



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019



Wollondilly Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

62-64 Menangle Street
Picton NSW 2571

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.wollondilly.nsw.gov.au

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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



Cr M Deeth

Mayor

21 October 2019



Cr M Gould

Councillor

21 October 2019



B Taylor

Chief Executive Officer

21 October 2019



C Hardy

Responsible Accounting Officer

21 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
44,278	Rates and annual charges	3a	45,502	40,768
6,265	User charges and fees	3b	5,790	5,840
2,288	Interest and investment revenue	3c	2,130	1,788
808	Other revenues	3d	1,799	1,747
7,037	Grants and contributions provided for operating purposes	3e,3f	9,562	7,194
2,920	Grants and contributions provided for capital purposes	3e,3f	18,441	14,357
<u>Other income:</u>				
—	Net gains from the disposal of assets	5	559	271
63,596	Total income from continuing operations		83,783	71,965
Expenses from continuing operations				
24,279	Employee benefits and on-costs	4a	23,772	20,796
726	Borrowing costs	4b	1,906	6,762
16,275	Materials and contracts	4c	15,929	19,603
12,580	Depreciation and amortisation	4d	13,664	20,611
5,691	Other expenses	4e	5,234	4,806
—	Revaluation decrement / impairment of IPP&E	4d	11	—
59,551	Total expenses from continuing operations		60,516	72,578
4,045	Operating result from continuing operations		23,267	(613)
4,045	Net operating result for the year		23,267	(613)
4,045	Net operating result attributable to council		23,267	(613)
1,125	Net operating result for the year before grants and contributions provided for capital purposes		4,826	(14,970)

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Net operating result for the year (as per Income Statement)		23,267	(613)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	9	789	27,674
Total items which will not be reclassified subsequently to the operating result		789	27,674
Total other comprehensive income for the year		789	27,674
Total comprehensive income for the year		24,056	27,061
Total comprehensive income attributable to Council		24,056	27,061

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	8,698	6,229
Investments	6(b)	45,500	37,250
Receivables	7	7,555	8,176
Inventories	8a	2,063	2,000
Other	8b	199	199
Total current assets		64,015	53,854
Non-current assets			
Investments	6(b)	20,726	16,547
Infrastructure, property, plant and equipment	9	477,592	465,389
Total non-current assets		498,318	481,936
TOTAL ASSETS		562,333	535,790
LIABILITIES			
Current liabilities			
Payables	10	10,677	7,130
Income received in advance	10	141	211
Borrowings	10	1,734	1,668
Provisions	11	6,122	6,164
Total current liabilities		18,674	15,173
Non-current liabilities			
Borrowings	10	7,865	9,528
Provisions	11	20,210	19,561
Total non-current liabilities		28,075	29,089
TOTAL LIABILITIES		46,749	44,262
Net assets		515,584	491,528
EQUITY			
Accumulated surplus	12	346,524	323,257
Revaluation reserves	12	169,060	168,271
Council equity interest		515,584	491,528
Total equity		515,584	491,528

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		323,257	168,271	491,528	323,870	140,597	464,467
Restated opening balance		323,257	168,271	491,528	323,870	140,597	464,467
Net operating result for the year		23,267	–	23,267	(613)	–	(613)
Restated net operating result for the period		23,267	–	23,267	(613)	–	(613)
Other comprehensive income							
– Gain / (loss) on revaluation of IPP&E	9	–	789	789	–	27,674	27,674
Other comprehensive income		–	789	789	–	27,674	27,674
Total comprehensive income		23,267	789	24,056	(613)	27,674	27,061
Equity – balance at end of the reporting period		346,524	169,060	515,584	323,257	168,271	491,528

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
44,278	Rates and annual charges		44,268	40,328
6,265	User charges and fees		6,576	5,060
228	Investment and interest revenue received		2,671	1,775
9,957	Grants and contributions		25,903	20,530
–	Bonds, deposits and retention amounts received		931	219
808	Other		8,481	2,428
	<u>Payments</u>			
(24,279)	Employee benefits and on-costs		(24,006)	(21,106)
(16,275)	Materials and contracts		(16,713)	(20,967)
(726)	Borrowing costs		(818)	(6,060)
(5,691)	Other		(6,268)	(1,484)
14,565	Net cash provided (or used in) operating activities	13b	41,025	20,723
Cash flows from investing activities				
	<u>Receipts</u>			
35,553	Sale of investment securities		38,771	34,807
–	Sale of infrastructure, property, plant and equipment		588	278
	<u>Payments</u>			
(36,727)	Purchase of investment securities		(51,200)	(34,200)
(15,831)	Purchase of infrastructure, property, plant and equipment		(25,118)	(17,122)
(17,005)	Net cash provided (or used in) investing activities		(36,959)	(16,237)
Cash flows from financing activities				
	<u>Payments</u>			
(1,668)	Repayment of borrowings and advances		(1,662)	(1,559)
–	Repayment of finance lease liabilities		65	–
(1,668)	Net cash flow provided (used in) financing activities		(1,597)	(1,559)
(4,108)	Net increase/(decrease) in cash and cash equivalents		2,469	2,927
–	Plus: cash and cash equivalents – beginning of year	13a	6,229	3,302
(4,108)	Cash and cash equivalents – end of the year	13a	8,698	6,229
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	66,226	53,797
(4,108)	Total cash, cash equivalents and investments		74,924	60,026

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

AASB 9 Financial Instruments became effective from 1 July 2018.

This standard replaced AASB 139 Financial Instruments: Recognition and Measurement, and introduced a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. The introduction of this standard has not had any material impact on Council.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 11.
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund has been included in the Council's Financial Statements.

Due to their immaterial value and nature, Council's Management Committees have been excluded from this consolidation.

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

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

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

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

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

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$1,967,000 - refer Note 16(c).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council anticipates it will recognise lease liabilities (on its balance sheet) in excess of \$1,100,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) in excess of \$1,100,000 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will not be significantly affected, while net current assets will be approximately \$500,000 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$500,000 for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$500,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

Council has assessed each revenue stream and an impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Sustainable and Balanced Growth	15,283	8,865	8,409	8,336	6,874	529	–	–	1,214	1,219
Management & Provision of Infrastructure	13,361	13,424	28,214	30,514	(14,853)	(17,090)	3,838	3,743	432,871	443,909
Caring for the Environment	9,991	9,455	13,282	23,618	(3,291)	(14,163)	264	213	8,334	9,532
Looking after the Community	1,062	1,084	4,303	4,176	(3,241)	(3,092)	372	544	1,969	1,977
Efficient and Effective Council	1,754	1,176	6,308	5,934	(4,554)	(4,758)	–	–	117,945	79,153
General Purpose	42,332	37,961	–	–	42,332	37,961	3,089	3,689	–	–
Total functions and activities	83,783	71,965	60,516	72,578	23,267	(613)	7,563	8,189	562,333	535,790

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Sustainable and Balanced Growth

Outcomes/Objectives:

1. A built environment that supports liveable communities, respects the character, setting and heritage of our towns and villages and retains the vision of Rural Living.
2. A unique environment and rural landscape balanced with managed growth that is consistent with Council's position on Growth and vision of Rural Living.
3. A strong local economy providing employment and other opportunities.
4. Expansion of employment and other opportunities based on the Shire's natural assets, strong agricultural base and tourism potential.
5. A strong and viable agricultural sector supported by the protection and preservation of agricultural assets and resources.

Management & Provision of Infrastructure

Outcomes/Objectives:

1. Infrastructure that is safe, accessible and fit for purpose.
2. Infrastructure that is sustainably maintained.
3. Infrastructure that delivers upon the expectations and needs of our growing community.

Caring for the Environment

Outcomes/Objectives:

1. An environment that is valued, preserved and protected, with new planning and development proposals supporting these values.
2. A community that is engaged with and cares about their environment.

Looking after the Community

Outcomes/Objectives:

1. Access to a range of activities, services and facilities.
2. Communities that are engaged, cohesive, included, and have a sense of belonging.
3. Communities that are healthy, happy and feel safe.

Efficient and Effective Council

Outcomes/Objectives:

1. Government, community and business talking and working together.
2. A Council that demonstrates good business management and ethical conduct.
3. A Council that is viewed by the community as transparent, accountable and responsive to their concerns.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	32,426	28,865
Farmland	1,060	932
Mining	1,627	1,468
Business	1,707	1,524
Less: pensioner rebates (mandatory)	(327)	(327)
Less: pensioner rebates (Council policy)	(374)	(374)
Rates levied to ratepayers	36,119	32,088
Pensioner rate subsidies received	330	244
Total ordinary rates	36,449	32,332
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	9,120	8,438
Stormwater management services	291	324
Waste management services (non-domestic)	165	163
Section 611 charges	13	13
Less: pensioner rebates (Council policy)	(610)	(579)
Annual charges levied	8,979	8,359
Pensioner subsidies received:		
– Domestic waste management	74	77
Total annual charges	9,053	8,436
TOTAL RATES AND ANNUAL CHARGES	45,502	40,768

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,670	1,934
Section 10.7 certificates (EP&A Act)	134	154
Section 603 certificates	66	83
Other	196	158
Animal registration fees	171	206
Rezoning fees	273	50
Septic tank fees	154	171
Total fees and charges – statutory/regulatory	2,664	2,756
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	91	109
Leaseback fees – Council vehicles	324	298
Restoration charges	52	55
Waste disposal tipping fees	980	1,143
Children services	437	456
Contract works	–	21
Development management	437	254
Plan checking fees	552	398
Royalties	92	192
Other	161	158
Total fees and charges – other	3,126	3,084
TOTAL USER CHARGES AND FEES	5,790	5,840

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	218	201
– Cash and investments	1,912	1,587
TOTAL INTEREST AND INVESTMENT REVENUE	2,130	1,788
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	218	201
General Council cash and investments	1,129	842
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	530	500
Domestic waste management operations	193	187
Restricted investments/funds – internal:		
Internally restricted assets	60	58
Total interest and investment revenue	2,130	1,788

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	614	609
Fines	341	311
Legal fees recovery – rates and charges (extra charges)	127	231
Legal fees recovery – other	67	60
Commissions and agency fees	35	36
Diesel rebate	29	33
Insurance claims recoveries	23	65
Sales – general	47	–
Insurance premium rebate	236	211
Reimbursements	127	99
Other	153	92
<u>TOTAL OTHER REVENUE</u>	<u>1,799</u>	<u>1,747</u>

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,867	1,856	–	–
Payment in advance - future year allocation				
Financial assistance	1,936	1,910	–	–
Total general purpose	3,803	3,766	–	–
Specific purpose				
Bushfire and emergency services	320	320	–	–
Child care	92	207	–	–
Library	131	136	–	–
LIRS subsidy	172	205	–	–
Recreation and culture	795	11	–	–
Street lighting	86	84	105	–
Transport (roads to recovery)	–	–	–	1,230
Transport (other roads and bridges funding)	20	13	1,130	1,880
Community services	139	201	–	–
Environmental management	187	136	–	–
Other	103	–	480	–
Total specific purpose	2,045	1,313	1,715	3,110
Total grants	5,848	5,079	1,715	3,110
Grant revenue is attributable to:				
– Commonwealth funding	3,995	3,961	764	3,110
– State funding	1,846	1,113	1,787	–
– Other funding	7	5	(836)	–
	5,848	5,079	1,715	3,110

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	1,020	328
S 7.11 – contributions towards amenities/services		–	–	6,868	5,260
S 7.12 – fixed development consent levies		–	–	412	186
Other developer contributions		–	–	1,042	–
Total developer contributions – cash		–	–	9,342	5,774
Total developer contributions	20	–	–	9,342	5,774
Other contributions:					
Cash contributions					
Bushfire services		174	122	–	1,233
Community services		190	9	–	–
Dedications – subdivisions (other than by s7.11)		–	–	–	1,315
Kerb and gutter		–	–	–	922
Recreation and culture		47	–	278	360
Roads and bridges		–	–	1,147	968
RMS contributions (regional roads, block grant)		2,053	1,935	906	675
Other		1,001	–	5,053	–
Environmental management		249	49	–	–
Total other contributions – cash		3,714	2,115	7,384	5,473
Total other contributions		3,714	2,115	7,384	5,473
Total contributions		3,714	2,115	16,726	11,247
TOTAL GRANTS AND CONTRIBUTIONS		9,562	7,194	18,441	14,357

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	2,895	2,950
Add: operating grants recognised in the current period but not yet spent	656	163
Add: operating grants received for the provision of goods and services in a future period	1,936	1,910
Less: operating grants recognised in a previous reporting period now spent	(2,040)	(2,128)
Unexpended and held as restricted assets (operating grants)	3,447	2,895
Capital grants		
Unexpended at the close of the previous reporting period	219	168
Add: capital grants recognised in the current period but not yet spent	57	57
Less: capital grants recognised in a previous reporting period now spent	(6)	(6)
Unexpended and held as restricted assets (capital grants)	270	219
Contributions		
Unexpended at the close of the previous reporting period	26,731	21,001
Add: contributions recognised in the current period but not yet spent	10,601	6,701
Less: contributions recognised in a previous reporting period now spent	(1,579)	(971)
Unexpended and held as restricted assets (contributions)	35,753	26,731

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	21,380	19,999
Employee leave entitlements (ELE)	544	571
Superannuation	2,156	2,005
Workers' compensation insurance	365	414
Fringe benefit tax (FBT)	69	64
Training costs (other than salaries and wages)	207	185
Employment advertising	382	149
Other	73	30
Total employee costs	25,176	23,417
Less: capitalised costs	(1,404)	(2,621)
TOTAL EMPLOYEE COSTS EXPENSED	23,772	20,796
Number of 'full-time equivalent' employees (FTE) at year end	247	241

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		763	810
Charges relating to finance leases		4	–
Total interest bearing liability costs expensed		767	810
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	11	1,139	5,952
Total other borrowing costs		1,139	5,952
TOTAL BORROWING COSTS EXPENSED		1,906	6,762

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	9,735	9,759
– Environmental services	1,609	913
– General maintenance	3,639	4,570
– Leisure centre management	197	203
– Planning and development consultants	168	169
– Planning and development contractors/labour hire	521	896
– Road maintenance and construction	8,132	7,251
– Street and gutter cleaning contract	235	243
– Waste contractors	6,890	6,360
– Other	918	1,257
Auditors remuneration ²	120	123
Legal expenses:		
– Legal expenses: planning and development	338	467
– Legal expenses: other	445	387
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	845	829
Other	8	–
Total materials and contracts	33,800	33,427
Less: capitalised costs	(17,871)	(13,824)
TOTAL MATERIALS AND CONTRACTS	15,929	19,603

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	273	295
Motor vehicles	595	534
Other	(23)	–
	845	829

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
2. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	46	49
Remuneration for audit and other assurance services	46	49
Total Auditor-General remuneration	46	49
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal audit services external provider	73	74
Remuneration for audit and other assurance services	73	74
Total remuneration of non NSW Auditor-General audit firms	73	74
Total Auditor remuneration	119	123

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		400	391
Office equipment		16	15
Furniture and fittings		54	55
Land improvements (depreciable)		53	53
Infrastructure:			
– Buildings – non-specialised		759	844
– Buildings – specialised		1,266	1,029
– Roads		6,228	6,063
– Bridges		730	727
– Footpaths		294	330
– Other road assets		2,203	2,164
– Stormwater drainage		483	458
– Swimming pools		75	75
– Other open space/recreational assets		540	529
Other assets		21	24
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9,11	542	7,854
Total gross depreciation and amortisation costs		13,664	20,611
Total depreciation and amortisation costs		13,664	20,611
Impairment / revaluation decrement of IPP&E			
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9,11	11	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		11	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		11	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&E</u>		<u>13,675</u>	<u>20,611</u>

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

Depreciation and amortisation

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

Impairment of non-financial assets

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	159	170
Agency charges	68	68
Bad and doubtful debts	6	36
Bank charges	53	52
Computer software charges	682	483
Contributions/levies to other levels of government		
– Department of planning levy	54	52
– Emergency services levy (includes FRNSW, SES, and RFS levies)	623	645
– Section 88 waste and environment levy	1,105	455
Councillor expenses – mayoral fee	43	46
Councillor expenses – councillors' fees	175	185
Councillors' expenses (incl. mayor) – other (excluding fees above)	32	22
Donations, contributions and assistance to other organisations (Section 356)	193	237
Election expenses	–	144
Electricity and heating	255	243
Insurance	597	612
Photocopier charges	64	102
Postage	156	185
Street lighting	590	467
Telephone and communications	152	148
Valuation fees	108	104
Vehicle registration / insurance	77	74
Water charges	196	180
Other	354	302
Total other expenses	5,742	5,012
Less: capitalised costs	(508)	(206)
TOTAL OTHER EXPENSES	5,234	4,806

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		435	–
Net gain/(loss) on disposal		435	–
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		153	278
Less: carrying amount of plant and equipment assets sold/written off		(29)	(7)
Net gain/(loss) on disposal		124	271
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		38,771	34,807
Less: carrying amount of investments sold/redeemed/matured		(38,771)	(34,807)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		559	271

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	8,698	6,229
Total cash and cash equivalents	8,698	6,229

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	45,500	20,726	37,250	16,547
Total Investments	45,500	20,726	37,250	16,547
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	54,198	20,726	43,479	16,547
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	38,750	4,000	35,000	1,000
NCD's, FRN's (with maturities > 3 months)	6,750	13,400	2,250	13,950
Mortgage backed securities	–	1,576	–	1,597
Listed equity securities	–	1,750	–	–
Total	45,500	20,726	37,250	16,547

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

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit or 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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Interest income, impairment and gains or loss on derecognition are recognised in profit or loss.

Financial assets through profit or loss

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(d) Available for sale financial assets

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

Recognition and de-recognition

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

Impairment of financial assets

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

Impairment of available for sale investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	54,198	20,726	43,479	16,547
attributable to:				
External restrictions	29,025	20,726	22,596	16,547
Internal restrictions	17,832	–	18,864	–
Unrestricted	7,341	–	2,019	–
	54,198	20,726	43,479	16,547

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	34,964	25,956
Specific purpose unexpended grants	4,857	3,114
Domestic waste management	9,140	8,627
Stormwater management	790	670
Other contributions	–	776

External restrictions – other	49,751	39,143
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Total external restrictions	49,751	39,143
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Internal restrictions

Employees leave entitlement	2,690	2,732
Animal management	19	19
Effluent disposal	172	191
Election	277	200
Growth management strategy	795	560
Information technology	108	123
Infrastructure and asset maintenance	6,312	6,856
Legal claims	108	21
Organisational development	296	718
Plant and vehicle replacement	1,647	1,821
Property	2,532	2,359
Recreation	328	421
Risk management	608	557
Roads	319	312
Sportsgrounds	674	674
Swimming pool	511	513
Tourism and economic development	207	254
Work in progress	229	533

Total internal restrictions	17,832	18,864
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TOTAL RESTRICTIONS	67,583	58,007
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,848	–	1,614	–
Interest and extra charges	(208)	–	567	–
User charges and fees	1,223	–	1,827	–
Accrued revenues				
– Interest on investments	729	–	495	–
– Other income accruals	69	–	2,625	–
Government grants and subsidies	2,667	–	382	–
Net GST receivable	271	–	298	–
Other debtors	4	–	412	–
Total	7,603	–	8,220	–
Less: provision of impairment				
User charges and fees	(48)	–	(44)	–
Total provision for impairment – receivables	(48)	–	(44)	–
TOTAL NET RECEIVABLES	7,555	–	8,176	–
Externally restricted receivables				
Domestic waste management	675	–	605	–
Stormwater management	26	–	24	–
Total external restrictions	701	–	629	–
Unrestricted receivables	6,854	–	7,547	–
TOTAL NET RECEIVABLES	7,555	–	8,176	–

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	44	11
+ new provisions recognised during the year	6	36
– amounts already provided for and written off this year	(2)	(3)
Balance at the end of the period	48	44

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	2,022	–	1,946	–
Trading stock	3	–	6	–
Total inventories at cost	2,025	–	1,952	–
(ii) Inventories at net realisable value (NRV)				
Trading stock	38	–	48	–
Total inventories at net realisable value (NRV)	38	–	48	–
TOTAL INVENTORIES	2,063	–	2,000	–
(b) Other assets				
Prepayments	199	–	199	–
TOTAL OTHER ASSETS	199	–	199	–

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Other				
RFS stores and materials	1,842	–	1,803	–
Total other	1,842	–	1,803	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	1,842	–	1,803	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	420	–	396	–
TOTAL INVENTORIES AND OTHER ASSETS	2,262	–	2,199	–

(i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(Valued at the lower of cost and net realisable value)				
Movements:				
Real estate assets at beginning of the year	–	–	195	–
– Transfers in from (out to) Note 9	–	–	(195)	–
Total real estate for resale	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	4,157	–	4,157	7,854	748	–	–	–	(3,000)	–	–	9,759	–	9,759
Plant and equipment	13,050	(11,113)	1,937	–	290	(29)	(400)	–	–	(892)	–	12,473	(11,567)	906
Office equipment	3,956	(3,806)	150	–	40	–	(16)	–	–	–	–	3,996	(3,822)	174
Furniture and fittings	1,133	(669)	464	–	20	–	(54)	–	–	–	–	1,153	(723)	430
Land:														
– Operational land	23,144	–	23,144	–	–	–	–	–	–	–	–	23,144	–	23,144
– Community land	50,342	–	50,342	–	–	–	–	–	–	–	–	50,342	–	50,342
Land improvements – depreciable	2,510	(429)	2,081	–	–	–	(53)	–	–	–	–	2,510	(482)	2,028
Infrastructure:														
– Buildings – non-specialised	33,228	(16,657)	16,571	410	–	–	(759)	–	–	–	–	33,638	(17,416)	16,222
– Buildings – specialised	59,054	(31,496)	27,558	1,075	–	–	(1,266)	–	796	–	–	60,925	(32,762)	28,163
– Roads	235,108	(115,465)	119,643	8,626	–	–	(6,228)	–	1,466	–	–	245,200	(121,693)	123,507
– Bridges	64,176	(28,362)	35,814	540	–	–	(730)	–	479	–	–	65,194	(29,091)	36,103
– Footpaths	15,680	(3,922)	11,758	179	2,127	–	(294)	–	–	–	–	17,986	(4,216)	13,770
– Other road assets	79,414	(29,260)	50,154	618	2,881	–	(2,203)	–	214	–	–	83,127	(31,463)	51,664
– Bulk earthworks (non-depreciable)	44,373	–	44,373	–	–	–	–	–	–	–	–	44,373	–	44,373
– Stormwater drainage	54,818	(12,836)	41,982	393	–	–	(483)	–	5	–	–	55,216	(13,319)	41,897
– Swimming pools	3,022	(1,350)	1,672	–	–	–	(75)	–	–	–	–	3,022	(1,425)	1,597
– Other open space/recreational assets	33,359	(5,088)	28,271	179	30	–	(540)	–	40	–	–	33,607	(5,627)	27,980
Other assets:														
– Library books	1,025	(1,025)	–	–	–	–	–	–	–	–	–	1,025	(1,025)	–
– Other	763	(329)	434	–	–	–	(21)	–	–	–	–	763	(350)	413
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	20,792	(15,908)	4,884	–	–	–	(542)	(11)	–	–	789	21,570	(16,450)	5,120
Total Infrastructure, property, plant and equipment	743,104	(277,715)	465,389	19,874	6,136	(29)	(13,664)	(11)	–	(892)	789	769,023	(291,431)	477,592

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	653	–	653	3,800	13	–	–	(305)	(4)	–	–	4,157	–	4,157
Plant and equipment	13,397	(11,780)	1,617	–	718	(7)	(391)	–	–	–	–	13,050	(11,113)	1,937
Office equipment	3,939	(3,791)	148	–	17	–	(15)	–	–	–	–	3,956	(3,806)	150
Furniture and fittings	1,132	(615)	517	–	–	–	(55)	–	–	–	–	1,133	(669)	464
Land:														
– Operational land	13,315	–	13,315	–	–	–	–	–	–	172	9,657	23,144	–	23,144
– Community land	50,342	–	50,342	–	–	–	–	–	–	–	–	50,342	–	50,342
Land improvements – depreciable	2,510	(376)	2,134	–	–	–	(53)	–	–	–	–	2,510	(429)	2,081
Infrastructure:														
– Buildings – non-specialised	28,978	(15,861)	13,117	287	–	–	(844)	–	–	23	3,988	33,228	(16,657)	16,571
– Buildings – specialised	48,609	(22,856)	25,753	1,367	–	–	(1,029)	176	–	–	1,291	59,054	(31,496)	27,558
– Roads	227,237	(109,402)	117,835	7,471	399	–	(6,063)	–	–	–	–	235,108	(115,465)	119,643
– Bridges	63,590	(27,636)	35,954	585	–	–	(727)	–	–	–	–	64,176	(28,362)	35,814
– Footpaths	15,003	(3,592)	11,411	576	101	–	(330)	–	–	–	–	15,680	(3,922)	11,758
– Other road assets	77,500	(27,096)	50,404	1,475	439	–	(2,164)	–	–	–	–	79,414	(29,260)	50,154
– Bulk earthworks (non-depreciable)	44,331	–	44,331	–	42	–	–	–	–	–	–	44,373	–	44,373
– Stormwater drainage	54,006	(12,378)	41,628	247	565	–	(458)	–	–	–	–	54,818	(12,836)	41,982
– Swimming pools	3,000	(1,275)	1,725	22	–	–	(75)	–	–	–	–	3,022	(1,350)	1,672
– Other open space/recreational assets	32,936	(4,560)	28,376	268	27	–	(529)	129	–	–	–	33,359	(5,088)	28,271
Other assets:														
– Library books	1,025	(1,025)	–	–	–	–	–	–	–	–	–	1,025	(1,025)	–
– Other	763	(317)	446	–	–	–	(24)	–	12	–	–	763	(329)	434
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	8,054	(8,054)	–	–	–	–	(7,854)	–	–	–	12,738	20,792	(15,908)	4,884
Total Infrastructure, property, plant and equipment	690,320	(250,614)	439,706	16,098	2,321	(7)	(20,611)	–	8	195	27,674	743,104	(277,715)	465,389

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and Equipment		Infrastructure (cont...)	
- Vehicles	5 to 8 years	- Swimming pools	50 years
- Heavy plant/road making equip.	5 to 8 years	- Other open space/recreational assets	
- Other plant and equipment	5 to 15 years	Playground equipment	5-15 years
Office equipment		Tennis courts	
- Computer equipment	5 years	- Concrete	50 years
- Other office equipment	5 to 10 years	- Synthetic	10 years
Furniture and fittings	10 to 20 years	Outdoor furniture	10 years
		Shelters	20 years
Buildings		Sporting equip (goal posts, etc)	20-30 years
- Buildings: masonry	50 to 100 years	Floodlighting	10 years
- Buildings: other	20 to 40 years	BBQ's	20 years
Infrastructure		- Traffic facilities	
- Sealed surfacings		LATM devices, traffic islands	70 years
Asphalt	25 years	Steel guard rails	20 years
Flush Seal	15 years	Roadside fencing	20 years
- Sealed pavement structure	80 years	- Line marking	5 years
- Kerb and gutter	70 years	- Signs	10 years
- Paved footpaths		- Roadside furniture	10-20 years
Concrete	50 years	Stormwater drainage	
Asphalt seal	20 years	- Culverts	
Gravel	10 years	Major	100 years
- Unsealed pavement structure	10 years	Steel	50 years
- Bulk earthworks	Infinite	- Pipes	150 years
- Concrete bridges	100 years	- Pits	70 years
- Timber bridges	80 years	- Structures including headwalls	70 years
Structure and girders	60 years	- Detention basins	100 years
Deck	30 years	- Gross pollutant traps	60 years

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services	8,127	—	4,973	—
Accrued expenses:				
– Borrowings	101	—	151	—
– Other expenditure accruals	415	—	1,017	—
Security bonds, deposits and retentions	1,614	—	683	—
Other	420	—	306	—
Total payables	10,677	—	7,130	—
Income received in advance				
Payments received in advance	141	—	211	—
Total income received in advance	141	—	211	—
Borrowings				
Loans – secured ¹	1,722	7,812	1,668	9,528
Finance lease liabilities	12	53	—	—
Total borrowings	1,734	7,865	1,668	9,528
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>12,552</u>	<u>7,865</u>	<u>9,009</u>	<u>9,528</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Total payables and borrowings relating to unrestricted assets	12,552	7,865	9,009	9,528
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>12,552</u>	<u>7,865</u>	<u>9,009</u>	<u>9,528</u>

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

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

Total payables and borrowings	—	—
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	11,196	(1,662)	–	–	–	9,534
Finance lease liabilities	–	65	–	–	–	65
TOTAL	11,196	(1,597)	–	–	–	9,599

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	12,755	(1,559)	–	–	–	11,196
TOTAL	12,755	(1,559)	–	–	–	11,196

\$ '000	2019	2018
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(d) Financing arrangements

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

Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	100	100
Total financing arrangements	400	400

Drawn facilities as at balance date:

– Credit cards/purchase cards	100	96
Total drawn financing arrangements	100	96

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
– Credit cards/purchase cards	–	4
Total undrawn financing arrangements	300	304

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

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.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	1,861	–	1,614	–
Sick leave	194	–	188	–
Long service leave	3,801	–	4,043	139
Time in lieu	52	–	66	–
Sub-total – aggregate employee benefits	5,908	–	5,911	139
Asset remediation/restoration:				
Asset remediation/restoration (future works)	214	20,210	253	19,422
Sub-total – asset remediation/restoration	214	20,210	253	19,422
<u>TOTAL PROVISIONS</u>	<u>6,122</u>	<u>20,210</u>	<u>6,164</u>	<u>19,561</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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

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

Provisions – employees benefits	4,226	4,456
	4,226	4,456

(b) Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Other (enter details here...)	Other employee benefits	
2019						
At beginning of year	1,614	188	4,182	66	–	6,050
Amounts used (payments)	(1,213)	(695)	(265)	–	–	(2,173)
Other	1,460	701	(116)	–	(14)	2,031
Total ELE provisions at end of period	1,861	194	3,801	66	(14)	5,908
2018						
At beginning of year	1,585	187	4,320	158	–	6,250
Additional provisions	1,206	5	201	49	–	1,461
Amounts used (payments)	(1,177)	(4)	(420)	(141)	–	(1,742)
Remeasurement effects	–	–	81	–	–	81
Total ELE provisions at end of period	1,614	188	4,182	66	–	6,050

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	19,675	19,675
Amounts used (payments)	(389)	(389)
Unwinding of discount	1,138	1,138
Total other provisions at end of period	20,424	20,424
2018		
At beginning of year	14,005	14,005
– Revised costs	5,336	5,336
Amounts used (payments)	(281)	(281)
Unwinding of discount	615	615
Total other provisions at end of period	19,675	19,675

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

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

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

Rehabilitation

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in 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.

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	8,698	6,229
Balance as per the Statement of Cash Flows		8,698	6,229

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

Net operating result from Income Statement	23,267	(613)
Adjust for non-cash items:		
Depreciation and amortisation	13,664	20,611
Net losses/(gains) on disposal of assets	(559)	(271)
Non-cash capital grants and contributions	–	(1,310)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	11	–
Unwinding of discount rates on reinstatement provisions	1,138	615
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	617	(4,116)
Increase/(decrease) in provision for impairment of receivables	4	33
Decrease/(increase) in inventories	(63)	(10)
Decrease/(increase) in other current assets	–	47
Increase/(decrease) in payables	3,154	2,217
Increase/(decrease) in accrued interest payable	(50)	87
Increase/(decrease) in other accrued expenses payable	(602)	(1,462)
Increase/(decrease) in other liabilities	975	40
Increase/(decrease) in provision for employee benefits	(142)	(200)
Increase/(decrease) in other provisions	(389)	5,055
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	41,025	20,723

(c) Non-cash investing and financing activities

Bushfire grants	–	(5)
Dedicated Infrastructure Assets	–	1,315
Total non-cash investing and financing activities	–	1,310

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	165	9
Recreation	572	44
Major road and bridge works	1,464	615
Storm Water Drainage	–	4
Total commitments	2,201	672

These expenditures are payable as follows:

Within the next year	2,201	672
Total payable	2,201	672

Sources for funding of capital commitments:

Unrestricted general funds	2	456
Section 7.11 and 64 funds/reserves	29	15
Unexpended grants	136	190
Internally restricted reserves	2,034	11
Total sources of funding	2,201	672

Details of capital commitments

1. Buildings: \$165k - Picton Cultural Precinct (\$165k)
2. Recreation: \$572k - Warragamba Civic Park Inclusive Playground (\$572k)
3. Major Road and bridge works: \$1,464k - Warradale Rd Silverdale (\$360k); Argyle St Picton (\$574K); Silverdale Rd Silverdale (\$529k)

(b) Finance lease commitments

(i) Commitments under finance leases at the reporting date are payable as follows:

\$ '000	2019	2018
Within the next year	12	–
Later than one year and not later than 5 years	53	–
Total minimum lease payments	65	–
Amount recognised as a liability	65	–

(iii) General details

Council leases the following property, plant and equipment under finance leases:

	Term (years) 2019	Option to purchase 2019	Contingent rent clauses 2019	2019	2018
\$ '000					
Motor vehicles – carrying value	3	YES	NO	65	–
Total carrying value at period end				65	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Commitments (continued)

Additional details

Council currently holds 3 vehicles under finance lease arrangements

(c) Operating lease commitments (non-cancellable)

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

Within the next year	920	1,000
Later than one year and not later than 5 years	1,047	1,153
Total non-cancellable operating lease commitments	1,967	2,153

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

Motor Vehicle and IT Equipment

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 414,766.11. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

The amount of additional contributions included in the total employer contribution advised above is around 0.36% of the total additional lump sum contributions for all Pooled employers (of \$40m each year from 1 July 2017 to 30 June 2021). Council's expected contribution to the plan for the next annual reporting period is \$353,740.76.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.70	
Past Service Liabilities	1,784.20	100.8%
Vested Benefits	1,792.00	100.4%

* 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 *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 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) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

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.

ASSETS NOT RECOGNISED

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,698	6,229	8,698	6,229
Receivables	7,555	8,176	7,556	8,176
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	66,226	53,797	–	53,860
Total financial assets	82,479	68,202	16,254	68,265
Financial liabilities				
Payables	10,677	7,130	10,677	7,130
Loans/advances	9,534	11,196	9,534	11,196
Lease liabilities	65	–	65	–
Total financial liabilities	20,276	18,326	20,276	18,326

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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	704	704	704	704
2018				
Possible impact of a 1% movement in interest rates	596	596	(596)	(596)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	1,948	448	452	–	2,848
2018						
Gross carrying amount	–	1,104	253	257	–	1,614

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	4,417	228	13	15	82	4,755
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	5,744	756	22	8	76	6,606
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	1,614	9,078	–	–	10,692	10,677
Loans and advances	6.85%	–	2,372	7,530	1,994	11,896	9,534
Lease liabilities	0.00%	–	12	53	–	65	65
Total financial liabilities		1,614	11,462	7,583	1,994	22,653	20,276
2018							
Trade/other payables	0.00%	683	6,447	–	–	7,130	7,130
Loans and advances	6.80%	–	2,389	8,247	3,607	14,243	11,196
Total financial liabilities		683	8,836	8,247	3,607	21,373	18,326

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----
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REVENUES

Other revenues	808	1,799	991	123%	F
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Other revenue income exceeded the original budget primarily for the following reasons: insurance rebate for good claims history; reimbursements received (including reimbursement of legal costs) and income for work prepaid in previous years was recognised in the operating budget.

Operating grants and contributions	7,037	9,562	2,525	36%	F
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Operating grants and income exceeded the original budget for the following reasons: additional grant funding was received in relation to the Local Environment Plan (LEP) project; environmental grants (including Better waste grant, Illegal dumping project, flying fox grant and contribution for environmental work at Douglas Park); contributions from RFS for hazard reduction work; disaster relief contributions in relation to storm damage at Warragamba and the balance of flood damage in Picton; grants for the development of master plans at various Council properties and grants and contributions in relation to the City Deals projects. Areas where actual grant funding was lower than expected include a reduction in the RMS Block grant funding received; reduced pensioner rate subsidy received and a lower than expected annual contribution from the RFS in relation to maintenance & repairs.

Capital grants and contributions	2,920	18,441	15,521	532%	F
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A higher than expected amount of Developer Contributions were received during the year in anticipation of accelerated future growth in the area. Additional funding was received from the Mines Subsidence Board for the restoration of kerb & gutter at Tahmoor. Additional Black Spot funding was received for various roadworks and additional funding was received from Penrith Council for the completion of the Blaxland Crossing bridge project. Also, grant funding has been received towards the Picton Cultural Precinct project.

EXPENSES

Borrowing costs	726	1,906	(1,180)	(163)%	U
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Borrowing costs exceeded budget due to the non-cash entry required to recognise the unwinding of a present value discount in relation to the cost to remediate Council's land fill/ effluent pond sites.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	14,565	41,025	26,460	182%	F
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The increase in cash flows from operating activities was due mainly to additional grant funding received in comparison to the budget. There was also an increase in reimbursements received from council's insurer for good claims history, and legal claims.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9					
Work in progress		30/06/19	–	9,759	–	9,759
Plant and equipment		0	–	–	906	906
Office equipment		30/06/16	–	–	174	174
Furniture and fittings		30/06/16	–	–	430	430
Operational land		30/06/18	–	–	23,144	23,144
Community land		30/06/16	–	–	50,342	50,342
Land improvements – depreciable			–	–	2,028	2,028
Buildings		30/06/18	–	–	44,385	44,385
Swimming pools and other recreational assets		30/06/16	–	–	29,577	29,577
Road infrastructure		30/06/15	–	–	274,537	274,537
Stormwater drainage		30/06/15	–	–	41,897	41,897
Other assets		30/06/15	–	–	413	413
Total infrastructure, property, plant and equipment			–	9,759	467,833	477,592

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
Work in progress	9	30/06/18	—	4,157	—	4,157
Plant and equipment			—	—	1,937	1,937
Office equipment		30/06/16	—	—	150	150
Furniture and fittings		30/06/16	—	—	463	463
Operational land		30/06/18	—	—	23,144	23,144
Community land		30/06/16	—	—	50,342	50,342
Land improvements – depreciable			—	—	2,081	2,081
Buildings		30/06/18	—	—	44,129	44,129
Swimming pools and other recreational assets		30/06/16	—	—	29,943	29,943
Road infrastructure		30/06/15	—	—	261,742	261,742
Stormwater drainage		30/06/15	—	—	41,982	41,982
Other assets			—	—	410	410
Total infrastructure, property, plant and equipment			—	4,157	456,323	460,480

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

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

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

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

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

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

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

Work in Progress

Work in Progress is disclosed at cost in the notes. Separate valuation of these assets is not deemed necessary due to the small period of time that has elapsed between the incurring of the expenditure and the reported valuation in the financial statements. There has been no change to the valuation techniques during the reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amounts are assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross replacement cost of similar assets and by taking account of the pattern of consumption, the remaining useful life and residual value are able to be estimated. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The valuation of Council's operational land was

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144. Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price. Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Land Improvements - depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves.

Council carries fair value of land improvements using Level 3 valuation inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Buildings – Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2018.

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

Swimming Pools & Other Open Space/Recreational Assets

Council's Swimming Pools & Other Open Space/Recreational Assets were valued using the cost approach. Council carries fair value of these assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the structure.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Road Infrastructure

This asset class includes roads, bridges, car parks, kerb and gutter, traffic facilities, footpaths and bulk earthworks undertaken in the course of construction. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates determined in collaboration with sixteen neighbouring Councils. Other inputs (such as estimated pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Other Assets

Council's Other Assets were valued using the cost approach. Council carries fair value of Other Assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset. The unobservable Level 3 inputs used include estimated patterns of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Tip Assets

Council is obligated to restore/rehabilitate closed former landfill sites at Warragamba, Picton, Appin and Wilton and the closed Bargo Effluent Ponds. Council will also eventually be required to remediate the existing active landfill site at Bargo. It has been recognised that there will be significant costs associated with the closure and remediation or post closure management of these sites. Remediation of the sites to meet the requirements of the stringent standards and guidelines will involve a wide range of activities including preparation of a Landfill Closure and Management Plans, as well as environmental assessments with appropriate remediation works. In some instances this remediation may involve extensive re-profiling or shaping works, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

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

Prior to 2018/19, council recorded \$796,739 of work in progress for upgrades to amenities blocks at Memorial Park Thirlmere (\$154,806), Bargo Sportsground (\$177,637), Appin Park (\$195,607), Oakdale (\$5,295), upgrade to the fire sprinkler system at Antill Park (\$220,208), and renewal of the floor at Tahmoor Fire Station (\$43,184) a. The work was completed in 2018/19 and therefore the work in progress amount was capitalised. The capitalisation had the effect of moving the work in progress (level 2) to the Buildings (Level 3).

In addition to this, council completed \$1,466,468 of road works in Menangle, Thirlmere and Picton during the year, \$ 479,300 Footbridge works at Picton Sportsground and a further \$214,821 on a retaining wall below douglas drive. The capitalisation of these works moved the work in progress (level 2) to Roads, Bridges and Other Road Asset classes (Level 3).

There was also \$5,310 of work in progress on Storm water drainage at Kennedy Creek Appin completed, moving from work in progress (level 2) to Stormwater Drainage.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,089	1,125
Post-employment benefits	72	72
Total	1,161	1,197

(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	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2019					
Purchase of grocery items on account at local store owned by a Councillor	19	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	23	–	30-day terms on invoices	–	–
2018					
Purchase of grocery items on account at local store owned by a Councillor	33	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	21	–	30-day terms on invoices	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Traffic facilities	5,866	2,349	–	118	(602)	–	7,731	–
Open space	7,888	5,567	–	163	(600)	–	13,018	–
Community facilities	4,394	1,395	–	98	–	–	5,887	–
Other	9	–	–	–	–	–	9	–
Bushfire protection	42	23	–	1	–	–	66	–
Animal Management	1	–	–	–	–	–	1	–
S7.11 contributions – under a plan	18,200	9,334	–	380	(1,202)	–	26,712	–
S7.12 levies – under a plan	568	412	–	13	–	–	993	–
Total S7.11 and S7.12 revenue under plans	18,768	9,746	–	393	(1,202)	–	27,705	–
S7.4 planning agreements	7,188	1,020	–	128	(1,487)	–	6,849	–
Total contributions	25,956	10,766	–	521	(2,689)	–	34,554	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN – 2005								
Traffic facilities	5,866	2,349	–	118	(602)	–	7,731	–
Open space	7,888	5,567	–	163	(600)	–	13,018	–
Community facilities	4,394	1,395	–	98	–	–	5,887	–
Bushfire protection	42	23	–	1	–	–	66	–
Animal management	1	–	–	–	–	–	1	–
Other	9	–	–	–	–	–	9	–
Total	18,200	9,334	–	380	(1,202)	–	26,712	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – 2005								
Other	568	412	–	13	–	–	993	–
Total	568	412	–	13	–	–	993	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.4 PLANNING AGREEMENTS									
Drainage	208	—	—	—	5	—	—	213	—
Traffic facilities	2,529	1,020	—	—	57	—	—	3,606	—
Open space	2,534	—	—	—	23	(1,487)	—	1,070	—
Community facilities	1,760	—	—	—	39	—	—	1,799	—
Bushfire protection	121	—	—	—	3	—	—	124	—
Animal management	20	—	—	—	—	—	—	20	—
Tree planting	15	—	—	—	—	—	—	15	—
Total	7,187	1,020	—	—	127	(1,487)	—	6,847	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	4,278	6.60%	(26.58)%	0.86%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	64,783				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	54,817	65.87%	69.49%	69.71%	>60.00%
Total continuing operating revenue ¹	83,224				
3. Unrestricted current ratio					
Current assets less all external restrictions	32,447	2.25x	2.69x	2.99x	>1.50x
Current liabilities less specific purpose liabilities	14,448				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	19,848	5.67x	1.46x	4.19x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3,503				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,640	5.54%	5.08%	5.20%	<10.00%
Rates, annual and extra charges collectible	47,624				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	51,448	12.50 mths	9.90 mths	10.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	4,117				

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

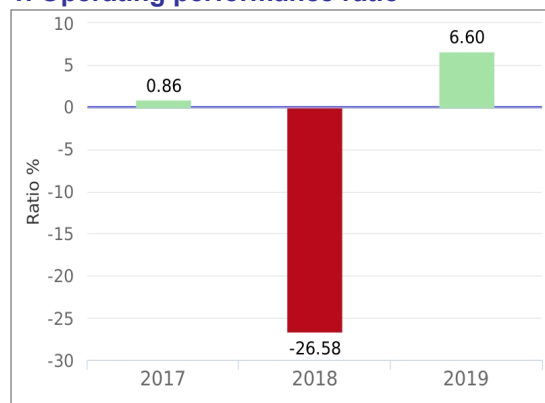
(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 6.60%

Council's operating revenue for 2019 exceeded its operating expenditure for the year.

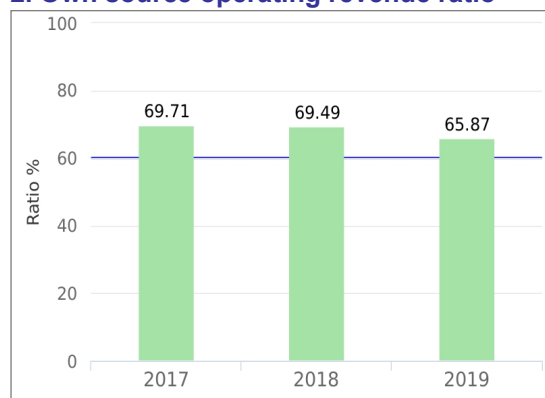
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 65.87%

Council continues to exceed the minimum benchmark for this ratio, indicating an acceptably low degree of reliance on external funding.

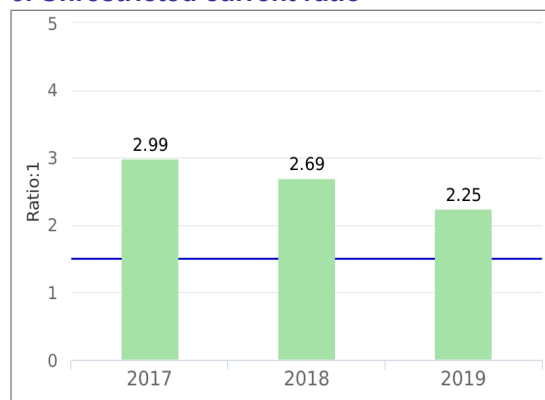
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 2.25x

Council's unrestricted current ratio continues to remain above the target ratio of 1.5:1. This indicates that Council has the ability to easily meet all of its short term obligations.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

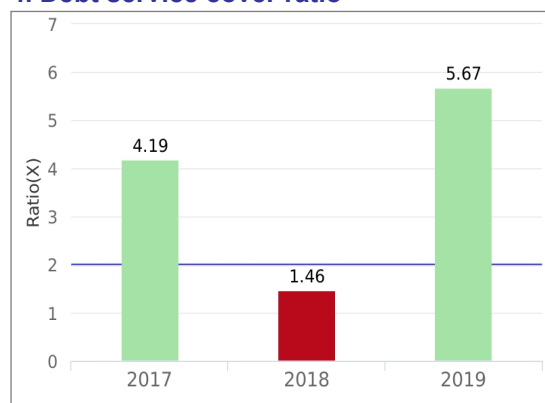
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.67x

Council's debt service ratio is well above the industry benchmark of 2.0.

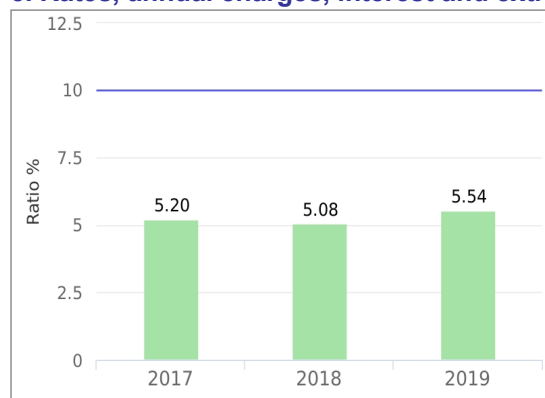
Benchmark: — > 2.00x

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

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 2018/19 result

2018/19 ratio 5.54%

Although the target for Rural Councils is 10%, Wollondilly has set itself a target to achieve a ratio of less than 5% in line with the benchmark for metropolitan Councils. There was a slight decline in this ratio this year due to a larger number of outstanding rates balances at year end than prior years.

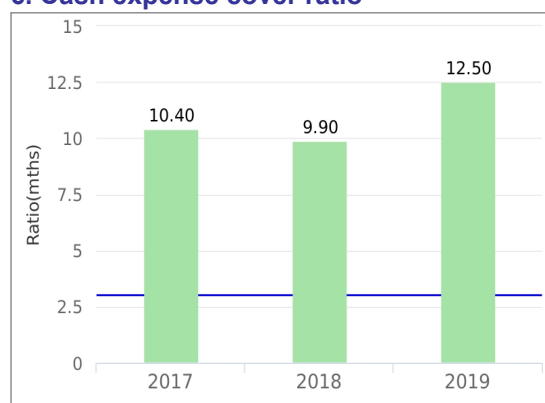
Benchmark: — < 10.00%

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

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 2018/19 result

2018/19 ratio 12.50 mths

Council's short term financial position is very sound, as evidenced by this ratio being more than 4 times above the minimum benchmark. This indicates that Council has the ability to easily meet all of its short term obligations.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial review

\$ '000	2019	2018	2017	2016	2015
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	45,502	40,768	36,428	32,724	29,321
User charges revenue	5,790	5,840	5,487	5,069	5,322
Interest and investment revenue (losses)	2,130	1,788	1,697	1,730	1,793
Grants income – operating and capital	7,563	8,189	9,194	7,640	7,218
Total income from continuing operations	83,783	71,965	65,372	68,188	63,018
Sale proceeds from I,PP&E	588	278	42	107	121
Outflows:					
Employee benefits and on-cost expenses	23,772	20,796	20,433	20,609	19,412
Borrowing costs	1,906	6,762	1,706	1,789	1,961
Materials and contracts expenses	15,929	19,603	16,170	14,841	15,190
Total expenses from continuing operations	60,516	72,578	55,609	54,304	55,546
Total cash purchases of I,PP&E	25,118	17,122	13,430	11,165	9,267
Total loan repayments (incl. finance leases)	1,597	1,559	1,815	2,024	1,725
Operating surplus/(deficit) (excl. capital income)	4,826	(14,970)	508	(5,559)	(9,657)
Financial position figures					
Current assets	64,015	53,854	42,076	41,057	40,379
Current liabilities	18,674	15,173	14,418	13,165	11,319
Net current assets	45,341	38,681	27,658	27,892	29,060
Available working capital (Unrestricted net current assets)	3,583	2,368	–	–	–
Cash and investments – unrestricted	7,341	2,019	5,181	2,205	1,148
Cash and investments – internal restrictions	17,832	18,864	20,388	21,190	20,076
Cash and investments – total	74,924	60,026	57,706	49,211	44,698
Total borrowings outstanding (Loans, advances and finance leases)	9,599	11,196	12,755	14,570	16,594
Total value of I,PP&E (excl. land and earthworks)	651,164	625,245	582,332	568,915	528,072
Total accumulated depreciation	291,431	277,715	250,614	238,835	228,020
Indicative remaining useful life (as a % of GBV)	55%	56%	57%	58%	57%

Source: published audited financial statements of Council (current year and prior year)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Council information and contact details

Principal place of business:

62-64 Menangle Street
Picton NSW 2571

Contact details

Mailing Address:

PO Box 21
Picton NSW 2571

Telephone: (02) 4677 1100

Facsimile: (02) 4677 2339

Internet: www.wollondilly.nsw.gov.au

Email: councill@wollondilly.nsw.gov.au

Officers

Chief Executive Officer

Ben Taylor

Responsible Accounting Officer

Clair Hardy

Public Officer

John Sproule

Auditors

Audit Office of New South Wales

Elected members

Mayor

Cr M Deeth

Councillors

Cr M Gould (Deputy Mayor)

Cr M Banasik

Cr B Briggs

Cr J Hannan

Cr R Khan

Cr S Landow

Cr N Lowry

Cr M Smith

Other information

ABN: 93 723 245 808



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wollondilly Shire Council

To the Councillors of the Wollondilly Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read 'Cathy Wu', with a stylized, cursive script.

Cathy Wu

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY



Cr Matthew Deeth
Mayor
Wollondilly Shire Council
62-64 Menangle Street
PICTON NSW 2571

Contact: Cathy Wu
Phone no: 02 9275 7212
Our ref: D1922789/1810

30 October 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	45.5	40.8	↑ 11.5
Grants and contributions revenue	28.0	21.6	↑ 29.6
Operating result for the year	23.3	(0.6)	↑ 3,896
Net operating result before capital grants and contributions	4.8	(15.0)	↑ 132

Council's operating result of \$23.3 million (including the effect of depreciation and amortisation expense of \$13.7 million) was \$23.9 million higher than the 2017–18 result. This was mainly attributable to:

- \$4.7 million increase in rates and annual charges, comprising the final year of the special rate variation of 10.8 per cent
- \$6.4 million increase in grants and contributions revenue from developer and other contributions
- \$6.9 million decrease in depreciation and amortisation expense in the current year, due to a one-off expense in the prior year relating to revised rehabilitation assets
- \$4.8 million decrease in borrowing costs, due to a one-off amount recognised in the prior year relating to unwinding of the present value discount for revised remediation liabilities.

The net operating result before capital grants and contributions (\$4.8 million) was \$19.8 million higher than the 2017–18 result. This movement was similarly due to changes in the operating result as noted above.

Rates and annual charges revenue (\$45.5 million) increased by \$4.7 million (11.5 per cent) in 2018–2019. This increase was largely consistent with the approved special rate variation of 10.8 per cent.

Grants and contributions revenue (\$28.0 million) increased by \$6.4 million (29.6 per cent) in 2018–2019 due to:

- growth in developer contributions, in anticipation of accelerated future growth in the area
- additional funding from the Mines Subsidence Board for the restoration of kerbs and gutters at Tahmoor.

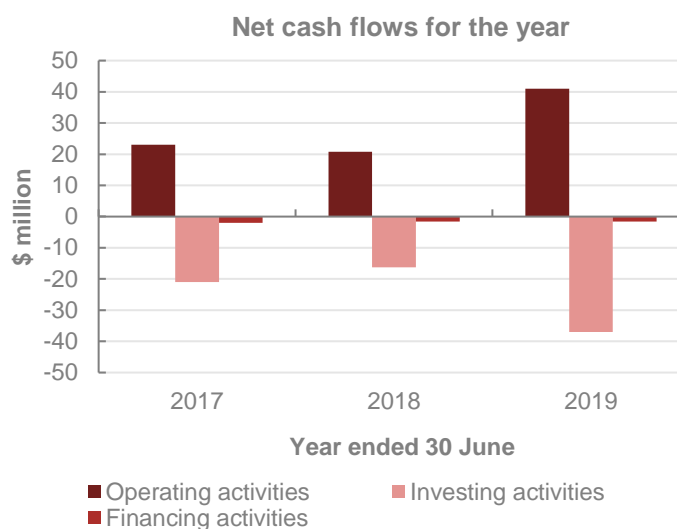
STATEMENT OF CASH FLOWS

The Council's cash balance increased from \$6.2 million at 30 June 2018 to \$8.7 million at 30 June 2019.

Cash inflows from operating activities increased from last year as a result of greater receipts from rates and annual charges, and grants and contributions.

Cash outflows from investing activities increased due to greater purchases of investment securities.

The cash flows from financing activities remained consistent over the past three years.



FINANCIAL POSITION

Cash and investments

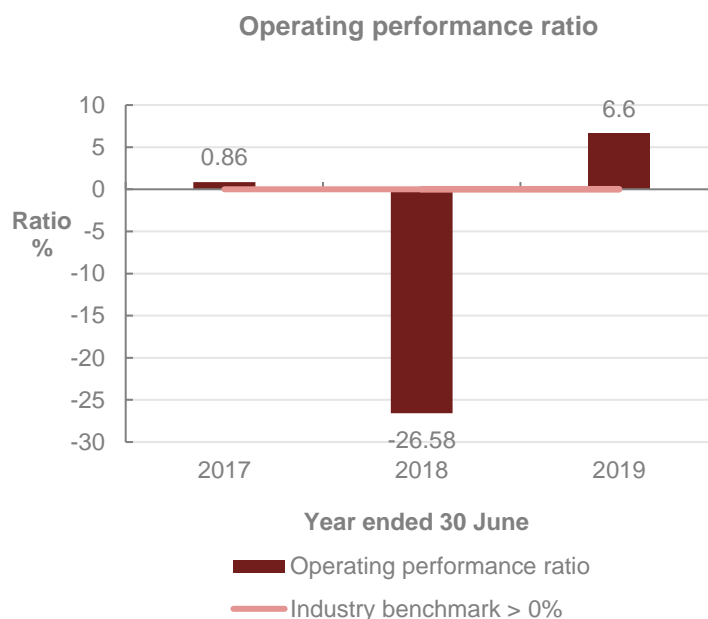
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	49.8	39.1	<ul style="list-style-type: none"> External restrictions increased by \$10.7 million due to growth in developer contributions received. Internal restrictions are due to Council policy or decisions for forward plans including the works program. These include amounts for asset maintenance and employees' leave entitlement. Unrestricted balances provide liquidity for day-to-day operations, and had increased by \$5.3 million, reflecting the Council's overall higher cash position at year end.
Internal restrictions	17.8	18.9	
Unrestricted	7.3	2.0	
Total	74.9	60.0	

PERFORMANCE

Operating performance ratio

- Council's operating performance ratio met the industry benchmark in 2018–19.
- The ratio improved significantly in the current year, consistent with the increase in Council's net operating result.

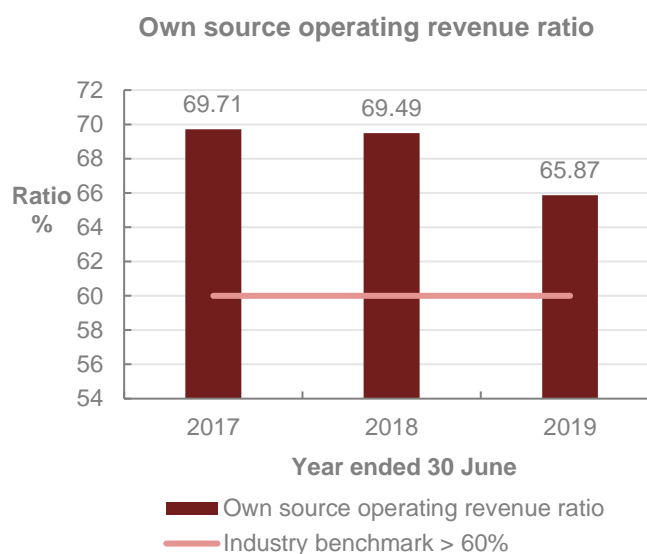
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio met the industry benchmark for the past three years.
- This result reflects the significance of rates and user charges as funding sources for Council, and is supported by the special rate variation increases.

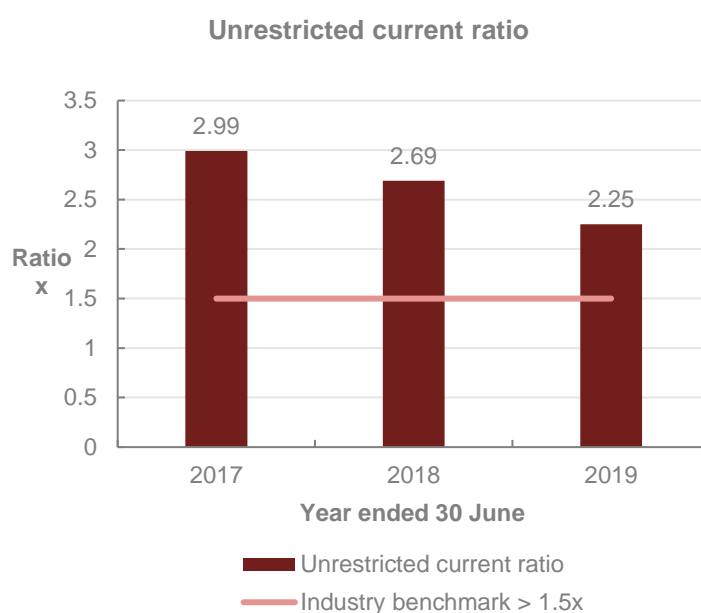
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio met the industry benchmark for the past three years.
- This indicates the Council has sufficient liquidity to meet its current liabilities when they fall due.
- The slight decrease in trend is due to further external restrictions on cash and investments relating to developer contributions, as a result of continued growth in the area.

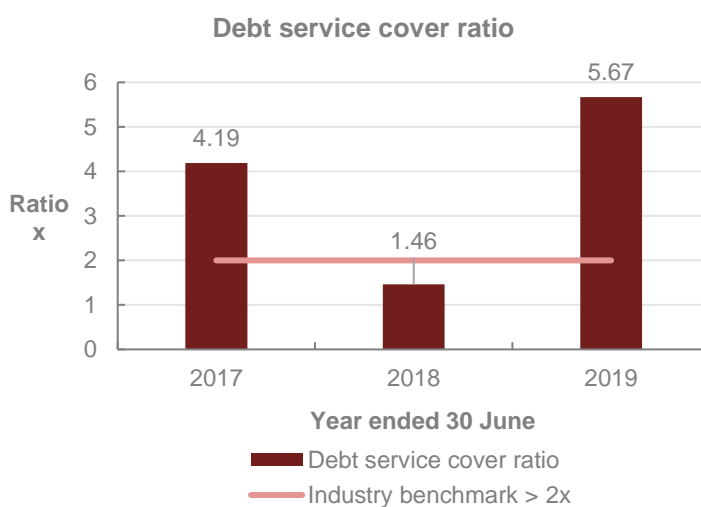
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark in 2018–19.
- The ratio improved from last year due to lower borrowing costs in 2018–19.

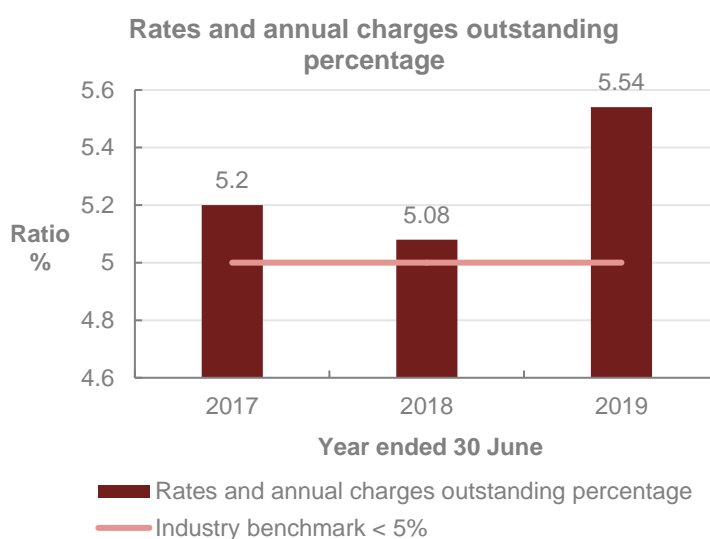
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's rates and annual charges outstanding ratio did not meet the industry benchmark of less than 5 per cent.
- This ratio has remained fairly consistent over the past three years.

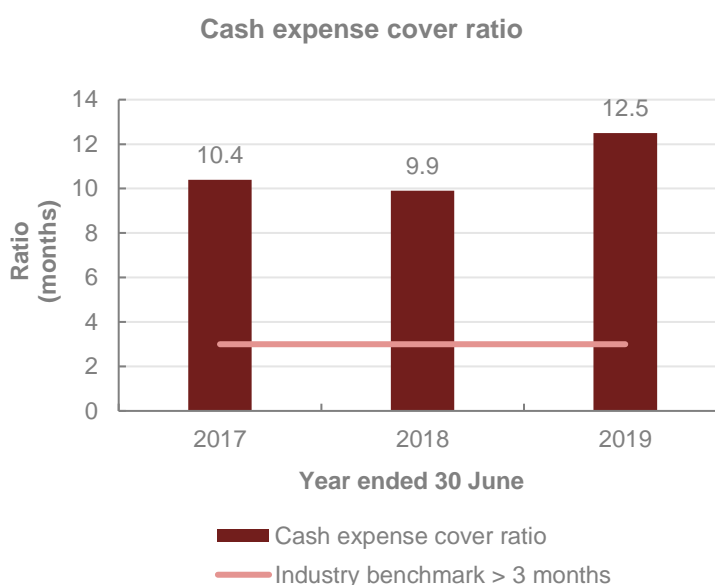
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates the Council had the capacity to cover 12.5 months of cash expenditure without additional cash inflows at 30 June 2019.
- The ratio has increased from last year due to higher cash and investments balances.

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



Infrastructure, property, plant and equipment renewals

The Council spent \$19.9 million on asset renewals in 2018–19 compared to \$16.1 million in 2017–18.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2018–19, asset renewals of \$19.9 million represented 145 per cent of Council's \$13.7 million depreciation expense. This result was higher than the 2017–18 result of 78 per cent.

Asset renewals in 2018–19 primarily related to resurfacing and reconstruction of roads, as well as specialised buildings.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is in Notes 6(b) and 7.</p>

Legislative compliance

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

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

cc: Mr Ben Taylor, Chief Executive Officer
Mr Stephen Horne, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	36,576	32,556
Plus or minus adjustments ²	b	736	462
Notional general income	$c = a + b$	37,312	33,018
Permissible income calculation			
Special variation percentage ³	d	0.00%	10.80%
Or rate peg percentage	e	2.70%	0.00%
Plus special variation amount	$h = d \times (c + g)$	—	3,566
Or plus rate peg amount	$i = e \times (c + g)$	1,007	—
Sub-total	$k = (c + g + h + i + j)$	38,319	36,584
Plus (or minus) last year's carry forward total	l	10	2
Sub-total	$n = (l + m)$	10	2
Total permissible income	$o = k + n$	38,329	36,586
Less notional general income yield	p	38,393	36,576
Catch-up or (excess) result	$q = o - p$	(64)	10
Carry forward to next year ⁶	$t = q + r + s$	(64)	10

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Wollondilly Shire Council

To the Councillors of Wollondilly Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in dark ink, appearing to read 'Cathy Wu', with a stylized, cursive script.

Cathy Wu

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	4,785	4,785	3,796	2,584	44,385	94,563	2.0%	5.0%	33.0%	60.0%	0.0%
	Sub-total	4,785	4,785	3,796	2,584	44,385	94,563	2.0%	5.0%	33.0%	60.0%	0.0%
Roads	Sealed roads	30,297	30,297	5,876	12,815	122,025	242,258	32.0%	25.0%	34.0%	7.0%	2.0%
	Unsealed roads	254	254	384	265	1,482	2,942	0.0%	10.0%	68.0%	17.0%	5.0%
	Bridges	1,201	1,201	853	1,287	36,103	65,194	9.0%	33.0%	53.0%	2.0%	3.0%
	Footpaths	391	391	302	671	13,770	17,986	44.0%	39.0%	16.0%	1.0%	0.0%
	Other road assets	3,004	3,004	2,558	2,149	51,664	83,127	21.0%	34.0%	41.0%	4.0%	0.0%
	Bulk earthworks	—	—	—	142	44,373	44,373	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	35,147	35,147	9,973	17,329	269,417	455,880	23.9%	25.8%	34.2%	4.9%	11.2%
Stormwater drainage	Stormwater drainage	1,087	1,087	419	909	41,897	55,216	26.0%	58.0%	11.0%	5.0%	0.0%
	Sub-total	1,087	1,087	419	909	41,897	55,216	26.0%	58.0%	11.0%	5.0%	0.0%
Open space / recreational assets	Swimming pools	—	—	60	324	1,597	3,022	86.0%	14.0%	0.0%	0.0%	0.0%
	Other	235	235	920	4,772	27,980	33,607	21.0%	7.0%	9.0%	0.0%	63.0%
	Sub-total	235	235	980	5,096	29,577	36,629	26.4%	7.6%	8.3%	0.0%	57.7%
TOTAL - ALL ASSETS		41,254	41,254	15,168	25,918	385,276	642,288	21.0%	24.5%	30.5%	12.7%	11.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	15,020	119.41%	103.14%	113.12%	>=100.00%
Depreciation, amortisation and impairment	12,578				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	41,254	10.71%	11.95%	15.28%	<2.00%
Net carrying amount of infrastructure assets	385,276				
Asset maintenance ratio					
Actual asset maintenance	25,918	170.87%	189.23%	123.95%	>100.00%
Required asset maintenance	15,168				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	41,254	6.42%	7.25%	8.38%	
Gross replacement cost	642,288				

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

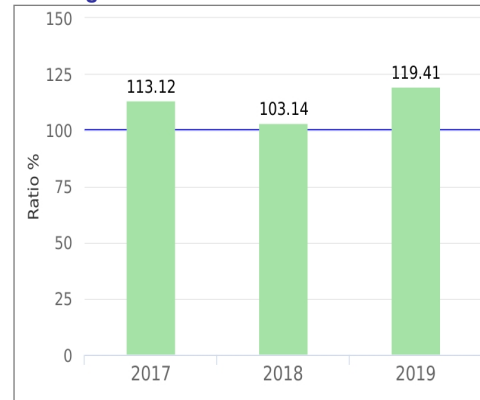
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

18/19 ratio 119.41%

Historically, infrastructure renewals were insufficiently funded, resulting in a large infrastructure backlog. Council addressed this issue by seeking a special rate variation for the purpose of renewing infrastructure assets. The annual renewal of infrastructure assets has been exceeding the benchmark over the past three reporting periods.

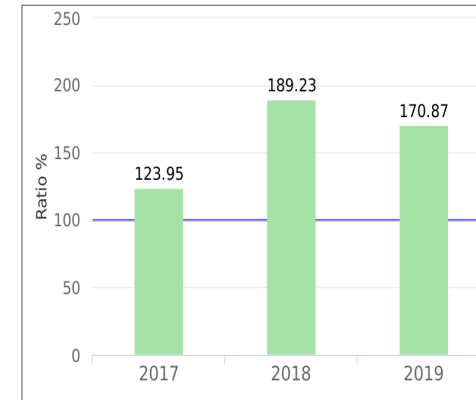
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 170.87%

Council is now regularly providing sufficient resource towards the maintenance of its assets with results exceeding the benchmark for the past three reporting periods.

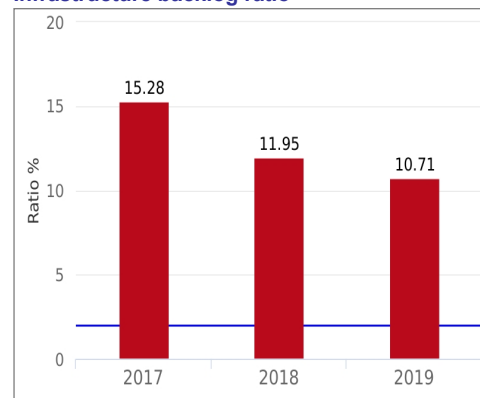
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 10.71%

This ratio is currently not meeting the required benchmark due to the historically insufficient funding available for asset maintenance and renewal. With the introduction of the special rate variation to address the shortfall, the ratio has been improving across the past three reporting periods.

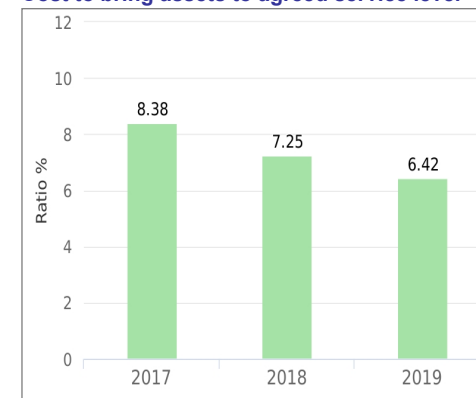
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 6.42%

As with the Infrastructure Backlog ratio, the ratio has historically been high due to years of insufficient funding for asset maintenance and renewal. The ratio is decreasing year on year as the additional funds available as a result of the special rate variation are utilised to undertake necessary maintenance and renewal works.

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Benchmark
	2019	2018	
Infrastructure asset performance indicators (by fund)			
Buildings and infrastructure renewals ratio ¹			
Asset renewals ²			
Depreciation, amortisation and impairment	119.41%	103.14%	>=100.00%
Infrastructure backlog ratio ¹			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	10.71%	11.95%	<2.00%
Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	170.87%	189.23%	>100.00%
Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council			
Gross replacement cost	6.42%	7.25%	

(1) Excludes Work In Progress (WIP)

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