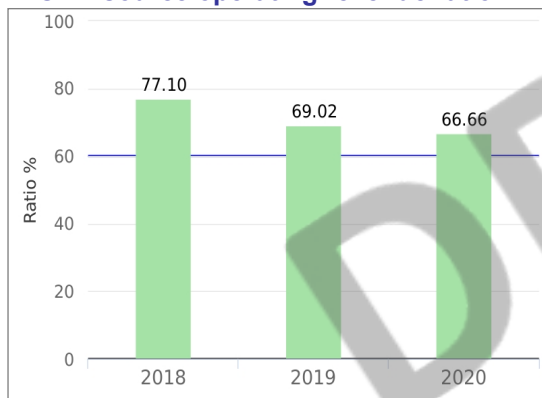
The deterioration of this ratio is due to the impact of the drought on Council's user fees and charges with a decline in water supply income of \$3.4M, despite this the ratio still compares favourably to the industry benchmark.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result**

2019/20 ratio 66.66%

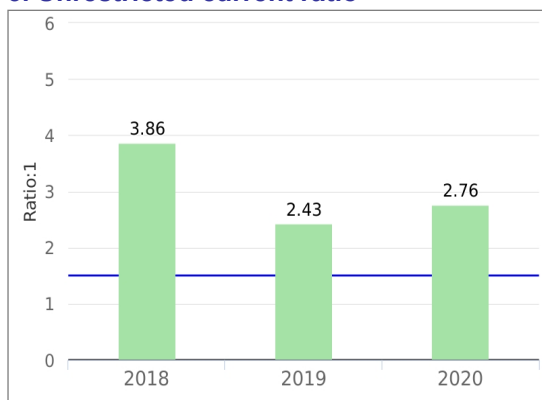
This ratio remains steady and well above the industry minimum of 60%. This reflects a responsible revenue policy and application of rates, fees and charges.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result**

2019/20 ratio 2.76x

This ratio remains healthy and well above the industry minimum of 1.5%.

Benchmark: — > 1.50x

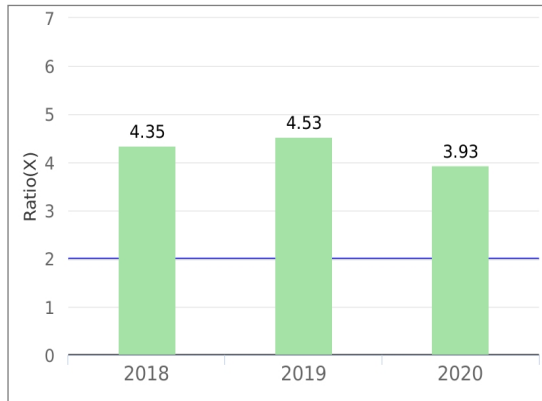
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark  
Ratio is outside benchmark

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

Note 29(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 2019/20 result

2019/20 ratio 3.93x

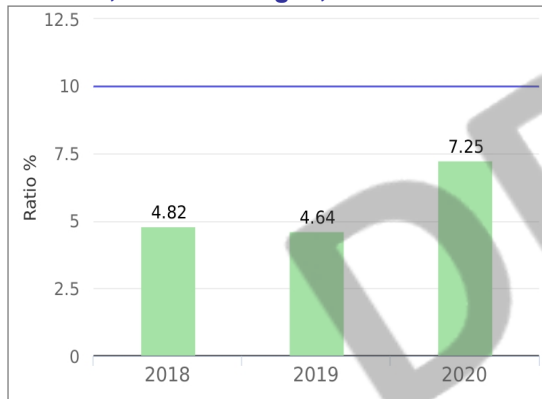
An increase in loans has resulted in a corresponding increase in loan servicing costs. The ratio still remains well above the benchmark with borrowing levels maintained at sustainable levels.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

- Ratio achieves benchmark
- 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 2019/20 result

2019/20 ratio 7.25%

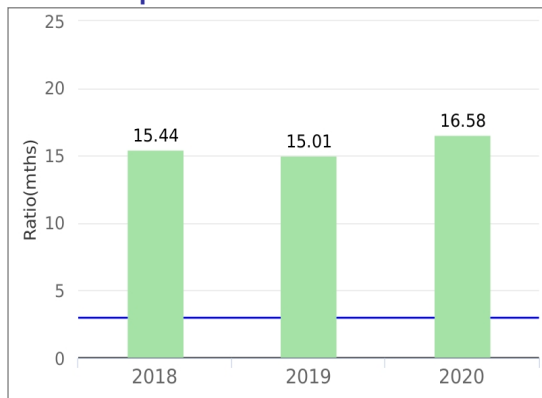
This ratio has increased due to a change in accounting standards which now require any accounts with a credit balance classified as a receivable to be separately recorded as a liability. (ref Note 16); the impact of including this credit balance was a reduction in the numerator of this ratio. For comparability purposes the credit balance referred to for 19/20 was \$1.8M if this figure had been included this ratio would have been 4.7%.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

- Ratio achieves benchmark
- 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 2019/20 result

2019/20 ratio 16.58 mths

This ratio is well above the industry minimum. This is due to a range of factors including Council's success in obtaining grant funding, and the accumulation of reserves for future renewals.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

- Ratio achieves benchmark
- Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 30. Council information and contact details

### Note 30. Council information and contact details

---

**Principal place of business:**

437 Peel Street  
TAMWORTH NSW 2340

**Contact details**

**Mailing Address:**

PO Box 555  
TAMWORTH NSW 2340

**Opening hours:**

Council Office Hours  
8:30am - 5:00pm - Monday to Friday

**Branch Office Hours**

Monday to Friday (except Public Holidays)

Barraba: 8.30am to 12.00pm and 1.00pm to 4.30pm

Manilla: 8.30am to 4.30pm

Nundle: 8.30am to 12.00pm and 1.00pm to 4.30pm

**Telephone:** 02 6767 5555

**Internet:** [www.tamworth.nsw.gov.au](http://www.tamworth.nsw.gov.au)

**Email:** [trc@tamworth.nsw.gov.au](mailto:trc@tamworth.nsw.gov.au)

**Officers**

**General Manager**

Paul Bennett

**Responsible Accounting Officer**

Sherrill Young

**Elected members**

**Mayor**

Col Murray

**Other information**

**ABN:** 52 631 074 450

General Purpose Financial Statements  
for the year ended 30 June 2020

---

DRAFT

General Purpose Financial Statements  
for the year ended 30 June 2020

---

DRAFT