

The Council of the Municipality of Hunter's Hill

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	66
On the Financial Statements (Sect 417 [3])	67

Overview

Hunter's Hill Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

22 Alexandra Street
 Hunters Hill NSW 2110

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.huntershill.nsw.gov.au.

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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



Mark A Bennett

Mayor

21 October 2019



Councillor

21 October 2019



Lisa Miscamble

General Manager

21 October 2019



Barry Husking

Responsible Accounting Officer

21 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
11,373	Rates and annual charges	3a	11,397	11,008
1,539	User charges and fees	3b	1,207	1,408
509	Interest and investment revenue	3c	567	490
2,433	Other revenues	3d	1,051	891
746	Grants and contributions provided for operating purposes	3e,3f	932	827
330	Grants and contributions provided for capital purposes	3e,3f	1,481	569
<u>Other income:</u>				
33	Net gains from the disposal of assets	5	116	–
6	Net share of interests in joint ventures and associates using the equity method	14	31	72
16,969	Total income from continuing operations		16,782	15,265
Expenses from continuing operations				
6,081	Employee benefits and on-costs	4a	5,233	5,330
–	Borrowing costs	4b	–	1
5,545	Materials and contracts	4c	5,933	5,080
2,228	Depreciation and amortisation	4d	2,295	2,244
2,566	Other expenses	4e	2,335	2,421
195	Net losses from the disposal of assets	5	–	198
16,615	Total expenses from continuing operations		15,796	15,274
354	Operating result from continuing operations		986	(9)
354	Net operating result for the year		986	(9)
354	Net operating result attributable to council		986	(9)
24	Net operating result for the year before grants and contributions provided for capital purposes		(495)	(578)

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Net operating result for the year (as per Income Statement)		986	(9)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	370	13,371
Total items which will not be reclassified subsequently to the operating result		370	13,371
Total other comprehensive income for the year		370	13,371
Total comprehensive income for the year		1,356	13,362
Total comprehensive income attributable to Council		1,356	13,362

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	22,516	20,527
Receivables	7	1,065	970
Inventories	8a	8	5
Other	8b	59	109
Total current assets		<u>23,648</u>	<u>21,611</u>
Non-current assets			
Receivables	7	31	32
Infrastructure, property, plant and equipment	9	208,686	209,182
Investments accounted for using the equity method	14	625	594
Total non-current assets		<u>209,342</u>	<u>209,808</u>
TOTAL ASSETS		<u>232,990</u>	<u>231,419</u>
LIABILITIES			
Current liabilities			
Payables	10	3,737	3,315
Income received in advance	10	252	293
Provisions	11	1,762	1,915
Total current liabilities		<u>5,751</u>	<u>5,523</u>
Non-current liabilities			
Provisions	11	5	18
Total non-current liabilities		<u>5</u>	<u>18</u>
TOTAL LIABILITIES		<u>5,756</u>	<u>5,541</u>
Net assets		<u>227,234</u>	<u>225,878</u>
EQUITY			
Accumulated surplus	12a	110,633	109,647
Revaluation reserves	12a	116,601	116,231
Council equity interest		<u>227,234</u>	<u>225,878</u>
Total equity		<u>227,234</u>	<u>225,878</u>

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

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		109,647	116,231	225,878	109,656	102,860	212,516
Restated opening balance		109,647	116,231	225,878	109,656	102,860	212,516
Net operating result for the year		986	–	986	(9)	–	(9)
Restated net operating result for the period		986	–	986	(9)	–	(9)
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	370	370	–	13,371	13,371
Other comprehensive income		–	370	370	–	13,371	13,371
Total comprehensive income		986	370	1,356	(9)	13,371	13,362
Equity – balance at end of the reporting period		110,633	116,601	227,234	109,647	116,231	225,878

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
11,373	Rates and annual charges		11,332	11,019
1,539	User charges and fees		1,261	1,403
509	Investment and interest revenue received		578	487
1,076	Grants and contributions		2,366	1,526
–	Bonds, deposits and retention amounts received		37	273
2,472	Other		1,908	1,190
<u>Payments</u>				
(6,081)	Employee benefits and on-costs		(5,399)	(5,331)
(5,785)	Materials and contracts		(5,499)	(6,123)
–	Borrowing costs		–	(2)
–	Bonds, deposits and retention amounts refunded		–	(185)
(2,761)	Other		(3,438)	(2,483)
2,342	Net cash provided (or used in) operating activities	13b	3,146	1,774
Cash flows from investing activities				
<u>Receipts</u>				
168	Sale of infrastructure, property, plant and equipment		328	108
<u>Payments</u>				
(2,539)	Purchase of infrastructure, property, plant and equipment		(1,485)	(1,147)
(2,371)	Net cash provided (or used in) investing activities		(1,157)	(1,039)
Cash flows from financing activities				
<u>Payments</u>				
–	Repayment of borrowings and advances		–	(34)
–	Net cash flow provided (used in) financing activities		–	(34)
(29)	Net increase/(decrease) in cash and cash equivalents		1,989	701
20,526	Plus: cash and cash equivalents – beginning of year	13a	20,527	19,826
20,497	Cash and cash equivalents – end of the year	13a	22,516	20,527
20,497	Additional Information: Total cash, cash equivalents and investments		22,516	20,527

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Income from continuing operations	18
4	Expenses from continuing operations	24
5	Gains or losses from the disposal, replacement and de-recognition of assets	29
6(a)	Cash and cash equivalent assets	30
6(b)	Investments	31
6(c)	Restricted cash, cash equivalents and investments – details	33
7	Receivables	34
8	Inventories and other assets	36
9	Infrastructure, property, plant and equipment	37
10	Payables and borrowings	39
11	Provisions	41
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
13	Statement of cash flows – additional information	44
14	Interests in other entities	45
15	Commitments	48
16	Contingencies and other assets/liabilities not recognised	49
17	Financial risk management	52
18	Material budget variations	55
19	Fair Value Measurement	57
20	Related Party Transactions	62
21	Events occurring after the reporting date	63
22	Statement of developer contributions	64
23(a)	Statement of performance measures – consolidated results	65

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

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

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

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

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

Council is a not-for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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 7.

Notes to the Financial Statements

for the year ended 30 June 2019

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.

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

- Hunters Hill Municipal Council

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$26K refer Note 15.

The Photocopy machine lease amounts will continue to be accounted as it currently is being expensed on a straight-line basis within the Income Statement.

For the remaining operating lease commitments of \$26K Council anticipates it will recognise lease liabilities (on its balance sheet) of \$26K (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complementary right-of-use assets (on its balance sheet) totalling \$26K on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets and net current assets (as at 1 July 2019) will be approximately \$26K lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$6K for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$6K as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

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

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

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

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

AASB 1058 Income of NFP Entities

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

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

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

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

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

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

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

The specific impacts of AASB1058 for Council are expected to be \$1,040K which would be recognised as a liability

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Maintain Character and Manage Growth Planning	334	372	1,498	1,267	(1,164)	(895)	–	–	67	65
Focus on the Community	2,141	1,289	3,360	3,297	(1,219)	(2,008)	67	130	100,481	100,451
Manage and Preserve Our Environment	3,281	2,966	3,648	3,375	(367)	(409)	215	96	8,056	8,057
Make Getting Around Easier	960	1,232	3,298	3,281	(2,338)	(2,049)	197	187	86,472	86,883
Leadership and Governance	10,066	9,406	3,992	4,054	6,074	5,352	328	306	37,914	35,963
Total functions and activities	16,782	15,265	15,796	15,274	986	(9)	807	719	–	231,419

The Council of the Municipality of Hunter's Hill

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Maintain Character & manage Growth Planning

Urban growth is well managed by applying 'excellence in design' principles. Development meets tight controls and complies with Local Environment Plans (LEPs) and Development Control Plans (DCPs). There is a balanced view of 'built form' to ensure the area continues to remain vibrant and diverse, but at the same time there is a strong desire to limit overdevelopment and retain the existing streetscape. We provide a range of flexible and adaptable buildings for a mix of retail, commercial, community and residential spaces in addition to our thriving village centres being used by our engaged and supportive community.

We champion our conservation zones and remain committed to fighting against high rise urbanisation. Our community and Council work in partnership to continue to strive for retention of our harbour access and foreshores and the remarkable harbour views, which are iconic to our Municipality.

Focus on the Community

Residents are inspired to lead an active lifestyle by the provision of multipurpose community facilities that are accessible and maximise participation opportunities. Open spaces, parks, reserves and playgrounds are attractive places where people can find sanctuary amongst urban living.

A range of arts and cultural activities that are respected and celebrated enhance our strong sense of place and belonging and assist in shaping our unified community. We look to create opportunities through a lively events calendar that promotes friendly neighbourhoods and vibrant village centres.

Volunteering is a way of life for many Hunters Hill residents and we aim to expand on this by encouraging the community to realise the benefits of a harmonious, well supported and positive place that improves the happiness of our entire community.

Manage and Preserve Our Environment

Together, we respond proactively to pressure facing our environment and endeavour to enhance the way we conserve our resources and natural systems. Striving towards an ecological sound future and measuring the extent of our human footprint is critical for the long term sustainability.

We regularly review our operations and processes to identify opportunities to reduce, recycle and reuse products generated by our changing lifestyles. We understand that this is an important process in the development of all future programs, policies and partnerships. With an impressive 14km of harbour foreshore and abundant flora and fauna that we are so blessed to inhabit, we acknowledge that sound environmental management is fundamental in ensuring the high quality of life we all enjoy.

Make Getting Around Easier

Efficient and reliable major public transport options that are safe and integrated will see a future that is less dependent on cars and a reduction in congestion and carbon footprint. We recognise the importance of targeted programs to encourage the community to make public transport options a way of daily life.

Alternate methods of transport, such as walking and cycling require paths that are well designed and maintained. Safe and convenient footpaths and cycle ways will promote walking and cycling as a viable option that will reduce reliance on private motor vehicles.

While private transport is a popular preference, focus will be given to the development and implementation of local area traffic management plans and parking schemes, which will effectively manage traffic flow and safety.

In order to improve all modes of transport choices, our planning controls will require a co-ordinated approach to support movement in, around and beyond our Municipality.

Leadership & Governance

Through widespread community involvement, Council succeeds with responsible and transparent management that promotes best practice initiatives. A consultative approach creates an informed and educated community who are empowered to identify, participate and offer solutions in any decision making process.

To ensure that statutory and financial management obligations are met, strategic outcomes are delivered to ensure social, environmental, economic and civic issues are addressed in the best interest of the community.

Our staff are essential to the success of the organisation and we strive to attract, retain and develop a committed team that encompasses a workplace culture that values ethical behaviours and safe working practices. Council's internal values reflect the HEART of what we

Notes to the Financial Statements

for the year ended 30 June 2019

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

do and who we are: Honesty, Excellence, Accountability, Respect, Teamwork and Safety. Simply explained, these values will guide our future choices and how we can best add value to the community.

Council will advocate for strong partnering programs with other governing bodies, neighbouring councils and key stakeholders to ensure we reflect a commitment to a whole-of-government approach to undertaking important issues. Aligning ourselves in this manner will ensure the successful implementation and execution of integrated plans.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Business	226	221
Less: pensioner rebates (mandatory)	(52)	(52)
Residential	7,595	7,412
Rates levied to ratepayers	7,769	7,581
Pensioner rate subsidies received	30	28
Total ordinary rates	7,799	7,609
Special rates		
Environmental	177	172
Infrastructure	375	365
Other	250	246
Rates levied to ratepayers	802	783
Total special rates	802	783
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,745	2,566
Section 611 charges	62	61
Less: pensioner rebates (mandatory)	(26)	(25)
Annual charges levied	2,781	2,602
Pensioner subsidies received:		
– Domestic waste management	15	14
Total annual charges	2,796	2,616
TOTAL RATES AND ANNUAL CHARGES	11,397	11,008

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	7	8
Waste management services (non-domestic)	163	155
Total specific user charges	170	163
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	28	21
Planning and building regulation	363	346
Section 10.7 certificates (EP&A Act)	47	51
Section 603 certificates	16	19
Total fees and charges – statutory/regulatory	454	437
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Community centres	193	184
Lease rentals	14	22
Leaseback fees – Council vehicles	25	29
Park rents	83	103
Parking fees	153	176
Restoration charges	115	294
Total fees and charges – other	583	808
TOTAL USER CHARGES AND FEES	1,207	1,408

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	25	23
– Cash and investments	542	467
TOTAL INTEREST AND INVESTMENT REVENUE	567	490

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

Overdue rates and annual charges (general fund)	25	23
General Council cash and investments	499	439

Restricted investments/funds – external:

Development contributions		
– Section 7.11	43	28

Total interest and investment revenue

	567	490
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Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	196	339
Fines	16	14
Fines – parking	258	220
Legal fees recovery – other	320	–
Commissions and agency fees	17	50
Sundry rents and charges	189	208
Waste rebate	55	60
<u>TOTAL OTHER REVENUE</u>	<u>1,051</u>	<u>891</u>

Accounting policy for other revenue

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	161	149	–	–
Financial assistance – local roads component	73	72	–	–
Payment in advance - future year allocation				
Financial assistance – general component	167	157	–	–
Financial assistance – local roads component	75	75	–	–
Total general purpose	476	453	–	–
Specific purpose				
Community care	23	82	–	–
Environmental programs	105	96	–	–
Library	44	48	–	–
Recreation and culture	46	–	1,040	–
Street lighting	34	34	–	–
Traffic route subsidy	7	6	–	–
Stormwater drainage	64	–	–	–
Other	8	–	–	–
Total specific purpose	331	266	1,040	–
Total grants	807	719	1,040	–
Grant revenue is attributable to:				
– Commonwealth funding	476	453	–	–
– State funding	331	266	1,040	–
	807	719	1,040	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	441	554
Total developer contributions – cash		<u>–</u>	<u>–</u>	<u>441</u>	<u>554</u>
Total developer contributions	22	<u>–</u>	<u>–</u>	<u>441</u>	<u>554</u>
Other contributions:					
Cash contributions					
Kerb and gutter		14	14	–	–
RMS contributions (regional roads, block grant)		92	75	–	15
Other		19	19	–	–
Total other contributions – cash		<u>125</u>	<u>108</u>	<u>–</u>	<u>15</u>
Total other contributions		<u>125</u>	<u>108</u>	<u>–</u>	<u>15</u>
Total contributions		<u>125</u>	<u>108</u>	<u>441</u>	<u>569</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>932</u>	<u>827</u>	<u>1,481</u>	<u>569</u>

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	92	47
Add: operating grants recognised in the current period but not yet spent	119	156
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(121)	(111)
Unexpended and held as restricted assets (operating grants)	<u>90</u>	<u>92</u>
Capital grants		
Unexpended at the close of the previous reporting period	–	49
Add: capital grants recognised in the current period but not yet spent	1,040	–
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	–	(49)
Unexpended and held as restricted assets (capital grants)	<u>1,040</u>	<u>–</u>
Contributions		
Unexpended at the close of the previous reporting period	1,513	968
Add: contributions recognised in the current period but not yet spent	484	582
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(296)	(37)
Unexpended and held as restricted assets (contributions)	<u>1,701</u>	<u>1,513</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	3,980	4,089
Employee leave entitlements (ELE)	488	503
Superannuation	533	506
Workers' compensation insurance	68	82
Fringe benefit tax (FBT)	31	43
Other Employee benefits		
Travel expenses	65	74
Training costs (other than salaries and wages)	68	46
Total employee costs	<u>5,233</u>	<u>5,343</u>
Less: capitalised costs	–	(13)
TOTAL EMPLOYEE COSTS EXPENSED	<u>5,233</u>	<u>5,330</u>
Number of 'full-time equivalent' employees (FTE) at year end	54	52

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 16 for more information.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	–	1
Total interest bearing liability costs expensed	–	1
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>–</u>	<u>1</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	711	804
Contractor and consultancy costs	4,399	3,663
Auditors remuneration ²	93	91
Legal expenses:		
– Legal expenses: planning and development	691	449
– Legal expenses: other	34	60
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	5	16
Total materials and contracts	5,933	5,083
Less: capitalised costs	–	(3)
TOTAL MATERIALS AND CONTRACTS	5,933	5,080

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Other	5	16
	5	16

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	45	44
Remuneration for audit and other assurance services	45	44

Total Auditor-General remuneration

	45	44
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Internal auditors	48	47
Remuneration for audit and other assurance services	48	47

Total remuneration of non NSW Auditor-General audit firms

	48	47
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Total Auditor remuneration

	93	91
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	107	115
Office equipment	76	53
Furniture and fittings	19	18
Infrastructure:		
– Buildings – non-specialised	111	124
– Buildings – specialised	258	215
– Other structures	222	221
– Roads	955	958
– Footpaths	277	272
– Kerb and guttering	122	122
– Other road assets	34	33
– Stormwater drainage	114	113
Total gross depreciation and amortisation costs	2,295	2,244
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	2,295	2,244

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

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

Impairment of non-financial assets

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

Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	61	46
Bad and doubtful debts	2	2
Bank charges	37	42
Contributions/levies to other levels of government		
– Department of planning levy	60	58
– NSW fire brigade levy	419	436
– Regional library	740	723
– Other contributions/levies	27	39
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	139	135
Councillors' expenses (incl. mayor) – other (excluding fees above)	32	58
Donations, contributions and assistance to other organisations (Section 356)	15	10
Election expenses	–	85
Electricity and heating	162	165
Insurance	133	126
Printing and stationery	77	70
Street lighting	247	253
Subscriptions and publications	105	95
Telephone and communications	36	36
<u>TOTAL OTHER EXPENSES</u>	<u>2,335</u>	<u>2,421</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		160	–
Net gain/(loss) on disposal		160	–
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		168	108
Less: carrying amount of plant and equipment assets sold/written off		(181)	(119)
Net gain/(loss) on disposal		(13)	(11)
Infrastructure			
	9		
Less: carrying amount of infrastructure assets sold/written off		(31)	(187)
Net gain/(loss) on disposal		(31)	(187)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>116</u>	<u>(198)</u>

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	377	373
Cash-equivalent assets		
– Deposits at call	115	330
– Short-term deposits	22,024	19,824
Total cash and cash equivalents	<u>22,516</u>	<u>20,527</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
<u>Total Investments</u>	—	—	—	—
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	22,516	—	20,527	—

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

(b) Held to maturity investments

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

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	22,516	–	20,527	–
attributable to:				
External restrictions	4,779	–	3,422	–
Internal restrictions	5,509	–	4,804	–
Unrestricted	12,228	–	12,301	–
	<u>22,516</u>	<u>–</u>	<u>20,527</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	1,701	1,513
Specific purpose unexpended grants	1,130	92
Domestic waste management	505	327
Other special levies	1,443	1,490
External restrictions – other	<u>4,779</u>	<u>3,422</u>

Total external restrictions

4,779 3,422

Internal restrictions

Plant and vehicle replacement	389	592
Employees leave entitlement	632	705
Deposits, retentions and bonds	2,760	2,723
Construction of buildings	249	249
Office equipment	693	240
Road reconstruction	87	85
Elections	84	62
Insurance reserve	99	81
Other	516	67
Total internal restrictions	<u>5,509</u>	<u>4,804</u>

TOTAL RESTRICTIONS

10,288 8,226

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	304	17	237	19
Interest and extra charges	13	14	13	13
User charges and fees	210	–	306	–
Accrued revenues				
– Interest on investments	61	–	73	–
– Other income accruals	126	–	112	–
Government grants and subsidies	54	–	7	–
Net GST receivable	316	–	242	–
Total	1,084	31	990	32
Less: provision of impairment				
User charges and fees	(19)	–	(20)	–
Total provision for impairment – receivables	(19)	–	(20)	–
TOTAL NET RECEIVABLES	1,065	31	970	32
Externally restricted receivables				
Domestic waste management	81	–	65	–
Total external restrictions	81	–	65	–
Unrestricted receivables	984	31	905	32
TOTAL NET RECEIVABLES	1,065	31	970	32

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	20	19
+ new provisions recognised during the year	(1)	1
Balance at the end of the period	19	20

Recognition and measurement

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	8	–	5	–
Total inventories at cost	8	–	5	–
<u>TOTAL INVENTORIES</u>	<u>8</u>	<u>–</u>	<u>5</u>	<u>–</u>
(b) Other assets				
Prepayments	59	–	109	–
<u>TOTAL OTHER ASSETS</u>	<u>59</u>	<u>–</u>	<u>109</u>	<u>–</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	67	–	114	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>67</u>	<u>–</u>	<u>114</u>	<u>–</u>

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

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

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	27	–	27	–	12	–	–	(25)	(2)	–	12	–	12
Plant and equipment	1,315	(883)	432	–	442	(180)	(107)	–	–	–	1,466	(878)	588
Office equipment	1,262	(1,171)	91	–	128	–	(76)	–	–	–	1,089	(947)	142
Furniture and fittings	301	(178)	123	–	–	–	(19)	–	–	–	309	(197)	112
Land:													
– Operational land	33,282	–	33,282	–	–	–	–	–	–	–	33,282	–	33,282
– Community land	78,544	–	78,544	–	–	–	–	–	–	–	78,544	–	78,544
Infrastructure:													
– Buildings – non-specialised	8,043	(2,691)	5,352	–	–	–	(111)	–	–	–	8,043	(2,802)	5,241
– Buildings – specialised	15,888	(5,766)	10,122	–	16	–	(258)	22	–	370	16,295	(6,023)	10,272
– Other structures	9,024	(2,608)	6,416	44	37	–	(222)	3	–	–	9,108	(2,830)	6,278
– Roads	53,694	(8,521)	45,173	307	93	(13)	(955)	–	–	–	54,081	(9,469)	44,612
– Footpaths	10,230	(3,073)	7,157	62	276	(6)	(277)	–	–	–	10,554	(3,342)	7,212
– Kerb and guttering	14,775	(1,255)	13,520	31	5	(5)	(122)	–	–	–	14,806	(1,377)	13,429
– Other road assets	1,331	(207)	1,124	79	–	(13)	(34)	–	–	–	1,397	(241)	1,156
– Stormwater drainage	9,438	(1,619)	7,819	76	25	–	(114)	–	–	–	9,539	(1,733)	7,806
Total Infrastructure, property, plant and equipment	237,154	(27,972)	209,182	599	1,034	(217)	(2,295)	–	(2)	370	238,525	(29,839)	208,686

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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.

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:

Buildings: masonry			
Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Vehicles	5 to 8		
Other plant and equipment	5 to 15	Buildings	
		Buildings: masonry	50 to 100
		Buildings: other	50 to 100
		Stormwater assets	
Transportation assets		Drains	80 to 100
Sealed roads: surface	10 to 45		
Sealed roads: structure	20 to 80		
Kerb, gutter and footpaths	10 to 50		
Other Infrastructure	10 to 50		

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

Land under roads

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

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

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

Crown reserves

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Goods and services – operating expenditure	628	–	191	–
Goods and services – capital expenditure	179	–	23	–
Accrued expenses:				
– Other expenditure accruals	170	–	378	–
Security bonds, deposits and retentions	2,760	–	2,723	–
Total payables	3,737	–	3,315	–
Income received in advance				
Payments received in advance	252	–	293	–
Total income received in advance	252	–	293	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,989</u>	<u>–</u>	<u>3,608</u>	<u>–</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Total payables and borrowings relating to unrestricted assets	3,989	–	3,608	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,989</u>	<u>–</u>	<u>3,608</u>	<u>–</u>

\$ '000	2019	2018
(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.		
Payables – security bonds, deposits and retentions	2,427	2,438
Total payables and borrowings	2,427	2,438

(c) Financing arrangements

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

Credit cards/purchase cards	20	20
Total financing arrangements	20	20
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	20	20
Total undrawn financing arrangements	20	20

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. 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.

Payables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Employee benefits				
Annual leave	468	–	580	–
Sick leave	50	–	48	–
Long service leave	1,238	5	1,277	18
Other leave	6	–	10	–
Sub-total – aggregate employee benefits	1,762	5	1,915	18
<u>TOTAL PROVISIONS</u>	<u>1,762</u>	<u>5</u>	<u>1,915</u>	<u>18</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	180	–	168	–
Provisions relating to externally restricted assets	180	–	168	–
Total provisions relating to restricted assets	180	–	168	–
Total provisions relating to unrestricted assets	1,582	5	1,747	18
<u>TOTAL PROVISIONS</u>	<u>1,762</u>	<u>5</u>	<u>1,915</u>	<u>18</u>

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

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

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

Provisions – employees benefits	818	834
	818	834

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2019					
At beginning of year	580	48	1,295	10	1,933
Additional provisions	306	2	188	–	496
Amounts used (payments)	(418)	–	(240)	(4)	(662)
Total ELE provisions at end of period	468	50	1,243	6	1,767
2018					
At beginning of year	610	45	1,261	18	1,934
Additional provisions	332	3	171	–	506
Amounts used (payments)	(362)	–	(137)	(8)	(507)
Total ELE provisions at end of period	580	48	1,295	10	1,933

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Council made no voluntary changes in any accounting policies during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	22,516	20,527
Balance as per the Statement of Cash Flows		22,516	20,527
 (b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		986	(9)
Adjust for non-cash items:			
Depreciation and amortisation		2,295	2,244
Net losses/(gains) on disposal of assets		(116)	198
Share of net (profits)/losses of associates/joint ventures using the equity method		(31)	(72)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(93)	(135)
Increase/(decrease) in provision for impairment of receivables		(1)	1
Decrease/(increase) in inventories		(3)	3
Decrease/(increase) in other current assets		50	(60)
Increase/(decrease) in payables		437	(539)
Increase/(decrease) in accrued interest payable		-	(1)
Increase/(decrease) in other accrued expenses payable		(208)	37
Increase/(decrease) in other liabilities		(4)	108
Increase/(decrease) in provision for employee benefits		(166)	(1)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		3,146	1,774

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	31	72	625	594
Total	31	72	625	594

(a) Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
CivicRisk Metro	Joint venture	Equity accounting	564	529
CivicRisk Mutual	Joint venture	Equity accounting	61	65
Total carrying amounts – material joint ventures			625	594

(b) Details

	Principal activity	Place of business
CivicRisk Metro	Liability insurance and risk management	Penrith NSW
CivicRisk Mutual	Liability insurance and risk management	Penrith NSW

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
CivicRisk Metro	3.9%	4.0%	3.9%	4.0%	0.0%	17.0%
CivicRisk Mutual	0.9%	1.0%	0.9%	1.0%	0.0%	6.0%

(d) Summarised financial information for joint ventures

\$ '000	CivicRisk Metro		CivicRisk Mutual	
	2019	2018	2019	2018
Statement of financial position				
Current assets				
Cash and cash equivalents	254	15	1,813	1,158
Other current assets	10,154	8,114	7,215	5,759
Non-current assets	12,769	16,220	5,368	5,989

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

\$ '000	CivicRisk Metro		CivicRisk Mutual	
	2019	2018	2019	2018
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	1,625	1,714	4,578	2,690
Other current liabilities	312	101	4,232	299
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	6,651	8,985	2,279	1,448
Net assets	14,589	13,549	3,307	8,469
Reconciliation of the carrying amount				
Opening net assets (1 July)	13,549	11,611	8,468	6,490
Profit/(loss) for the period	1,099	1,938	(1,524)	1,978
Closing net assets	14,648	13,549	6,944	8,468
Council's share of net assets (%)	3.9%	3.9%	0.9%	0.8%
Council's share of net assets (\$)	569	528	30	65
Statement of comprehensive income				
Income	3,129	2,115	11,320	9,425
Interest income	1,013	1,077	448	439
Other expenses	–	(1,254)	–	(7,886)
Profit/(loss) from continuing operations	4,142	1,938	11,768	1,978
Profit/(loss) for the period	4,142	1,938	11,768	1,978
Total comprehensive income	4,142	1,938	11,768	1,978
Share of income – Council (%)	3.9%	2.8%	0.9%	0.9%
Profit/(loss) – Council (\$)	162	54	106	18
Total comprehensive income – Council (\$)	162	54	106	18
Summarised Statement of cash flows				
Cash flows from operating activities	(1,436)	50	2,904	903
Cash flows from investing activities	470	(5)	(2,250)	(250)
Net increase (decrease) in cash and cash equivalents	(966)	45	654	653

(i) County Councils

Council is not a member of any county councils.

Accounting policy for joint arrangements**Joint ventures**

Council is a member of Mutual Management Services Ltd, 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 dependant on its past performance. Council's share of the net assets or liabilities reflects our contributions to the pool and insurance claims within each of the funds years.

Council's accounting policy regarding the measurement and disclosure of the potential liability or benefit is to book Council's share of net asset or liability value, as advised by Mutual management Service Ltd taking into account their audited figures for the year ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

(b) Associates

Council has no interest in any associates.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
(a) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	6	7
Later than one year and not later than 5 years	21	–
Total non-cancellable operating lease commitments	27	7

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

Council has entered into non-cancellable operating leases for office photocopier equipment contingent rental payments have been determined & have been publicly notified in Council's Annual Management Plan. The term of the lease is five years. No lease imposes any additional restrictions on Council in relation to Additional debt of further leasing.

(b) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 17 (c)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

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

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer" fund for purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$117,434.76. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$153,353.84

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

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

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

* Plus promotional increases

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

(ii) Mutual Management Services Ltd

Mutual Management Services Ltd (MMS) is a company limited by guarantee and was created to provide administration services to the three CivicRisk self-insurance pools CivicRisk West (previously West Pool), CivicRisk Metro (previously Metro Pool) and CivicRisk Mutual (previously United Independent Pools).

MMS operates as a mutual for the benefit of the members who are the sixteen Councils which make up our combined CivicRisk membership being Blacktown, Blue Mountains, Burwood, Bayside, Cumberland, Camden, Hawkesbury, Fairfield, Hunters Hill, Kiama, Lane Cove, Liverpool, Penrith, Parramatta, Shellharbour and Wollongong.

The CivicRisk Self-insurance pools have been operating since the late 1980's when Councils could not purchase insurance in the market and the Councils decided to work together to share the risks and self-fund their claims costs.

MMS was created to move the administration staff and responsibilities from West Pool (now CivicRisk West) to a separate entity that provides the services to all three pools. The creation of obligations rather than a change in the underlying operations.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

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

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	22,516	20,527	22,516	20,527
Receivables	1,096	1,002	1,123	1,002
Total financial assets	23,612	21,529	23,639	21,529
Financial liabilities				
Payables	3,737	3,315	3,737	3,315
Total financial liabilities	3,737	3,315	3,737	3,315

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	225	225	(225)	(225)
2018				
Possible impact of a 1% movement in interest rates	205	205	(205)	(205)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	274	15	13	19	321
2018						
Gross carrying amount	–	199	17	19	21	256

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	105	417	1	4	267	794
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	7.10%	2.39%
ECL provision	–	–	–	–	19	19
2018						
Gross carrying amount	–	492	97	8	169	766
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	2,760	977	–	–	3,737	3,737
Total financial liabilities		2,760	977	–	–	3,737	3,737
2018							
Trade/other payables	0.00%	2,723	592	–	–	3,315	3,315
Loans and advances	7.34%	–	–	–	–	–	–
Total financial liabilities		2,723	592	–	–	3,315	3,315

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 02/07/2018 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	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
User charges and fees	1,539	1,207	(332)	(22)% U
The component of the variance were the decrease in restoration fees, lease rental, parking fees, development application fees and deferred Gladesville parking project				
Interest and investment revenue	509	567	58	11% F
Return on interest and investment is higher than estimated due to more funds being available for investment.				
Other revenues	2,433	1,051	(1,382)	(57)% U
Budget variation included deferred of Bus Shelter Advertising contract and return on Property Development projects.				
Operating grants and contributions	746	932	186	25% F
The major component of this variance is NSW Grants Commission paid in advance to NSW Councils the first two instalments of 19/20 Financial Assistance Grant in 18/19.				
Capital grants and contributions	330	1,481	1,151	349% F
Developer Contribution were greater than estimated budget \$110K. Council received NSW Stronger Community Fund of \$1m and Department of Planning of \$40K which were not in the original budget.				
Net gains from disposal of assets	33	116	83	252% F
Almost the entire variance is due to sale of land				
Joint ventures and associates – net profits	6	31	25	417% F
The favourable budget variance is an increase in Councils Equity Share in CivicRisk				
EXPENSES				
Employee benefits and on-costs	6,081	5,233	848	14% F
The variance is favourable due to staff turn over.				
Net losses from disposal of assets	195	-	195	100% F
Almost the entire variance is due to the movement in disposal of infrastructure assets from renewal projects and not as a replacement				

STATEMENT OF CASH FLOWS

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net cash provided from (used in) operating activities	2,342	3,146	804	34% F
Favourable variance from grant funding received for Hunters Hill Flood Study, Tarban Creek Flying Fox, Buffalo Creek Reserve, Boronia Park, previous year grant project Habitat Restoration lower Parramatta River Estuary.				
Net cash provided from (used in) investing activities	(2,371)	(1,157)	1,214	(51)% F
The favourable variance is due grant project received from NSW Stronger Community Fund, department of planning for playground and sale of land and capital work commitments carried forward into 2019-20.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant & Equipment		30/06/19	–	–	588	588
Office Equipment		30/06/19	–	–	142	142
Furniture & Fittings		30/06/19	–	–	112	112
Operational Land		30/06/18	–	33,282	–	33,282
Community Land		30/06/17	–	–	78,544	78,544
Building – Non Specialised		30/06/18	–	5,241	–	5,241
Building – Specialised		30/06/18	–	–	10,272	10,272
Other Structures		30/06/17	–	–	6,278	6,278
Roads		30/06/15	–	–	44,612	44,612
Footpaths		30/06/15	–	–	7,212	7,212
Kerb & Guttering		30/06/15	–	–	13,429	13,429
Other road assets		30/06/15	–	–	1,156	1,156
Stormwater Drainage		30/06/15	–	–	7,806	7,806
Total infrastructure, property, plant and equipment			–	38,523	170,151	208,674

		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant & Equipment		30/06/18	–	–	432	432
Office Equipment		30/06/18	–	–	91	91
Furniture & Fittings		30/06/18	–	–	123	123
Operational Land		30/06/18	–	33,282	–	33,282
Community Land		30/06/17	–	–	78,544	78,544
Building – Non Specialised		30/06/18	–	5,352	–	5,352

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Building – Specialised		30/06/18	–	–	10,122	10,122
Other Structures		30/06/17	–	–	6,416	6,416
Roads		30/06/15	–	–	45,173	45,173
Footpaths		30/06/15	–	–	7,157	7,157
Kerb & Guttering		30/06/15	–	–	13,520	13,520
Other road assets		30/06/15	–	–	1,124	1,124
Stormwater Drainage		30/06/15	–	–	7,819	7,819
Total infrastructure, property, plant and equipment			–	38,634	170,521	209,155

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)

This asset class comprises all of Council's land classified as Operational Land and Community Land under the NSW Local Government Act 1993. The key unobservable inputs to the valuation are the price per square metre and market price. The operational Land valuation was undertaken at 30 June 2018 and was performed by APV Valuers and Asset Management. The Community Land valuation was performed by Valuer General at 1 July 2016.

Where there is directly comparable market evidence, Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules.

Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Land assets that have no comparable observable market evidence were subsequently valued at the Level 3 valuation input hierarchy using the professional judgement of a Registered Valuer adjusted for price per square metre of sales sites not in close proximity which provided only a low level of comparability.

Council's Plant, Office Equipment and Furniture & Fittings include:

- Plant: Truck, tractors, mowers
- Fleet: Cars, Utes
- Office Equipment: Computer hardware/software, document management
- Furniture & Fittings: Desks, chairs, window coverings

Plant, Office Equipment, Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. Level 3 unobservable inputs include consumption pattern, useful life, residual value and asset condition.

Buildings were valued by APV Valuers and Asset Management at 30 June 2018. Residential properties were valued on Level 2 valuation inputs using comparable properties after adjusting for differences in attributes such as property size.

Specialised buildings were valued using the cost approach by estimating the replacement cost for each building by componentising the buildings and subsequent useful lives. Level 3 valuation inputs required Professional Judgement to

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

estimate unobservable inputs such as residual value, useful life, consumption patterns, asset condition and remaining service potential.

This asset class comprises of Road, Kerb and Channel, Structure, Car Park, Bridge, Footpath, Traffic Signs, Stormwater Drain, Stormwater Pit and were valued using Level 3 valuation inputs using the cost approach.

This approach estimates the replacement cost for each asset into component level with differing useful lives. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2), other inputs such as estimated residual life, useful life, consumption patterns and asset condition required professional judgement and impacted significantly on the determination of fair value. These assets were valued using Level 3 valuation inputs.

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Building specialised
2018					
Opening balance	492	56	141	78,544	11,544
Purchases (GBV)	174	88	–	–	34
Disposals (WDV)	(119)	–	–	–	–
Depreciation and impairment	(115)	(53)	(18)	–	(215)
FV gains – other comprehensive income	–	–	–	–	(1,241)
Closing balance	432	91	123	78,544	10,122
2019					
Opening balance	432	91	123	78,544	10,122
Purchases (GBV)	442	128	8	–	38
Disposals (WDV)	(180)	–	–	–	–
Depreciation and impairment	(107)	(76)	(19)	–	(258)
FV gains – other comprehensive income	–	–	–	–	370
Closing balance	587	143	112	78,544	10,272

\$ '000	Other structures	Roads	Footpaths	Kerb and guttering	Other road assets
2018					
Opening balance	6,330	45,830	7,382	13,575	1,129
Purchases (GBV)	307	386	96	120	28
Disposals (WDV)	–	(85)	(49)	(53)	–
Depreciation and impairment	(221)	(958)	(272)	(122)	(33)
Closing balance	6,416	45,173	7,157	13,520	1,124
2019					
Opening balance	6,416	45,173	7,157	13,520	1,124
Purchases (GBV)	84	400	338	36	79
Disposals (WDV)	–	(6)	(6)	(5)	(13)
Depreciation and impairment	(222)	(955)	(277)	(122)	(34)
Closing balance	6,278	44,612	7,212	13,429	1,156

\$ '000	Stomwater drainage	Total
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Stomwater drainage	Total
Opening balance	7,884	172,907
Purchases (GBV)	48	1,281
Depreciation and impairment	(113)	(2,120)
FV gains – other comprehensive income	–	(1,241)
Closing balance	7,819	170,521
Opening balance	7,819	170,521
Purchases (GBV)	101	1,654
Depreciation and impairment	(114)	(2,184)
Closing balance	7,806	170,151

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

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Community Land	78,544	Land values obtained from the NSW Valuer General	Land value and land area
Plant & Equipment	588	Cost approach	Gross Replacement Cost, remaining useful life
Office Equipment	142	Cost approach	Gross Replacement Cost, remaining useful life
Furniture & Fittings	112	Cost approach	Gross Replacement Cost, remaining useful life
Specialised Buildings	10,272	Cost approach	Gross Replacement Cost, remaining useful life
Other Structures	6,278	Cost approach	Gross Replacement Cost, remaining useful life
Roads	44,612	Cost approach	Gross Replacement Cost, remaining useful life
Footpaths	7,212	Cost approach	Gross Replacement Cost, remaining useful life
Kerb & Gutter	134,219	Cost approach	Gross Replacement Cost, remaining useful life
Other Road Assets	1,156	Cost approach	Gross Replacement Cost, remaining useful life
Stormwater Drainage	7,806	Cost approach	Gross Replacement Cost, remaining useful life

d. The valuation process for level 3 fair value measurements

The council engaged external, independent and qualified valuers to determine the fair value of the infrastructure assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 3 fair values are analysed at the end of each reporting period and discussed between the valuation team and Council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

The last desktop revaluation was undertaken at 1 July 2015 for Other Structures and was performed by APV and Assets management. When a valuation is undertaken as a desktop update the valuation is produced by indexing the various unit rates and adjusting the asset register for additions, deletions and changes in consumption score.

Community Land was valued based on the Land Value provided by the Valuer-General. Where the Valuer-General did not provide Land Value an average unit rate based on the Land Value for similar community land was used.

As at 30 June 2018 a comprehensive valuation was undertaken for Operational Land and Buildings and was performed by APV and Assets Management. Operational Land and Non-Specialised Buildings have been valued at market value from the sales evidence of similar or reference assets. Specialised Buildings have been valued using depreciated replacement cost. The method is based on determine the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors.

Valuation of Roads was undertaken at 30 June 2015 by APV. This asset class comprises the Road Carriageway, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the Kerb and gutter. The Cost Approach using Level 3 inputs was used to value the road and other road infrastructure. Valuation for the road carriageway, comprising surface, pavement and formation were based on calculations undertaken by the external valuation process.

Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on a physical inspection. Condition information is updated as changes in the network are observed through regular inspections. Valuation of the Footpaths and Kerb & Gutter was undertaken at 30 June 2015.

Stormwater Drainage 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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported through extensive professional judgement and market evidence. Valuation of the stormwater drainage was undertaken at 30 June 2015 by APV.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,211	1,211
Post-employment benefits	132	137
Total	1,343	1,348

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			as at 30/6/2019				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000	Cash	Non-cash						
Other	1,513	441	–	43	(296)	–	1,701	–
S7.11 contributions – under a plan	1,513	441	–	43	(296)	–	1,701	–
Total S7.11 and S7.12 revenue under plans	1,513	441	–	43	(296)	–	1,701	–
Total contributions	1,513	441	–	43	(296)	–	1,701	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 27 NOVEMBER 2013

Other	1,513	441	–	43	(296)	–	1,701	–
Total	1,513	441	–	43	(296)	–	1,701	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(642)				
Total continuing operating revenue excluding capital grants and contributions ¹	15,154	(4.24)%	(3.09)%	(4.24)%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	14,177	85.22%	90.54%	90.68%	>60.00%
Total continuing operating revenue ¹	16,635				
3. Unrestricted current ratio					
Current assets less all external restrictions	18,788				
Current liabilities less specific purpose liabilities	2,326	8.08x	8.70x	7.35x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	1,653				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–	∞	51.23x	23.03x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	348				
Rates, annual and extra charges collectible	11,659	2.98%	2.49%	2.95%	<5.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	22,516	18.85			
Monthly payments from cash flow of operating and financing activities	1,195	mths	17.40 mths	16.50 mths	>3.00 mths

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

The Council of the Municipality of Hunter's Hill

To the Councillors of the Council of the Municipality of Hunter's Hill

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

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

Cathy Wu

Delegate of the Auditor-General for New South Wales

23 October 2019
SYDNEY



Mr Mark Bennett
Mayor
The Council of the Municipality of Hunter's Hill
PO Box 21
HUNTERS HILL NSW 2110

Contact: Cathy Wu
Phone no: 02 9275 7212
Our ref: D1924343/1742

23 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
The Council of the Municipality of Hunter's Hill**

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.4	11.0	3.6
Grants and contributions revenue	2.4	1.4	71.4
Operating result for the year	1.0	(0.01)	101
Net operating result before capital grants and contributions	(0.5)	(0.6)	16.7

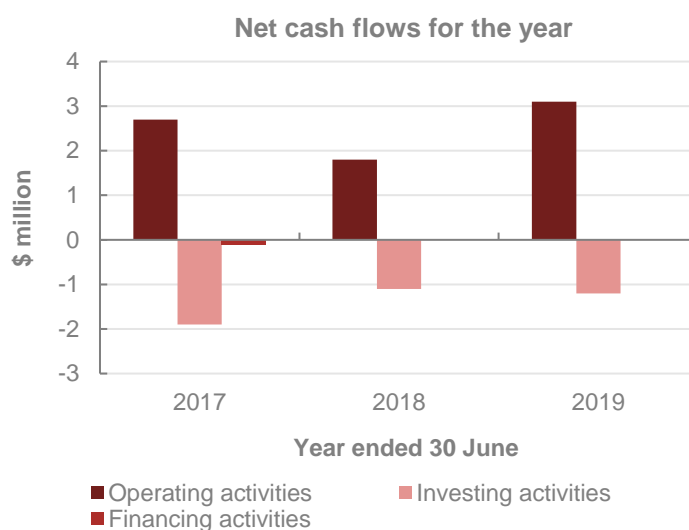
Council's operating result of \$1.0 million (including the effect of depreciation and amortisation expense of \$2.3 million) was \$1.0 million higher than the 2017–18 result. This was mainly attributable to a \$1.0 million increase in grants and contributions revenue from the State Government in 2018–19 for the Boronia Park upgrade.

The net operating result before capital grants and contributions (a deficit of \$0.5 million) was \$0.1 million higher than the 2017–18 result. The slight increase was due to improvements in rates and annual charges revenue, a \$116,000 gain on disposal of assets in the current year, and an increase in other revenues.

Rates and annual charges revenue (\$11.4 million) increased by \$0.4 million (3.6 per cent) in 2018–2019 which is generally consistent with the rate peg increase.

STATEMENT OF CASH FLOWS

- The Council's cash balance increased from \$20.5 million at 30 June 2018 to \$22.5 million at 30 June 2019.
- Cash inflows from operating activities increased from last year due to greater grants and contributions received.
- Cash outflows from investing activities increased due to greater purchases of infrastructure, property, plant and equipment.
- Cash flows from financing activities were minimal over the past three years.



FINANCIAL POSITION

Cash and investments

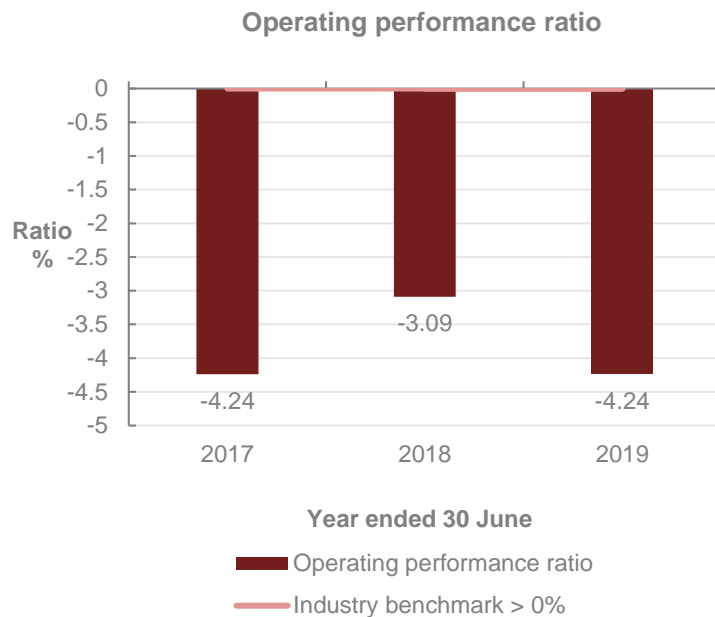
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	4.8	3.4	<ul style="list-style-type: none"> • External restrictions increased at 30 June 2019 mainly for specific purpose unexpended grants. They also include developer contributions, domestic waste management charges and special levies.
Internal restrictions	5.5	4.8	
Unrestricted	12.2	12.3	
Cash and investments	22.5	20.5	<ul style="list-style-type: none"> • Internal restrictions are due to Council policy or decisions for forward plans including works programs. These mainly consist of deposits, retentions and bonds, and office equipment funds. • Unrestricted balances have remained consistent with last year and provide liquidity for day-to-day operations.

PERFORMANCE

Operating performance ratio

- Council's operating performance ratio has not met the benchmark for the past three years.
- The ratio for 2018–19 decreased from last year due to the growth in capital grants and contributions.

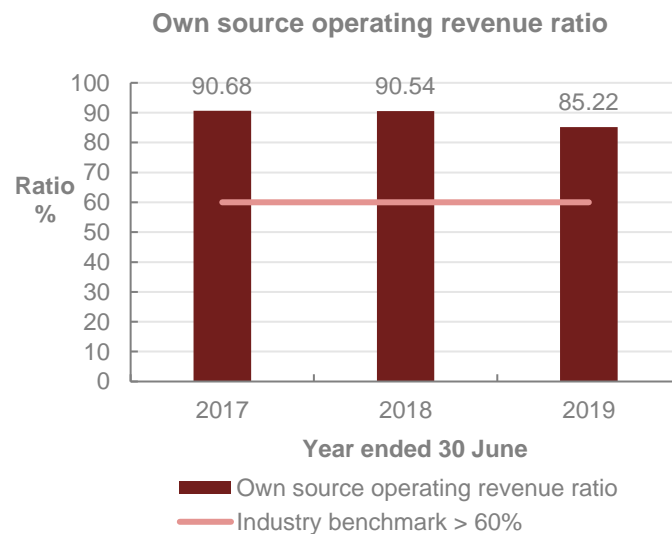
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio exceeded the industry benchmark for the past three years.
- This result reflects the significance of rates and user charges as funding sources for Council.

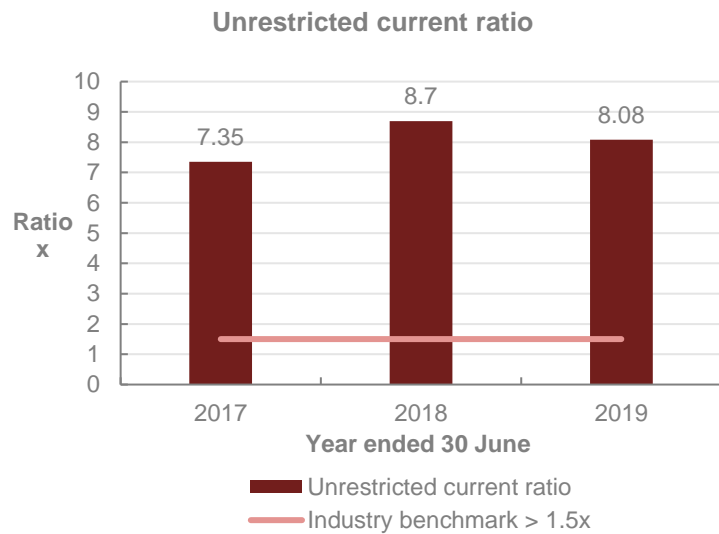
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio exceeded the industry benchmark for the past three years.
- This ratio indicates that Council currently has \$8.08 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities.

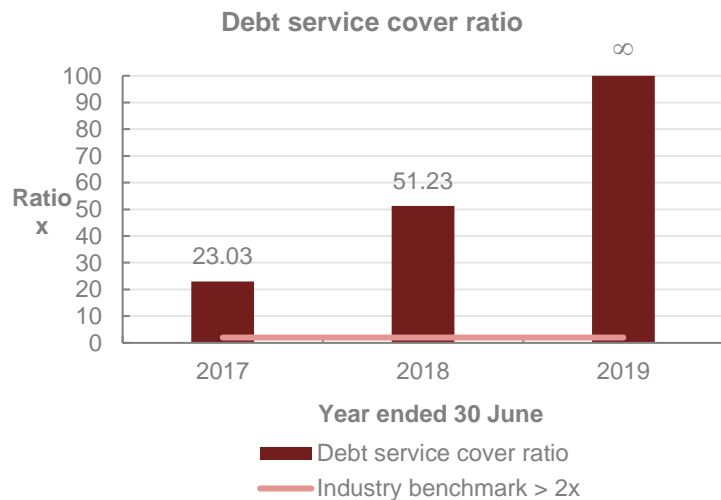
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio in 2019 was infinite, as Council did not have any debt.
- The ratio has exceeded the industry benchmark for the past three years.

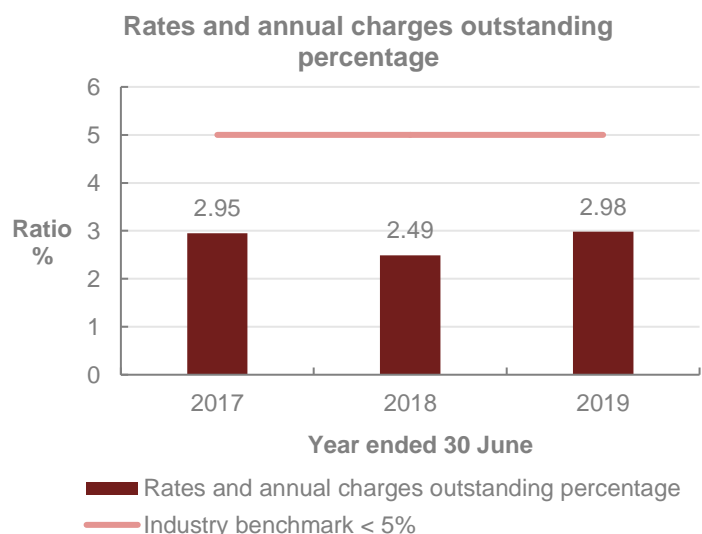
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's rates and annual charges outstanding percentage met the industry benchmark for the past three years.
- The collection procedures of the Council have operated effectively to collect rates and annual charges revenue within the receivable dates.

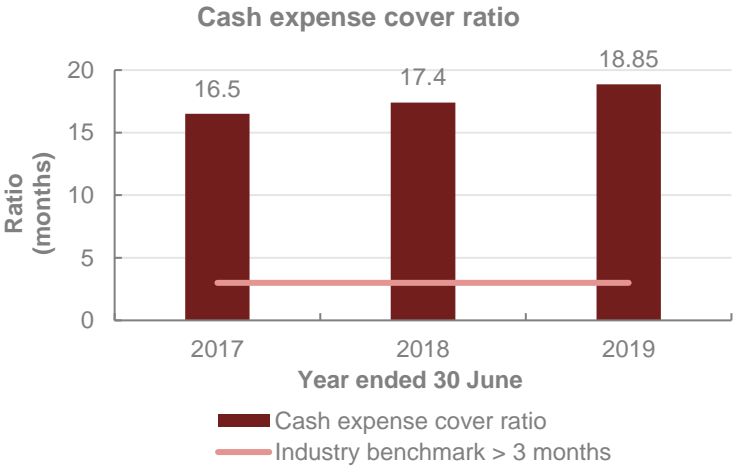
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover over 18 months of cash expenditure without additional cash inflows at 30 June 2019.

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



Infrastructure, property, plant and equipment renewals

Council spent \$0.6 million on asset renewals in 2018–19 compared to \$0.8 million in 2017–18. 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 2018–19, asset renewals of \$0.6 million represented 26.1 per cent of Council's \$2.3 million depreciation expense. This result was lower than the 2017–18 result of 34.6 per cent.

Asset renewals in 2018–19 were carried out in accordance with Council's capital works program and were primarily related to roads and footpaths.

OTHER MATTERS

New accounting standards implemented

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

Legislative compliance

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

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



Cathy Wu

Delegate of the Auditor-General for New South Wales

cc: Ms Lisa Miscamble, General Manager
Ms Deborah Goodyer, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

The Council of the Municipality of Hunter's Hill

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

4

Permissible income for general rates
for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	8,659	8,463
Plus or minus adjustments ²	b	2	4
Notional general income	c = a + b	8,661	8,467
Permissible income calculation			
Special variation percentage ³	d	9.74%	0.00%
Or rate peg percentage	e	0.00%	2.30%
Plus special variation amount	h = d x (c + g)	844	–
Or plus rate peg amount	i = e x (c + g)	–	195
Sub-total	k = (c + g + h + i + j)	9,505	8,662
Plus (or minus) last year's carry forward total	l	14	2
Sub-total	n = (l + m)	14	2
Total permissible income	o = k + n	9,519	8,664
Less notional general income yield	p	9,519	8,659
Catch-up or (excess) result	q = o – p	(1)	5
Plus income lost due to valuation objections claimed ⁴	r	1	9
Carry forward to next year ⁵	t = q + r + s	–	14

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) 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

The Council of the Municipality of Hunter's Hill

To the Councillors of the Council of the Municipality of Hunter's Hill

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Council of the Municipality of Hunter's Hill (the Council) for the year ending 30 June 2020.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Cathy Wu', written in a cursive style.

Cathy Wu

Delegate of the Auditor-General for New South Wales

23 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Council Offices/ Administration Centres	840	2,842	649	65	3,790	5,168	0.0%	10.0%	35.0%	45.0%	10.0%
	Council Works Depot	51	204	120	51	527	1,019	0.0%	20.0%	60.0%	20.0%	0.0%
	Council Public Halls	1,535	4,092	1,310	86	5,631	10,231	0.0%	0.0%	60.0%	20.0%	20.0%
	Other Buildings	198	792	847	251	5,565	7,920	0.0%	70.0%	20.0%	10.0%	0.0%
	Sub-total	2,624	7,930	2,926	453	15,513	24,338	0.0%	25.7%	41.7%	22.1%	10.5%
Other structures	Other structures	228	911	83	28	6,278	9,108	10.0%	50.0%	30.0%	10.0%	0.0%
	Sub-total	228	911	83	28	6,278	9,108	10.0%	50.0%	30.0%	10.0%	0.0%
Roads	Sealed roads	1,731	7,031	903	969	44,612	54,081	5.0%	30.0%	52.0%	10.0%	3.0%
	Footpaths	739	2,639	227	204	7,212	10,554	15.0%	30.0%	30.0%	15.0%	10.0%
	Kerb and guttering	1,184	5,182	311	10	13,429	14,806	10.0%	25.0%	30.0%	30.0%	5.0%
	Other road assets	84	349	28	13	1,156	1,397	5.0%	25.0%	45.0%	20.0%	5.0%
	Sub-total	3,738	15,201	1,469	1,196	66,409	80,838	7.2%	29.0%	45.0%	14.5%	4.3%
Stormwater drainage	Stormwater drainage	1,312	3,816	510	182	7,806	9,539	5.0%	15.0%	40.0%	25.0%	15.0%
	Sub-total	1,312	3,816	510	182	7,806	9,539	5.0%	15.0%	40.0%	25.0%	15.0%
TOTAL - ALL ASSETS		7,902	27,858	4,988	1,859	96,006	123,823	5.8%	28.8%	42.8%	16.5%	6.1%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	520	26.38%	36.36%	76.56%	>=100.00%
Depreciation, amortisation and impairment	1,971				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	7,902	8.23%	2.04%	1.91%	<2.00%
Net carrying amount of infrastructure assets	96,006				
Asset maintenance ratio					
Actual asset maintenance	1,859	37.27%	78.62%	105.76%	>100.00%
Required asset maintenance	4,988				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	27,858	22.50%	3.23%	1.73%	
Gross replacement cost	123,823				

(*) 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.