

Wollondilly Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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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 2020

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 2020.

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.

Wollondilly Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Councillors and Management made pursuant to Section 413(2c) 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.

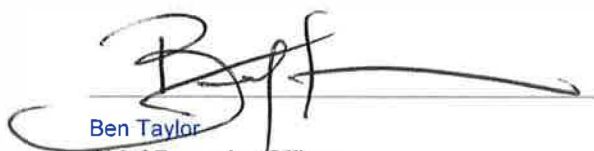
Signed in accordance with a resolution of Council made on 16 March 2021.



Robert Khan
Mayor
16 March 2021



Michael Banasik
Councillor
16 March 2021



Ben Taylor
Chief Executive Officer
16 March 2021



Rob Seidel
Responsible Accounting Officer
16 March 2021

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Income from continuing operations				
46,656	Rates and annual charges	3a	47,498	45,502
7,453	User charges and fees	3b	5,029	5,790
940	Other revenues	3c	1,817	1,799
7,642	Grants and contributions provided for operating purposes	3d,3e	11,938	9,562
6,902	Grants and contributions provided for capital purposes	3d,3e	44,177	18,441
1,994	Interest and investment income	4	1,760	2,130
–	Net gains from the disposal of assets	6	–	559
71,587	Total income from continuing operations		112,219	83,783
Expenses from continuing operations				
26,934	Employee benefits and on-costs	5a	28,031	23,772
614	Borrowing costs	5b	1,704	1,906
15,725	Materials and contracts	5c	26,032	15,929
13,975	Depreciation and amortisation	5d	15,889	14,715
6,074	Other expenses	5e	5,005	5,234
–	Net losses from the disposal of assets	6	163	–
–	Revaluation decrement / impairment of IPP&E	5d	9	11
63,322	Total expenses from continuing operations		76,833	61,567
8,265	Operating result from continuing operations		35,386	22,216
8,265	Net operating result for the year		35,386	22,216
8,265	Net operating result attributable to council		35,386	22,216
1,363	Net operating result for the year before grants and contributions provided for capital purposes		(8,791)	3,775

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		35,386	22,216
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	10	21,848	789
Total items which will not be reclassified subsequently to the operating result		21,848	789
Total other comprehensive income for the year		21,848	789
Total comprehensive income for the year		57,234	23,005
Total comprehensive income attributable to Council		57,234	23,005

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	8,202	8,698	6,229
Investments	7(b)	43,250	45,500	37,250
Receivables	8	7,763	7,555	8,176
Inventories	9a	2,095	2,063	2,000
Other	9b	248	199	199
Total current assets		61,558	64,015	53,854
Non-current assets				
Investments	7(b)	26,426	20,726	16,547
Infrastructure, property, plant and equipment	10	594,656	534,054	522,901
Right of use assets	12a	2,402	—	—
Total non-current assets		623,484	554,780	539,448
Total assets		685,042	618,795	593,302
LIABILITIES				
Current liabilities				
Payables	13	15,718	10,677	7,130
Income received in advance	13	—	141	211
Contract liabilities	11	857	—	—
Lease liabilities	12b	740	—	—
Borrowings	13	1,554	1,734	1,668
Provisions	14	8,366	6,122	6,164
Total current liabilities		27,235	18,674	15,173
Non-current liabilities				
Lease liabilities	12b	1,704	—	—
Borrowings	13	6,256	7,865	9,528
Provisions	14	21,306	20,210	19,561
Total non-current liabilities		29,266	28,075	29,089
Total liabilities		56,501	46,749	44,262
Net assets		628,541	572,046	549,040
EQUITY				
Accumulated surplus	15	398,061	363,414	341,197
Revaluation reserves	15	230,480	208,632	207,843
Council equity interest		628,541	572,046	549,040
Total equity		628,541	572,046	549,040

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

		as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve Restated	Total equity Restated
\$ '000	Notes						
Opening balance		346,524	169,060	515,584	323,257	168,271	491,528
Correction of prior period errors ¹	15b	16,889	39,572	56,461	17,941	39,572	57,512
Changes due to AASB 1058 and AASB 15 adoption	15	(738)	—	(738)	—	—	—
Changes due to AASB 16 adoption	15	—	—	—	—	—	—
Restated opening balance		362,675	208,632	571,307	341,198	207,843	549,040
Net operating result for the year		35,386	—	35,386	23,267	—	23,267
Correction of prior period errors ²	15b	—	—	—	(1,051)	—	(1,051)
Restated net operating result for the period		35,386	—	35,386	22,216	—	22,216
Other comprehensive income							
— Gain / (loss) on revaluation of IPP&E	10	—	21,848	21,848	—	789	789
Other comprehensive income		—	21,848	21,848	—	789	789
Total comprehensive income		35,386	21,848	57,234	22,216	789	23,005
Equity – balance at end of the reporting period		398,061	230,480	628,541	363,414	208,632	572,046

(1) Restatement of Infrastructure Asset carrying value - refer note 15(a)

(2) Depreciation expense for Infrastructure assets was adjusted

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
46,656	Rates and annual charges		46,411	44,268
7,453	User charges and fees		5,143	6,576
1,994	Investment and interest revenue received		2,299	2,671
14,544	Grants and contributions		58,796	25,903
–	Bonds, deposits and retention amounts received		604	931
940	Other		4,127	8,481
Payments:				
(26,934)	Employee benefits and on-costs		(25,899)	(24,006)
(14,565)	Materials and contracts		(27,611)	(16,713)
(614)	Borrowing costs		(61)	(818)
(6,074)	Other		(4,292)	(6,268)
23,400	Net cash provided (or used in) operating activities	16b	59,517	41,025
Cash flows from investing activities				
Receipts:				
28,750	Sale of investment securities		45,571	38,771
–	Sale of infrastructure, property, plant and equipment		53	588
Payments:				
(47,392)	Purchase of investment securities		(49,021)	(51,200)
(19,761)	Purchase of infrastructure, property, plant and equipment		(54,056)	(25,118)
(38,403)	Net cash provided (or used in) investing activities		(57,453)	(36,959)
Cash flows from financing activities				
Payments:				
(1,732)	Repayment of borrowings and advances		(1,724)	(1,662)
–	Lease liabilities (principal repayments)		(836)	65
(1,732)	Net cash flow provided (used in) financing activities		(2,560)	(1,597)
(16,735)	Net increase/(decrease) in cash and cash equivalents		(496)	2,469
–	Plus: cash and cash equivalents – beginning of year	16a	8,698	6,229
(16,735)	Cash and cash equivalents – end of the year	16a	8,202	8,698
–	plus: Investments on hand – end of year	7(b)	69,676	66,226
(16,735)	Total cash, cash equivalents and investments		77,878	74,924

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 16 March 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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 20 – Material budget variations

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 14.
- (iii) employee benefit provisions – refer Note 14.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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.

Volunteer services

Council receives the benefit of volunteer services across various parts of its service delivery, including the Community Nursery and library service. No adjustment has been included within the financial statements to reflect these services as they are not considered to be material in financial value and may not be reliably measured.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting periods.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019 Restated	2020	2019 Restated	2020	2019	2020	2019 Restated
\$ '000										
Functions or activities										
Sustainable and Balanced Growth	12,157	15,283	9,773	8,409	2,384	6,874	–	–	1,242	1,214
Management & Provision of Infrastructure	43,721	13,361	45,194	29,265	(1,473)	(15,904)	7,534	3,838	581,447	530,443
Caring for the Environment	10,148	9,991	10,355	13,282	(207)	(3,291)	2,104	264	6,983	8,334
Looking after the Community	1,110	1,062	4,859	4,303	(3,749)	(3,241)	427	372	1,936	1,969
Efficient and Effective Council	1,193	1,754	6,652	6,308	(5,459)	(4,554)	–	–	96,906	117,945
General Purpose	43,890	42,332	–	–	43,890	42,332	3,620	3,089	(3,472)	(41,110)
Total functions and activities	112,219	83,783	76,833	61,567	35,386	22,216	13,685	7,563	685,042	618,795

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	34,689	32,426
Farmland	1058 (1)	1,020	1,060
Mining	1058 (1)	1,676	1,627
Business	1058 (1)	1,771	1,707
Less: pensioner rebates (mandatory)	1058 (1)	(330)	(327)
Less: pensioner rebates (Council policy)	1058 (1)	(378)	(374)
Rates levied to ratepayers		38,448	36,119
Pensioner rate subsidies received	1058 (1)	256	330
Total ordinary rates		38,704	36,449
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	8,851	9,120
Stormwater management services	1058 (1)	299	291
Waste management services (non-domestic)	1058 (1)	182	165
Section 611 charges	1058 (1)	16	13
Less: pensioner rebates (Council policy)	1058 (1)	(629)	(610)
Annual charges levied		8,719	8,979
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	75	74
Total annual charges		8,794	9,053
TOTAL RATES AND ANNUAL CHARGES		47,498	45,502

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	1058 (1)	1,643	1,670
Section 10.7 certificates (EP&A Act)	1058 (1)	168	134
Section 603 certificates	1058 (1)	86	66
Other	1058 (1)	196	196
Animal registration fees	1058 (1)	138	171
Rezoning fees	1058 (1)	–	273
Septic tank fees	1058 (1)	504	154
Total fees and charges – statutory/regulatory		2,735	2,664
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	1058 (1)	109	91
Leaseback fees – Council vehicles	1058 (1)	355	324
Restoration charges	15 (1)	69	52
Waste disposal tipping fees	15 (1)	729	980
Children services	15 (1)	392	437
Development management	15 (1)	137	437
Plan checking fees	15 (1)	286	552
Royalties	15 (1)	63	92
Other	15 (1)	154	161
Total fees and charges – other		2,294	3,126
TOTAL USER CHARGES AND FEES		5,029	5,790

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

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

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

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

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

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (1)	657	614
Fines	1058 (1)	432	341
Legal fees recovery – rates and charges (extra charges)	1058 (1)	35	127
Legal fees recovery – other	1058 (1)	100	67
Commissions and agency fees	15 (1)	34	35
Diesel rebate	15 (1)	28	29
Insurance claims recoveries	1058 (1)	7	23
Sales – general	15 (1)	95	47
Insurance premium rebate	1058 (1)	147	236
Reimbursements	1058 (1)	267	127
Other	1058 (1)	15	153
<u>TOTAL OTHER REVENUE</u>		<u>1,817</u>	<u>1,799</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	1,889	1,867	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,002	1,936	–	–
Total general purpose		3,891	3,803	–	–
Specific purpose					
Bushfire and emergency services	15 (2)	1,620	320	–	–
Child care	15 (1)	56	92	–	–
Library	1058 (1)	200	131	–	–
LIRS subsidy	1058 (1)	138	172	–	–
Recreation and culture	15 (1)	102	795	3,045	–
Street lighting	1058 (1)	87	86	–	105
Transport (roads to recovery)	1058 (1)	–	–	3,576	–
Transport (other roads and bridges funding)	1058 (1)	585	20	–	1,130
Community services	1058 (1)	171	139	–	–
Environmental management	1058 (1)	214	187	–	–
Other	1058 (1)	–	103	–	480
Total specific purpose		3,173	2,045	6,621	1,715
Total grants		7,064	5,848	6,621	1,715
Grant revenue is attributable to:					
– Commonwealth funding		4,048	3,995	3,825	764
– State funding		2,961	1,846	2,796	1,787
– Other funding		55	7	–	(836)
		7,064	5,848	6,621	1,715

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	4,598	1,020
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	2,433	6,868
S 7.12 – fixed development consent levies		1058 (1)	–	–	558	412
Other developer contributions			–	–	–	1,042
Total developer contributions – cash			–	–	7,589	9,342
Non-cash contributions						
Other developer contributions		1058 (1)	–	–	29,861	–
Total developer contributions non-cash			–	–	29,861	–
Total developer contributions	23		–	–	37,450	9,342
Other contributions:						
Cash contributions						
Bushfire services		1058 (1)	1,352	174	–	–
Community services		1058 (1)	284	190	–	–
Recreation and culture		1058 (1)	5	47	–	278
Roads and bridges		1058 (1)	–	–	25	1,147
RMS contributions (regional roads, block grant)		1058 (1)	2,018	2,053	81	906
Other		15 (1)	1,250	1,001	–	5,053
Environmental management		1058 (1)	(35)	249	–	–
Total other contributions – cash			4,874	3,714	106	7,384
Total other contributions			4,874	3,714	106	7,384
Total contributions			4,874	3,714	37,556	16,726
TOTAL GRANTS AND CONTRIBUTIONS			11,938	9,562	44,177	18,441

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

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

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

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

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

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The performance obligations are varied based on the agreement but include events, construction of council owned assets, crown land management plans and planning reviews. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	3,447	2,895
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	656
Add: operating grants received for the provision of goods and services in a future period	5,122	1,936
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(2,040)
Less: operating grants received in a previous reporting period now spent and recognised as income	(2,287)	–
Unexpended and held as externally restricted assets (operating grants)	6,282	3,447
Capital grants		
Unexpended at the close of the previous reporting period	270	219
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	57
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(6)
Less: capital grants received in a previous reporting period now spent and recognised as income	(126)	–
Unexpended and held as externally restricted assets (capital grants)	1,124	270
Contributions		
Unexpended at the close of the previous reporting period	35,753	26,731
Add: contributions recognised as income in the current period but not yet spent	5,864	10,601
Less: contributions recognised in a previous reporting period now spent	(789)	(1,579)
Unexpended and held as externally restricted assets (contributions)	40,828	35,753

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	257	218
– Cash and investments	1,503	1,912
Finance income on the net investment in the lease	–	–
Total Interest and investment income	1,760	2,130
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	257	218
General Council cash and investments	828	1,129
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	417	530
Domestic waste management operations	193	193
Restricted investments/funds – internal:		
Internally restricted assets	65	60
Total interest and investment revenue	1,760	2,130

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	24,070	21,380
Employee leave entitlements (ELE)	2,218	544
Superannuation	2,310	2,156
Workers' compensation insurance	366	365
Fringe benefit tax (FBT)	67	69
Training costs (other than salaries and wages)	235	207
Employment advertising	107	382
Other	24	73
Total employee costs	29,397	25,176
Less: capitalised costs	(1,366)	(1,404)
TOTAL EMPLOYEE COSTS EXPENSED	28,031	23,772
Number of 'full-time equivalent' employees (FTE) at year end	270	247

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		547	763
Charges relating to finance leases		–	4
Total interest bearing liability costs		547	767
Total interest bearing liability costs expensed		547	767
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	14	1,157	1,139
Total other borrowing costs		1,157	1,139
TOTAL BORROWING COSTS EXPENSED		1,704	1,906

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	15,705	9,735
– Environmental services	2,019	1,609
– General maintenance	2,348	3,639
– Leisure centre management	206	197
– Planning and development consultants	1,103	168
– Planning and development contractors/labour hire	272	521
– Road maintenance and construction	4,428	8,132
– Street and gutter cleaning contract	253	235
– Waste contractors	6,973	6,890
– Building construction services	10,906	–
– Technological services	648	–
– Investment and financial advisory services	98	–
– Other	26	918
Auditors remuneration ²	139	120
Legal expenses:		
– Legal expenses: planning and development	345	338
– Legal expenses: other	420	445
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	845
Other	1	8
Total materials and contracts	45,890	33,800
Less: capitalised costs	(19,858)	(17,871)
TOTAL MATERIALS AND CONTRACTS	26,032	15,929

Accounting policy for materials and contracts

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
Motor vehicles	–	595
Other	–	(23)
	–	845

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
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	89	47
Remuneration for audit and other assurance services	89	47
Total Auditor-General remuneration	89	47
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal audit services external provider	50	73
Remuneration for audit and other assurance services	50	73
Total remuneration of non NSW Auditor-General audit firms	50	73
Total Auditor remuneration	139	120

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		356	400
Office equipment		22	16
Furniture and fittings		52	54
Land improvements (depreciable)		53	53
Infrastructure:	10		
– Buildings – non-specialised		781	759
– Buildings – specialised		1,307	1,266
– Roads		7,890	7,570
– Bridges		796	723
– Footpaths		356	285
– Other road assets		1,914	1,996
– Stormwater drainage		477	415
– Swimming pools		78	75
– Other open space/recreational assets		676	540
Right of use assets	12	813	–
Other assets		20	21
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10	298	542
Total gross depreciation and amortisation costs		15,889	14,715
Total depreciation and amortisation costs		15,889	14,715
Impairment / revaluation decrement of IPP&E			
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10	9	11
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		9	11
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		9	11
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&E</u>		<u>15,898</u>	<u>14,726</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for right of use 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	80	159
Agency charges	65	68
Bad and doubtful debts	1	6
Bank charges	66	53
Computer software charges	639	682
Contributions/levies to other levels of government		
– Department of planning levy	54	54
– Emergency services levy (includes FRNSW, SES, and RFS levies)	771	623
– Section 88 waste and environment levy	1,094	1,105
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	182	175
Councillors' expenses (incl. mayor) – other (excluding fees above)	29	32
Donations, contributions and assistance to other organisations (Section 356)	173	193
Electricity and heating	258	255
Insurance	599	597
Photocopier charges	74	64
Postage	128	156
Street lighting	537	590
Telephone and communications	237	152
Valuation fees	122	108
Vehicle registration / insurance	71	77
Water charges	106	196
Other	496	354
Total other expenses	5,826	5,742
Less: capitalised costs	(821)	(508)
TOTAL OTHER EXPENSES	5,005	5,234

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	435
Net gain/(loss) on disposal		–	435
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		53	153
Less: carrying amount of plant and equipment assets sold/written off		(22)	(29)
Net gain/(loss) on disposal		31	124
Infrastructure			
	10		
Less: carrying amount of infrastructure assets sold/written off		(194)	–
Net gain/(loss) on disposal		(194)	–
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		45,571	38,771
Less: carrying amount of investments sold/redeemed/matured		(45,571)	(38,771)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(163)	559

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	8,202	8,698
Total cash and cash equivalents	8,202	8,698

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	43,250	26,426	45,500	20,726
Total Investments	43,250	26,426	45,500	20,726
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	51,452	26,426	54,198	20,726
Financial assets at amortised cost				
Long term deposits	43,250	7,000	38,750	4,000
NCD's, FRN's (with maturities > 3 months)	–	16,150	6,750	13,400
Mortgage backed securities	–	1,526	–	1,576
Listed equity securities	–	1,750	–	1,750
Total	43,250	26,426	45,500	20,726

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Accounting policy for investments

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit 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
- 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	51,452	26,426	54,198	20,726
attributable to:				
External restrictions	30,728	26,426	29,025	20,726
Internal restrictions	17,687	–	17,832	–
Unrestricted	3,037	–	7,341	–
	51,452	26,426	54,198	20,726

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

External restrictions – included in liabilities

External restrictions – other

Developer contributions – general	40,828	34,964
Specific purpose unexpended grants (recognised as revenue) – general fund	6,668	4,857
Stormwater management	925	790
Domestic waste management	7,995	9,140
External restrictions – other	56,416	49,751

Total external restrictions

Internal restrictions

Employees leave entitlement	3,977	2,690
Animal management	1	19
Effluent disposal	415	172
Election	352	277
Growth management strategy	602	795
Information technology	198	108
Infrastructure and asset maintenance	4,716	6,312
Legal claims	108	108
Organisational development	344	296
Plant and vehicle replacement	1,519	1,647
Property	2,901	2,532
Recreation	328	328
Risk management	718	608
Roads	326	319
Sportsgrounds	281	674
Swimming pool	489	511
Tourism and economic development	183	207
Work in progress	229	229

Total internal restrictions

TOTAL RESTRICTIONS

74,841 67,583

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,935	—	2,848	—
Interest and extra charges	(449)	—	(208)	—
User charges and fees	1,262	—	1,223	—
Accrued revenues				
– Interest on investments	431	—	729	—
– Other income accruals	1,718	—	69	—
Net investment in finance lease	—	—	—	—
Government grants and subsidies	48	—	2,667	—
Net GST receivable	929	—	271	—
Other debtors	(64)	—	4	—
Total	7,810	—	7,603	—
Less: provision of impairment				
User charges and fees	(47)	—	(48)	—
Total provision for impairment – receivables	(47)	—	(48)	—
<u>TOTAL NET RECEIVABLES</u>	<u>7,763</u>	<u>—</u>	<u>7,555</u>	<u>—</u>
Externally restricted receivables				
Domestic waste management	842	—	675	—
Stormwater management	34	—	26	—
Total external restrictions	876	—	701	—
Unrestricted receivables	6,887	—	6,854	—
TOTAL NET RECEIVABLES	7,763	—	7,555	—

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	48	44
+ new provisions recognised during the year	—	6
– amounts already provided for and written off this year	(1)	(2)
Balance at the end of the year	47	48

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	2,054	—	2,022	—
Trading stock	3	—	3	—
Total inventories at cost	2,057	—	2,025	—
(ii) Inventories at net realisable value (NRV)				
Trading stock	38	—	38	—
Total inventories at net realisable value (NRV)	38	—	38	—
TOTAL INVENTORIES	2,095	—	2,063	—
(b) Other assets				
Prepayments	248	—	199	—
TOTAL OTHER ASSETS	248	—	199	—

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Other				
RFS stores and materials	1,842	—	1,842	—
Total other	1,842	—	1,842	—
Total externally restricted assets	1,842	—	1,842	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	501	—	420	—
TOTAL INVENTORIES AND OTHER ASSETS	2,343	—	2,262	—

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Transfers to right of use assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000	Restated	Restated	Restated													
Capital work in progress	9,759	–	9,759	4,237	961	–	–	–	(5,026)	–	–	–	–	9,931	–	9,931
Plant and equipment	12,419	(11,513)	906	–	597	(69)	(356)	–	–	1,522	(51)	–	–	14,198	(11,649)	2,549
Office equipment	3,996	(3,822)	174	–	11	–	(22)	–	–	–	–	–	–	4,007	(3,844)	163
Furniture and fittings	1,153	(723)	430	–	30	–	(52)	–	–	–	–	–	–	1,183	(775)	408
Land:																
– Operational land	23,144	–	23,144	–	1,352	–	–	–	–	–	–	–	–	24,496	–	24,496
– Community land	50,342	–	50,342	–	–	–	–	–	–	–	–	–	–	50,342	–	50,342
Land improvements – depreciable	2,510	(482)	2,028	–	–	–	(53)	–	–	–	–	–	–	2,510	(535)	1,975
Infrastructure:																
– Buildings – non-specialised	33,638	(17,416)	16,222	6	–	–	(781)	–	–	–	–	–	–	33,644	(18,197)	15,447
– Buildings – specialised	60,925	(32,762)	28,163	1,599	98	–	(1,307)	–	–	–	–	–	–	62,622	(34,069)	28,553
– Roads ²	306,046	(120,201)	185,845	10,412	20,942	–	(7,890)	–	2,586	(4,334)	–	–	17,820	353,472	(128,091)	225,381
– Bridges ²	64,607	(32,963)	31,644	761	–	–	(796)	–	245	–	–	–	–	65,613	(33,759)	31,854
– Footpaths ²	17,306	(9,467)	7,839	343	3,841	(193)	(356)	–	297	–	–	–	6,276	27,864	(9,823)	18,041
– Other road assets ²	73,959	(35,899)	38,060	848	3,535	–	(1,914)	–	543	–	–	–	5,761	84,646	(37,813)	46,833
– Bulk earthworks (non-depreciable) ²	69,179	–	69,179	–	1,729	–	–	–	–	–	–	(11,462)	–	59,446	–	59,446
– Stormwater drainage ²	47,462	(12,253)	35,209	163	4,019	–	(477)	–	36	–	–	–	2,538	54,218	(12,730)	41,488
– Swimming pools	3,022	(1,425)	1,597	–	–	–	(78)	–	–	–	–	–	–	3,023	(1,504)	1,519
– Other open space/recreational assets	33,607	(5,627)	27,980	1,486	–	–	(676)	–	1,319	–	–	–	–	36,413	(6,304)	30,109
Other assets:																
– Library books	1,025	(1,025)	–	–	–	–	–	–	–	–	–	–	–	1,025	(1,025)	–
– Other	763	(350)	413	–	–	–	(20)	–	–	–	–	–	–	763	(370)	393
Reinstatement, rehabilitation and restoration assets (refer Note 17):																
– Tip assets	21,570	(16,450)	5,120	–	–	–	(298)	(9)	–	–	–	–	915	22,476	(16,748)	5,728
Total Infrastructure, property, plant and equipment	836,432	(302,378)	534,054	19,855	37,115	(262)	(15,076)	(9)	–	(2,812)	(51)	(11,462)	33,310	911,892	(317,236)	594,656

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

(2) The actual values for 2018/19 have been restated - refer to Note 15 (a)

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense Restated	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
\$ '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)	—	12,419	(11,513)	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 ²	295,954	(112,632)	183,322	8,626	—	—	(7,570)	—	1,466	—	—	306,046	(120,201)	185,845
– Bridges ²	63,588	(32,240)	31,348	540	—	—	(723)	—	479	—	—	64,607	(32,963)	31,644
– Footpaths ²	15,000	(9,182)	5,818	179	2,127	—	(285)	—	—	—	—	17,306	(9,467)	7,839
– Other road assets ²	70,246	(33,903)	36,343	618	2,881	—	(1,996)	—	214	—	—	73,959	(35,899)	38,060
– Bulk earthworks (non-depreciable) ²	69,179	—	69,179	—	—	—	—	—	—	—	—	69,179	—	69,179
– Stormwater drainage ²	47,064	(11,838)	35,226	393	—	—	(415)	—	5	—	—	47,462	(12,253)	35,209
– 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 17):														
– Tip assets	20,792	(15,908)	4,884	—	—	—	(542)	(11)	—	—	789	21,570	(16,450)	5,120
Total Infrastructure, property, plant and equipment	810,566	(287,665)	522,901	19,874	6,136	(29)	(14,715)	(11)	—	(892)	789	836,432	(302,378)	534,054

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

(2) The actual values for 2018/19 have been restated - refer to Note 15 (a).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. 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 2020

Note 10. 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 2020

Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	738	—
User fees and charges received in advance:			
Fees received in advance of services provided	(iii)	119	—
Total payments received in advance		857	—
Total contract liabilities		857	—

Notes

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

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

(iii) User fees and charges invoiced or paid in advance for services to be provided in a future accounting period, where the funds are refundable should the service not be provided.

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	738	—
Contract liabilities relating to externally restricted assets	738	—
Total contract liabilities relating to restricted assets	738	—
Total contract liabilities relating to unrestricted assets	119	—
Total contract liabilities	857	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

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

(i) Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Motor Vehicles Leases have term of between 3 and 5 years

Land & Building Leases typically have a term of 3 years

IT equipment Leases have a term of 4 to 5 years

Buildings

Council leases land and buildings for the Rural Fire Service; the lease is generally between 3 and 4 years and includes a renewal option to allow Council to renew every 3 years.

The building leases contains an annual pricing mechanism based on a fixed increases every year at each anniversary date of the lease inception.

Vehicles

Council leases vehicles and equipment with lease terms varying from 3 to 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 4 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

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

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

\$ '000	Plant & Equipment	Total
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	2,597	2,597
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 10	51	51
Additions to right-of-use assets	460	460
Adjustments to right-of-use assets due to re-measurement of lease liability	75	75
Depreciation charge	(813)	(813)
<u>RIGHT OF USE ASSETS</u>	<u>2,402</u>	<u>2,402</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	740	1,704
TOTAL LEASE LIABILITIES	740	1,704

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	802	1,433	209	2,444	2,444

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

(c) Income Statement

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

Interest on lease liabilities	2
Depreciation of right of use assets	813
Expenses relating to short-term leases	24
	839

(d) Statement of Cash Flows

Total cash outflow for leases	836
	836

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

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

Refer to Note 5d and Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services	10,157	—	8,127	—
Accrued expenses:				
– Borrowings	39	—	101	—
– Other expenditure accruals	2,860	—	415	—
Security bonds, deposits and retentions	2,218	—	1,614	—
Other	444	—	420	—
Total payables	15,718	—	10,677	—
Income received in advance (2019 only)				
Payments received in advance	—	—	141	—
Total income received in advance	—	—	141	—
Borrowings				
Loans – secured ¹	1,554	6,256	1,722	7,812
Finance lease liabilities (2019 only)	—	—	12	53
Total borrowings	1,554	6,256	1,734	7,865
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>17,272</u>	<u>6,256</u>	<u>12,552</u>	<u>7,865</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 19.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Total payables and borrowings relating to unrestricted assets	17,272	6,256	12,552	7,865
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>17,272</u>	<u>6,256</u>	<u>12,552</u>	<u>7,865</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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	9,534	(1,724)	–	–	–	–	7,810
Lease liabilities	65	2,379	–	–	–	–	2,444
TOTAL	9,599	655	–	–	–	–	10,254

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	11,196	(1,662)	–	–	–		9,534
Lease liabilities	–	65	–	–	–		65
TOTAL	11,196	(1,597)	–	–	–		9,599

\$ '000	2020	2019
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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	100
Total drawn financing arrangements	100	100

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
Total undrawn financing arrangements	300	300

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Finance leases (2019 only)

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 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,518	–	1,861	–
Sick leave	201	–	194	–
Long service leave	5,367	–	3,801	–
Time in lieu	52	–	52	–
Sub-total – aggregate employee benefits	8,138	–	5,908	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	228	21,306	214	20,210
Sub-total – asset remediation/restoration	228	21,306	214	20,210
<u>TOTAL PROVISIONS</u>	<u>8,366</u>	<u>21,306</u>	<u>6,122</u>	<u>20,210</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

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

Provisions – employees benefits	6,320	4,226
	6,320	4,226

(b) Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Other	Other employee benefits	
2020						
At beginning of year	1,861	194	3,801	66	(14)	5,908
Amounts used (payments)	(1,209)	(607)	(338)	–	–	(2,154)
Other	1,866	614	1,904	–	–	4,384
Total ELE provisions at end of year	2,518	201	5,367	66	(14)	8,138
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 year	1,861	194	3,801	66	(14)	5,908

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	20,424	20,424
Amounts used (payments)	(46)	(46)
Unwinding of discount	1,705	1,705
Other	(549)	(549)
Total other provisions at end of year	21,534	21,534
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 year	20,424	20,424

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

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

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. 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 2020

Note 14. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

Nature of prior-period error

In accordance with applicable accounting standards, Council carried out a revaluation of roads assets including bridges and footpaths, drainage infrastructure, car parks and other infrastructure. This process identified a material difference in the following areas from the 2015 valuation:

Type of error	Dollar impact
- incorrect unit of measurement applied	\$37,355,136
- Asset held but not recorded in asset register	\$24,071,118
- Duplicated asset records	-\$ 9,542,677
- Volumetric error	\$11,362,682
- Incorrect consumption pattern applied	-\$ 5,734,636
Total Error	<u>\$57,511,623</u>

The impact was that the 2015 revaluation was understated due to the factors above, resulting in a correction of the value of roads, bridges, footpaths, drainage infrastructure and car parks of \$67 million less accumulated depreciation of \$11 million that resulted in a net correction of \$56 million as at 30 June 2020.

The value of the error as at 1 July 2018 was \$67 million less accumulated depreciation of \$10 million for a net value of \$57 million. The value of the error as at 30 June 2019 was \$67 million less accumulated depreciation of \$11 million for a net value of \$56 million.

The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to the accumulated surplus and the revaluation reserve at that date.

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

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

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	465,389	57,512	522,901
Total assets	<u>535,790</u>	<u>57,512</u>	<u>593,302</u>
Net Assets	<u>491,528</u>	<u>57,512</u>	<u>549,040</u>
Accumulated Surplus	323,257	17,940	341,197
Revaluation Reserves	168,271	39,572	207,843
Total equity	<u>491,528</u>	<u>57,512</u>	<u>549,040</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	477,592	56,461	534,053
Total assets	562,333	56,461	618,794
Net Assets	515,585	56,461	572,046
Accumulated Surplus	346,524	16,889	363,413
Revaluation Reserves	169,060	39,572	208,632
Total equity	515,585	56,461	572,046

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Depreciation and Amortisation	13,664	1,051	14,715
Total expenses from continuing operations	60,516	1,051	61,567
Net operating result for the year	23,267	(1,051)	22,216

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year	23,267	(1,051)	22,216
Gain / (loss) on revaluation of IPP&E	789	–	789
Other comprehensive income	789	–	789
Total comprehensive income for the year	24,056	(1,051)	23,005

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	8,202	—	—	8,202	
Investments	43,250	—	—	43,250	
Receivables	7,763	—	—	7,763	
Inventories	2,095	—	—	2,095	
Other	248	—	—	248	
Total current assets	61,558	—	—	61,558	
Current liabilities					
Payables	15,718	—	—	15,718	
Contract liabilities	857	—	(738)	119	
Lease liabilities	740	—	—	740	
Borrowings	1,554	—	—	1,554	
Provisions	8,366	—	—	8,366	
Total current liabilities	27,235	—	(738)	26,497	
Non-current assets					
Investments	26,426	—	—	26,426	
Infrastructure, property, plant and equipment	594,656	—	—	594,656	
Right of use assets	2,402	—	—	2,402	
Total non-current assets	623,484	—	—	623,484	
Non-current liabilities					
Lease liabilities	1,704	—	—	1,704	
Borrowings	6,256	—	—	6,256	
Provisions	21,306	—	—	21,306	
Total Non-current liabilities	29,266	—	—	29,266	
Net assets	628,541	—	738	629,279	
Equity					
Accumulated surplus	398,061	—	738	398,799	
Revaluation reserves	230,480	—	—	230,480	
Council equity interest	628,541	—	738	629,279	
Total equity	628,541	—	738	629,279	

Income Statement

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	47,498	—	—	47,498	
User charges and fees	5,029	—	—	5,029	
Other revenues	1,817	—	—	1,817	
Grants and contributions provided for operating purposes	11,938	—	738	12,676	
Grants and contributions provided for capital purposes	44,177	—	—	44,177	
Interest and investment income	1,760	—	—	1,760	
Total Income from continuing operations	112,219	—	738	112,957	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	28,031	—	—	28,031	
Borrowing costs	1,704	—	—	1,704	
Materials and contracts	26,032	—	—	26,032	
Depreciation and amortisation	15,889	—	—	15,889	
Other expenses	5,005	—	—	5,005	
Net losses from the disposal of assets	163	—	—	163	
Revaluation decrement / impairment of IPP&E	9	—	—	9	
Total Expenses from continuing operations	76,833	—	—	76,833	
Total Operating result from continuing operations	35,386	—	738	36,124	
Net operating result for the year	35,386	—	738	36,124	
Total comprehensive income	57,234	—	—	57,234	

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	—	—	—
Contract liabilities	—	738	738
Total liabilities	—	738	738
Accumulated surplus	—	(738)	(738)
Total equity	—	(738)	(738)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$3.426 million at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off-balance sheet.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	1,967
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	3,361
Add:	
Finance lease liabilities	65
Lease liabilities recognised at 1 July 2019	<u>3,426</u>

Council as a lessor

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	3,412	3,412
Total assets	562,333	3,412	565,745
Payables – accrued interest on leases (30/6/2019)	–	2	2
Leases	–	3,410	3,410
Total liabilities	46,749	3,412	50,161
Accumulated surplus	169,060	–	169,060
Revaluation Reserve	346,524	–	346,524
Total equity	515,584	–	515,584

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,202	8,698
Balance as per the Statement of Cash Flows		8,202	8,698
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		35,386	22,216
Adjust for non-cash items:			
Depreciation and amortisation		15,889	14,715
Net losses/(gains) on disposal of assets		163	(559)
Adoption of AASB 15/1058		(738)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		9	11
Unwinding of discount rates on reinstatement provisions		1,705	1,138
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(207)	617
Increase/(decrease) in provision for impairment of receivables		(1)	4
Decrease/(increase) in inventories		(32)	(63)
Decrease/(increase) in other current assets		(49)	–
Increase/(decrease) in payables		2,030	3,154
Increase/(decrease) in accrued interest payable		(62)	(50)
Increase/(decrease) in other accrued expenses payable		2,445	(602)
Increase/(decrease) in other liabilities		487	975
Increase/(decrease) in contract liabilities		857	–
Increase/(decrease) in provision for employee benefits		2,230	(142)
Increase/(decrease) in other provisions		(595)	(389)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		59,517	41,025

Council does not use Non-cash investing and financing activities.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

\$ '000	2020	2019
(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	269	165
Plant and equipment	464	–
Recreation	2,609	572
Major road and bridge works	1,762	1,464
Tip remediation	19	–
Other	81	–
Total commitments	5,204	2,201
These expenditures are payable as follows:		
Within the next year	5,204	2,201
Total payable	5,204	2,201
Sources for funding of capital commitments:		
Unrestricted general funds	21	2
Section 7.11 and 64 funds/reserves	63	29
Unexpended grants	4,628	136
Internally restricted reserves	492	2,034
Total sources of funding	5,204	2,201

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments (continued)

(b) Finance lease commitments (2019 only)

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

\$ '000	2020	2019
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) 2020	Option to purchase 2020	Contingent rent clauses 2020	2020	2019
\$ '000					
Motor vehicles – carrying value	–	YES	NO	–	65
Total carrying value at period end				–	65

Additional details

Council currently holds 3 vehicles under finance lease arrangements

Refer to Note 12 for information relating to leases for 2020.

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

(c) Non-cancellable operating lease commitments (2019 only)

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

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

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.

Refer to Note 12 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$308,060.21. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is around 0.38% of the total additional lump sum contributions for all Pooled employers (of \$40m each year from 1 July 2019 to 30 June 2021). Council's expected contribution to the plan for the next annual reporting period is \$346,248.16.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.20	
Past Service Liabilities	1,773.20	95.6%
Vested Benefits	1,757.50	96.5%

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

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

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

Investment return	5.75% per annum
Salary inflation *	3.50% 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 2020

Note 19. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,202	8,698	8,202	8,698
Receivables	7,763	7,555	7,763	7,556
Investments				
– 'Financial assets at amortised cost'	69,676	66,226	–	–
Total financial assets	85,641	82,479	15,965	16,254
Financial liabilities				
Payables	15,718	10,677	15,678	10,677
Loans/advances	7,810	9,534	7,810	9,534
Lease liabilities	2,444	–	–	65
Total financial liabilities	25,972	20,211	23,488	20,276

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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	762	762	762	762
2019				
Possible impact of a 1% movement in interest rates	704	704	704	704

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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
2020						
Gross carrying amount	(2)	2,693	619	625	–	3,935
2019						
Gross carrying amount	–	1,948	448	452	–	2,848

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	2,783	806	35	66	185	3,875
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
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	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	2,218	13,460	–	–	15,678	15,718
Loans and advances	6.85%	–	2,056	6,039	1,429	9,524	7,810
Lease liabilities	0.00%	–	802	1,433	209	2,444	2,444
Total financial liabilities		2,218	16,318	7,472	1,638	27,646	25,972
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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 17/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Other revenues	940	1,817	877	93% F
Other Revenues exceeded budget levels as a result of reimbursement claims for the 2019 Green Valley bushfire event.				
Operating grants and contributions	7,642	11,938	4,296	56% F
Council received a significant number of additional grants for operating projects through the course of the year. In particular, \$1.300m was received for Bushfire Recovery activities and \$2.002m of Financial Assistance Grant income was received during the 2019-20 year for expenditure in the 2020-21 financial year.				
Capital grants and contributions	6,902	44,177	37,275	540% F
Council received significant non-cash dedications during the course of the financial year as a result of sub-division works across the shire. These amounted to \$29.861m.				
EXPENSES				
Borrowing costs	614	1,704	(1,090)	(178)% U
Borrowing costs exceeded budget due to the non-cash entry required to recognise the unwinding of a present value discount in relation to the costs associated with remediation to Council's land fill/ effluent pond. In addition to this costs amounting to \$452,000 were recognised in respect of 3 finance leases for fleet vehicles that was not allowed for within the original budget.				
Net losses from disposal of assets	–	163	(163)	∞ U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	23,400	59,517	36,117	154% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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

2020	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	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/20	–	9,931	–	9,931
Plant and equipment	30/06/20	–	–	2,549	2,549
Office equipment	30/06/16	–	–	163	163
Furniture and fittings	30/06/16	–	–	408	408
Operational land	30/06/18	–	–	24,496	24,496
Community land	30/06/16	–	–	50,342	50,342
Land improvements – depreciable	30/06/20	–	–	1,975	1,975
Buildings	30/06/18	–	–	44,000	44,000
Swimming pools and other recreational assets	30/06/16	–	–	31,628	31,628
Road infrastructure	30/06/20	–	–	381,555	381,555
Stormwater drainage	30/06/20	–	–	41,488	41,488
Other assets	30/06/20	–	–	6,121	6,121
Total infrastructure, property, plant and equipment		–	9,931	584,725	594,656

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total Restated
	Date of latest valuation Restated	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/19	—	9,759	—	9,759
Plant and equipment	30/06/19	—	—	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	—	—	332,567	332,567
Stormwater drainage	30/06/15	—	—	35,209	35,209
Other assets	30/06/15	—	—	5,533	5,533
Total infrastructure, property, plant and equipment		—	9,759	524,295	534,054

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 2020

Note 21. 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 2020

Note 21. 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) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,529	1,089
Post-employment benefits	–	72
Total	1,529	1,161

(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					
2020					
Purchase of grocery items on account at local store owned by a Councillor	–	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	12	–	30-day terms on invoices	–	–
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	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Traffic facilities	7,731	798	—	98	(156)	—	8,471	—
Open space	13,018	1,274	29,861	159	(712)	—	13,739	—
Community facilities	5,887	350	—	76	—	—	6,313	—
Other	9	412	—	—	—	—	421	—
Bushfire protection	66	6	—	1	—	—	73	—
Animal Management	1	1	—	—	—	—	2	—
S7.11 contributions – under a plan	26,712	2,841	29,861	334	(868)	—	29,019	—
S7.12 levies – under a plan	993	558	—	13	—	—	1,564	—
Total S7.11 and S7.12 revenue under plans	27,705	3,399	29,861	347	(868)	—	30,583	—
S7.4 planning agreements	6,849	4,598	—	72	(1,274)	—	10,245	—
Total contributions	34,554	7,997	29,861	419	(2,142)	—	40,828	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN – 2005								
Traffic facilities	7,731	798	–	98	(156)	–	8,471	–
Open space	13,018	1,274	29,861	159	(712)	–	13,739	–
Community facilities	5,887	350	–	76	–	–	6,313	–
Bushfire protection	66	6	–	1	–	–	73	–
Animal management	1	1	–	–	–	–	2	–
Other	9	412	–	–	–	–	421	–
Total	26,712	2,841	29,861	334	(868)	–	29,019	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – 2005								
Other	993	558	–	13	–	–	1,564	–
Total	993	558	–	13	–	–	1,564	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.4 PLANNING AGREEMENTS								
Drainage	213	1,333	—	3	—	—	1,549	—
Traffic facilities	3,606	1,999	—	47	—	—	5,652	—
Open space	1,070	399	—	(3)	(1,274)	—	192	—
Community facilities	1,799	635	—	23	—	—	2,457	—
Bushfire protection	124	56	—	2	—	—	182	—
Animal management	20	17	—	—	—	—	37	—
Tree planting	15	93	—	—	—	—	108	—
Administration	—	66	—	—	—	—	66	—
Total	6,847	4,598	—	72	(1,274)	—	10,243	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24(a). Statement of performance measures – consolidated results

	Amounts 2020	Indicator 2020	Prior periods 2019 2018		Benchmark
\$ '000			Restated		
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(8,619)	(12.67)%	4.98%	(26.58)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	68,042				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	56,104	50.00%	66.35%	69.49%	>60.00%
Total continuing operating revenue ¹	112,219				
3. Unrestricted current ratio					
Current assets less all external restrictions	28,112	1.39x	2.25x	2.69x	>1.50x
Current liabilities less specific purpose liabilities	20,177				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,974	2.10x	5.67x	1.46x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,264				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,486	6.91%	5.50%	5.08%	<5.00%
Rates, annual and extra charges collectible	50,430				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	58,452	11.61 mths	12.50 mths	9.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	5,035				

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

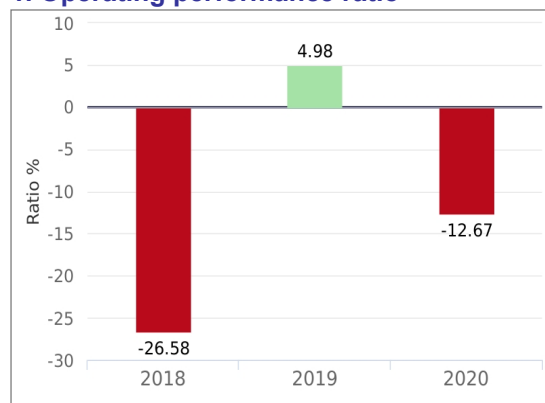
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24(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 2019/20 result

2019/20 ratio (12.67)%

The Operating Performance Ratio has decreased this financial year as a result of :

- reduced revenue streams resulting from COVID-19 restrictions
- increased operating costs directly related to operating grant income received during the year
- increased expense, which were reimbursed, due to bushfire and flood impacts

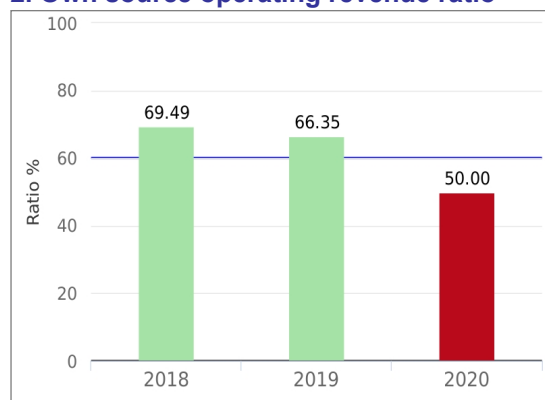
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 50.00%

Council's own source revenue ratio decreased below the benchmark this year due to an increase in external grants and contributions which were utilised to either continue operations during the COVID-19 restriction period or to deliver additional infrastructure and services

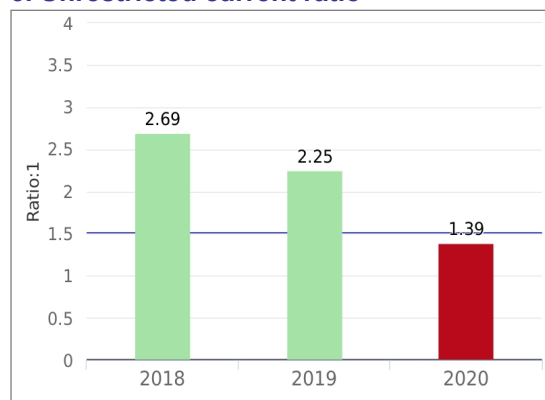
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.39x

The significant increase in expenditure relating to externally funded projects has impacted this ratio with much of the obligations outstanding as at 30 June 2020 relating to those projects, the funds for which are excluded from the calculation of this ratio.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

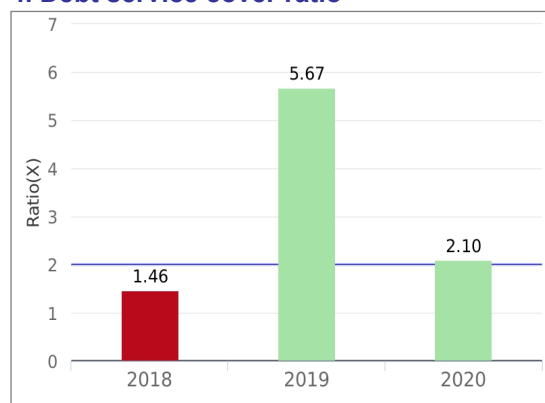
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24(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 2019/20 result

2019/20 ratio 2.10x

Council's borrowing levels remain low due to the availability of other funding sources.

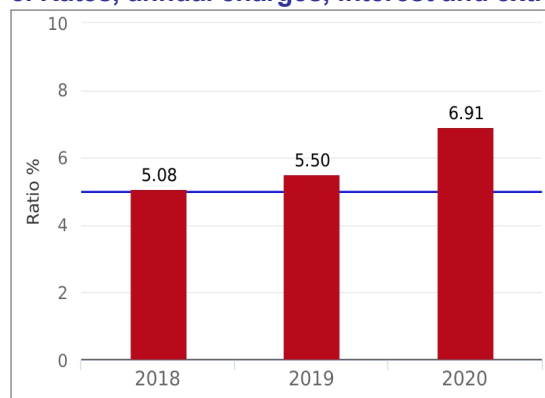
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 6.91%

As a result of the impact on the community as a result of Bushfire, flood and COVID-19 Council reviewed its hardship policy and provided additional support to ratepayers who were in financial difficulty and ceased collection activities resulting in an increase in rates and annual charges outstanding as at 30 June 2020.

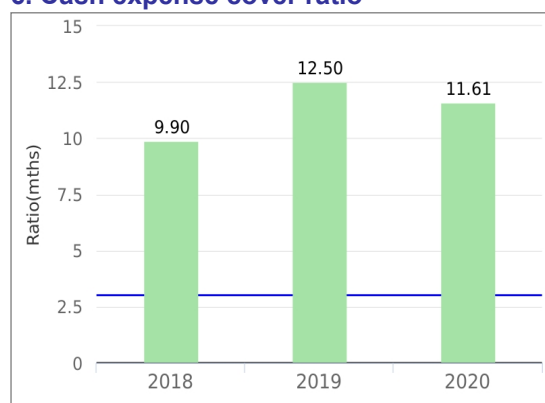
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 11.61 mths

Council's cash and equivalent assets have increased in line with additional capital projects being undertaken this year which have been funded from external sources without the need to increase borrowings.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Financial review

Note 25. Financial review

\$ '000	2020	2019 Restated	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	47,498	45,502	40,768	32,724	32,724
User charges revenue	5,029	5,790	5,840	5,069	5,069
Interest and investment revenue (losses)	1,760	2,130	1,788	1,730	1,730
Grants income – operating and capital	13,685	7,563	8,189	7,640	7,640
Total income from continuing operations	112,219	83,783	71,965	68,188	68,188
Sale proceeds from I,PP&E	53	588	278	107	107
Outflows:					
Employee benefits and on-cost expenses	28,031	23,772	20,796	20,609	20,609
Borrowing costs	1,704	1,906	6,762	1,789	1,789
Materials and contracts expenses	26,032	15,929	19,603	14,841	14,841
Total expenses from continuing operations	76,833	61,567	72,578	54,304	54,304
Total cash purchases of I,PP&E	54,056	25,118	17,122	11,165	11,165
Total loan repayments (incl. finance leases)	2,514	1,597	1,559	2,024	2,024
Operating surplus/(deficit) (excl. capital income)	(8,791)	3,775	(14,970)	(5,559)	(5,559)
Financial position figures					
Current assets	61,558	64,015	53,854	41,057	41,057
Current liabilities	27,235	18,674	15,173	13,165	13,165
Net current assets	34,323	45,341	38,681	27,892	27,892
Available working capital (Unrestricted net current assets)	(3,936)	3,583	2,368	–	–
Cash and investments – unrestricted	3,037	7,341	2,019	2,205	2,205
Cash and investments – internal restrictions	17,687	17,832	18,864	21,190	21,190
Cash and investments – total	77,878	74,924	60,026	49,211	49,211
Total borrowings outstanding (Loans, advances and finance leases)	7,810	9,599	11,196	14,570	14,570
Total value of I,PP&E (excl. land and earthworks)	777,608	693,767	625,245	568,915	568,915
Total accumulated depreciation	317,236	302,378	277,715	238,835	238,835
Indicative remaining useful life (as a % of GBV)	59%	56%	56%	57%	58%

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. 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

Rob Seidel

Public Officer

Charles Weber

Auditors

Auditor General
Audit Office of NSW
Level 19, 201 Sussex Street
SYDNEY NSW 2000

Elected members

Mayor

Cr R Khan

Councillors

Cr M Gould
Cr M Banasik (Deputy Mayor)
Cr B Briggs
Cr J Hannan
Cr R Khan
Cr S Landow
Cr N Lowry
Cr M Deeth

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 Wollondilly Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 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.



Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

17 March 2021
SYDNEY



Clr Robert Khan
Mayor
Wollondilly Shire Council
62-64 Menangle Street
Picton NSW 2571

Contact: Unaib Jefffrey
Phone no: 02 9275 7450
Our ref: D2102285/1810

17 March 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Wollondilly Shire Council**

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

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

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

SIGNIFICANT AUDIT ISSUE

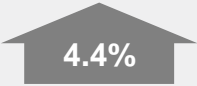

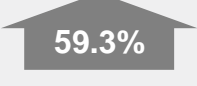

During 2019 – 20, Council carried out a comprehensive revaluation of its roads and bridges including footpaths, drainage infrastructure, car parks and other infrastructure assets. The valuation process identified following anomalies in the data used to value its assets:

- use of incorrect unit measurements and unit rates since the last comprehensive valuation performed in the financial year 2014-15
- assets recorded in the asset register but not recorded in the general ledger
- duplicated assets
- volumetric error measurement in relation to earthworks
- application of inaccurate consumption pattern of the assets resulting in significant variation in the valuation of assets.

The overall impact of the above matters was that the last valuation performed in the financial year 2014-15 was understated by \$57.5 million as at 30 June 2018. Management recognised the increase in the fair value of the assets as a retrospective correction of a prior period error at 1 July 2018, in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the understatement on the infrastructure assets at 1 July 2018 was \$57.5 million and at 30 June 2019 was \$56.5 million and depreciation expense was understated for the year ended 30 June 2019 by \$1.05 million.

INCOME STATEMENT

Operating result

	2020 \$m	2019* \$m	Variance %
Rates and annual charges revenue	47.5	45.5	 4.4%
Grants and contributions revenue	56.1	28.0	 100%
Operating result from continuing operations	35.4	22.2	 59.3%
Net operating result before capital grants and contributions	(8.8)	3.8	 332%

* The 2019 comparatives have been restated to correct a prior period error. Note 15 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$35.4 million including depreciation and amortisation expense of \$15.9 million) was \$13.2 million higher than the 2018–19 restated result. This is mainly attributable to \$1.9 million increase in rates and annual charges and \$28 million increase in grants and contributions revenue that were offset by \$4.2 million increase in employee benefit and costs, \$10.1 million increase in material and contracts, \$1.2 million increase in depreciation expenses, decrease from net gains from disposals of assets by \$0.5 million and a decrease by \$0.7 million in user charges and fees.

The net operating result before capital grants and contributions \$(8.8) million was \$12.6 million lower than the 2018–19 result. The decrease was mainly due to the reasons mentioned above.

Rates and annual charges revenue (\$47.5 million) increased by \$1.9 million (4.4 per cent) in 2019–20 due mostly to the rate peg increase of 2.7 per cent.

Grants and contributions revenue (\$56.1 million) increased by \$28 million (100 per cent) in 2019–20 with \$29 million of other developer contributions for new assets received in 2019-2020. The contributions received relate to Sealed Roads, Kerb and Gutter and Cycleways.

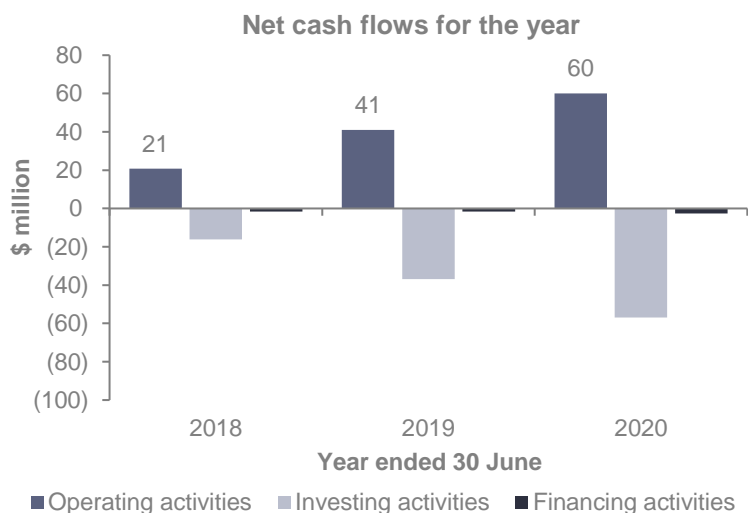
STATEMENT OF CASH FLOWS

Council's cash and cash equivalents balance at 30 June 2020 is \$8.2 million compared to \$8.7 million at 30 June 2019.

Cash inflows from operating activities increased from 2018-19 mainly as a result of higher receipts from grant and contributions.

Cash outflows from investing activities increased from 2018-19 mainly due to an increase in purchases of infrastructure, property, plant and equipment.

Cash outflows from financing activities increased as a result of lease liability principal repayments during 2019-20.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	57.2	49.8	Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$7.4 million in externally restricted cash is due to the increase in developer contributions received from the accelerated level of development in the Shire.
Internal restrictions	17.7	17.8	
Unrestricted	3.0	7.3	
Cash and investments	77.9	74.9	Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council.
			Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Performance measures

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

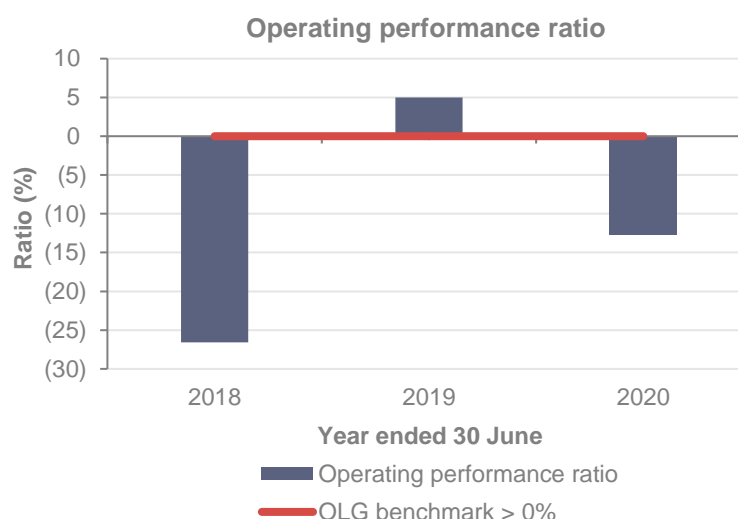
Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period. This is due to:

- \$4.2 million increase in employee benefits and on-costs due to an increase in head count compared to the 2019 fiscal year along with the impact of the increase in the provision for employee benefits.
- \$10.1 million increase in materials and contracts as a result of increased infrastructure maintenance programs and the impact of bushfires, flood and storms.
- \$1.2 million increase in depreciation and amortisation expense in the value of IPPE assets due to the prior period error impact and the depreciation of Right of Use Assets resulting from the adoption of a new accounting standard.

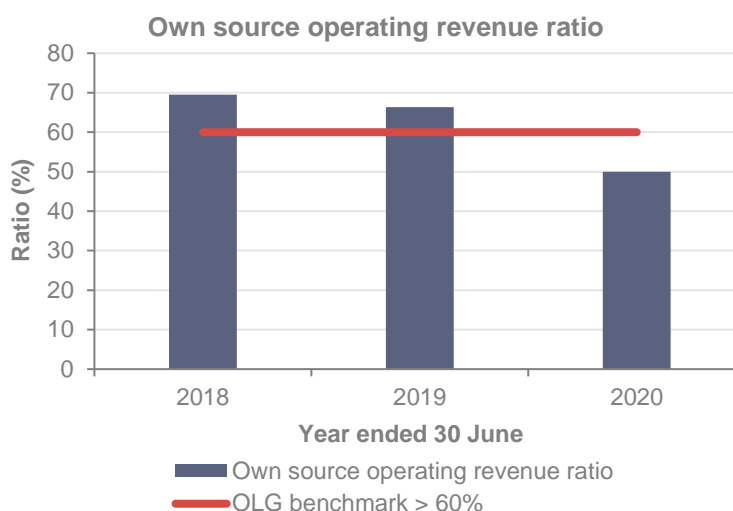
The 2019 ratio was restated to correct a prior period error.



Own source operating revenue ratio

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

The Council did not meet the OLG benchmark for the current reporting period. This is attributable to an increase in external grants and contributions which were utilised to either continue operations during the COVID-19 restriction period or to deliver additional infrastructure and services.



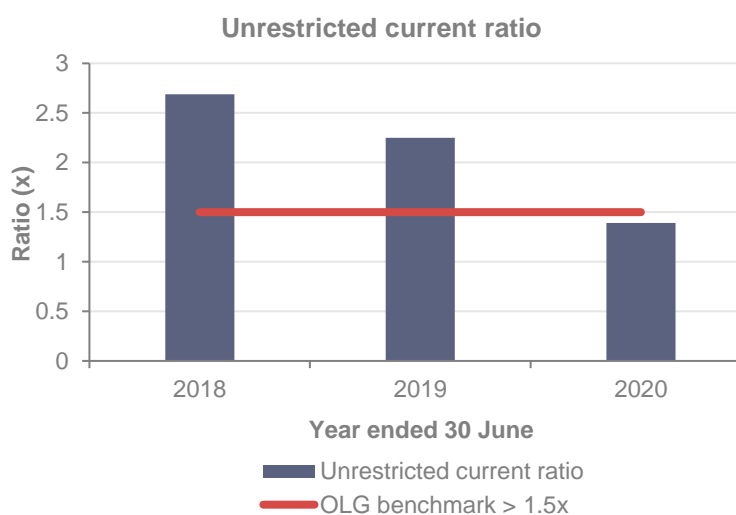
Unrestricted current ratio

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

The Council does not meet the OLG benchmark for the current reporting period.

This ratio indicates that Council currently has \$1.39 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities. The calculation of this ratio has been impacted by an increase in expenditure on externally funded projects, with the liabilities relating to these projects at year end included in this calculation but the funds which are held to make payment of the liabilities excluded.

The 2019 ratio was restated to correct a prior period error.



Debt service cover ratio

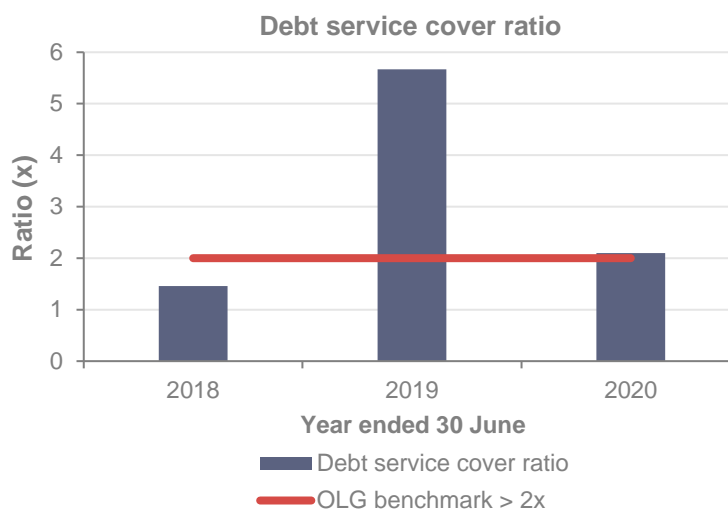
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

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

The decline in the debt cover ratio was driven by:

- \$10.5 million decrease in the operating result before capital excluding depreciation, impairment and amortisation expense compared to the 2019 fiscal year
- \$0.8 million increase in principal repayments and borrowing costs compared to the 2019 fiscal year.

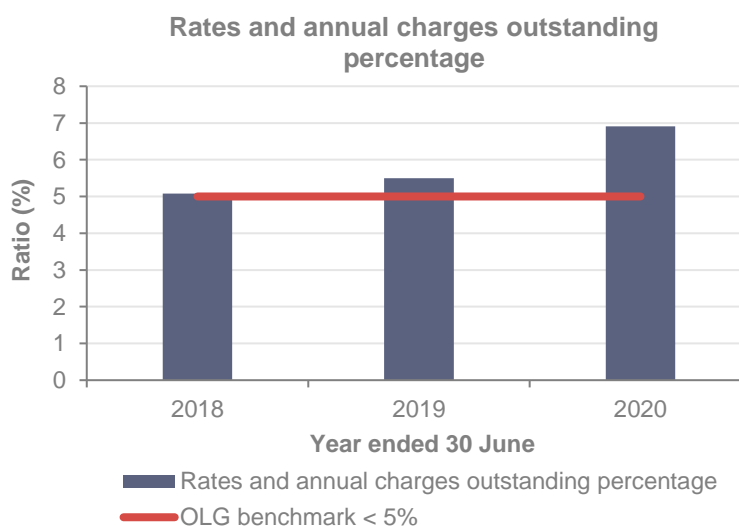
The 2019 ratio was restated to correct a prior period error.



Rates and annual charges outstanding percentage

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

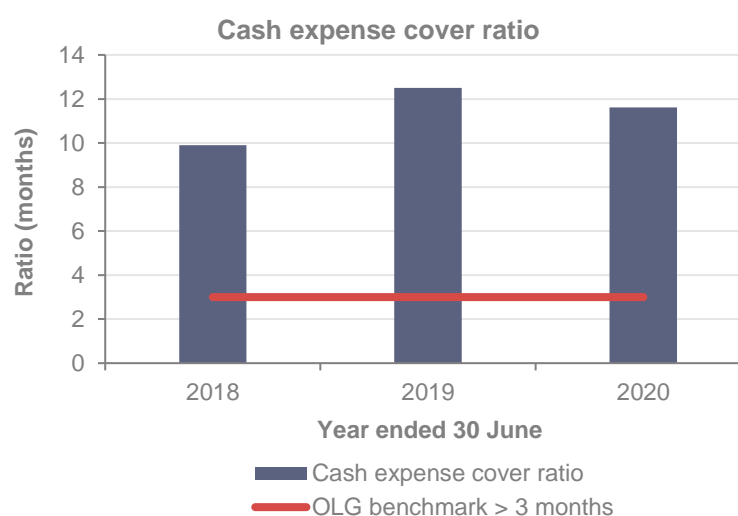
Council's Rates and annual charges outstanding percentage of 6.9 per cent does not meet the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period. This indicates the Council has 11.5 months of cash expenditure without additional cash inflows at 30 June 2020.



Infrastructure, property, plant and equipment renewals

Council spent \$19.9 million on asset renewals in 2019-20 compared to \$19.9 million in 2018-19. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

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 2019-20, asset renewals of \$19.9 million represented 132% of Council's \$15.1 million depreciation expense. This result was 3% lower than the 2018-19 result 135%.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program and were primarily related to road and building assets.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.7 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$3.4 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

Legislative compliance

The Council did not meet its statutory reporting timeframe in the 2020 financial year. This was as a result of the valuation process for certain infrastructure assets identifying a material prior period error. An extension to the lodgement of the financial statements with the office of local government in accordance with section 416(5) of the Local Government Act 1993 was granted by the office of local government on 30 November 2020 allowing lodgement to occur by 31 March 2021.

My audit procedures did not identify any other 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.



Unaib Jeoffrey
Delegate of the Auditor-General for New South Wales

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

Wollondilly Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

Special Schedules

for the year ended 30 June 2020

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Special Schedules

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	38,393	36,576
Plus or minus adjustments ²	b	407	736
Notional general income	c = a + b	38,800	37,312
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	1,009	1,007
Sub-total	k = (c + g + h + i + j)	39,809	38,319
Plus (or minus) last year's carry forward total	l	(64)	10
Sub-total	n = (l + m)	(64)	10
Total permissible income	o = k + n	39,745	38,329
Less notional general income yield	p	39,741	38,393
Catch-up or (excess) result	q = o - p	4	(64)
Carry forward to next year ⁶	t = q + r + s	4	(64)

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.
- (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 2021.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping horizontal stroke extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

17 March 2021
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20	2019/20	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	Required maintenance ^a	Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	4,123	4,123	2,025	1,977	44,000	96,266	5.4%	5.2%	33.1%	56.1%	0.2%
	Sub-total	4,123	4,123	2,025	1,977	44,000	96,266	5.4%	5.2%	33.1%	56.1%	0.2%
Roads	Sealed roads	26,723	26,723	7,568	5,533	227,748	352,983	40.0%	40.6%	18.0%	1.4%	0.0%
	Unsealed roads	394	394	321	360	1,966	4,822	2.4%	15.2%	66.0%	16.3%	0.1%
	Bridges	3,105	3,105	796	155	31,854	65,613	8.1%	36.0%	50.5%	1.4%	4.0%
	Footpaths	339	339	356	185	18,042	27,865	42.7%	32.1%	23.1%	1.9%	0.2%
	Other road assets	1,907	1,907	1,914	2,647	46,833	84,646	24.5%	25.1%	46.3%	3.8%	0.3%
	Bulk earthworks	—	—	—	—	59,446	59,446	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	—	—	—	—	(4,334)	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	32,468	32,468	10,955	8,880	381,555	595,375	30.1%	33.2%	24.4%	1.7%	10.5%
Stormwater drainage	Stormwater drainage	386	386	477	322	41,488	54,218	71.4%	23.4%	4.5%	0.7%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	386	386	477	322	41,488	54,218	71.4%	23.4%	4.5%	0.7%	0.0%
Open space / recreational assets	Swimming pools	—	—	75	24	1,519	3,023	75.2%	24.8%	0.0%	0.0%	0.0%
	Other	235	235	540	3,031	30,109	36,413	24.4%	66.2%	8.7%	0.5%	0.2%
	Sub-total	235	235	615	3,055	31,628	39,436	28.3%	63.0%	8.0%	0.5%	0.2%
TOTAL - ALL ASSETS		37,212	37,212	14,072	14,234	498,671	785,295	29.8%	30.6%	23.3%	8.3%	8.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts 2020	Indicator 2020	Prior periods 2019 2018		Benchmark
\$ '000			Restated		
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	15,618	109.41%	110.21%	103.14%	>=100.00%
Depreciation, amortisation and impairment	14,275				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	37,212	7.46%	9.34%	11.95%	<2.00%
Net carrying amount of infrastructure assets	498,671				
Asset maintenance ratio					
Actual asset maintenance	14,234	101.15%	170.87%	189.23%	>100.00%
Required asset maintenance	14,072				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	37,212	4.74%	6.42%	7.25%	
Gross replacement cost	785,295				

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

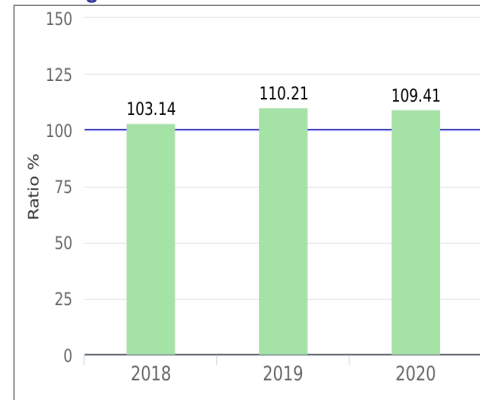
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

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

19/20 ratio 109.41%

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.

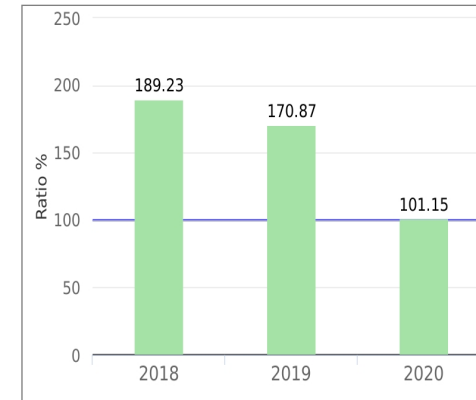
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

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

19/20 ratio 101.15%

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

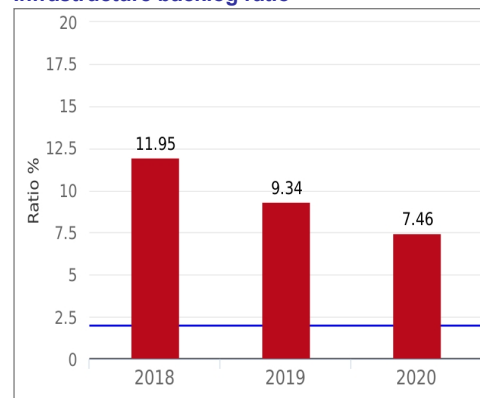
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

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

19/20 ratio 7.46%

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.

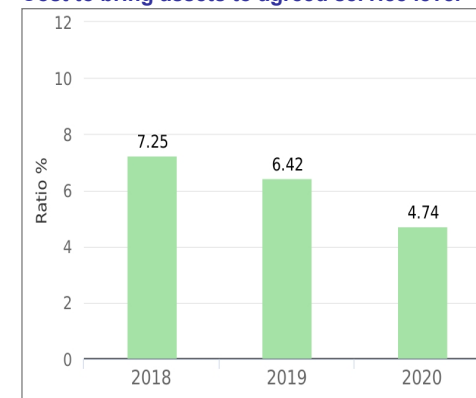
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

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

19/20 ratio 4.74%

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 2020

\$ '000	General fund		Benchmark
	2020	2019	
Infrastructure asset performance indicators (by fund)			
Buildings and infrastructure renewals ratio ¹			
Asset renewals ²			
Depreciation, amortisation and impairment	109.41%	110.21%	>=100.00%
Infrastructure backlog ratio ¹			
Estimated cost to bring assets to a satisfactory standard	7.46%	9.34%	<2.00%
Net carrying amount of infrastructure assets			
Asset maintenance ratio			
Actual asset maintenance	101.15%	170.87%	>100.00%
Required asset maintenance			
Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	4.74%	6.42%	
Gross replacement cost			

(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.