

The Council of the Municipality of Hunter's Hill

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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])	75
On the Financial Statements (Sect 417 [3])	76

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 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

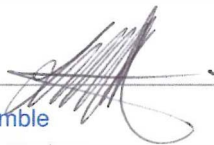
Signed in accordance with a resolution of Council made on 09 November 2020.



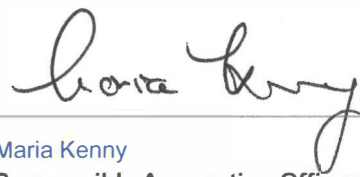
Ross Williams
Mayor
09 November 2020



Jim Sanderson
Councillor
09 November 2020



Lisa Miscamble
General Manager
09 November 2020



Maria Kenny
Responsible Accounting Officer
09 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
12,299	Rates and annual charges	3a	12,323	11,397
1,550	User charges and fees	3b	1,982	1,207
1,090	Other revenues	3c	2,057	1,051
754	Grants and contributions provided for operating purposes	3d,3e	836	932
338	Grants and contributions provided for capital purposes	3d,3e	765	1,481
530	Interest and investment income	4	376	567
122	Net gains from the disposal of assets	6	57	116
-	Net share of interests in joint ventures and associates using the equity method	17	-	31
16,683	Total income from continuing operations		18,396	16,782
Expenses from continuing operations				
6,225	Employee benefits and on-costs	5a	5,216	5,233
5,555	Materials and contracts	5b	6,944	5,933
2,267	Depreciation and amortisation	5c	2,378	2,295
2,848	Other expenses	5d	2,435	2,335
210	Net losses from the disposal of assets	6	-	-
-	Net share of interests in joint ventures and associates using the equity method	17	127	-
17,105	Total expenses from continuing operations		17,100	15,796
(422)	Operating result from continuing operations		1,296	986
(422)	Net operating result for the year		1,296	986
(422)	Net operating result attributable to council		1,296	986
(760)	Net operating result for the year before grants and contributions provided for capital purposes		531	(495)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		1,296	986
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	13,502	370
Total items which will not be reclassified subsequently to the operating result		13,502	370
Total other comprehensive income for the year		13,502	370
Total comprehensive income for the year		14,798	1,356
Total comprehensive income attributable to Council		14,798	1,356

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	4,683	22,516
Investments	7(b)	18,334	–
Receivables	8	1,333	1,065
Inventories	9a	13	8
Other	9b	161	59
Total current assets		<u>24,524</u>	<u>23,648</u>
Non-current assets			
Receivables	8	31	31
Infrastructure, property, plant and equipment	10	223,131	208,686
Investments accounted for using the equity method	17	499	625
Total non-current assets		<u>223,661</u>	<u>209,342</u>
Total assets		<u>248,185</u>	<u>232,990</u>
LIABILITIES			
Current liabilities			
Payables	13	4,486	3,737
Income received in advance	13	262	252
Contract liabilities	11	1,040	–
Provisions	14	1,385	1,762
Total current liabilities		<u>7,173</u>	<u>5,751</u>
Non-current liabilities			
Provisions	14	19	5
Total non-current liabilities		<u>19</u>	<u>5</u>
Total liabilities		<u>7,192</u>	<u>5,756</u>
Net assets		<u>240,993</u>	<u>227,234</u>
EQUITY			
Accumulated surplus	15	110,890	110,633
Revaluation reserves	15	130,103	116,601
Council equity interest		<u>240,993</u>	<u>227,234</u>
Total equity		<u>240,993</u>	<u>227,234</u>

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

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

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

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		110,633	116,601	227,234	109,647	116,231	225,878
Changes due to AASB 1058 and AASB 15 adoption	15	(1,040)	–	(1,040)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Restated opening balance		109,593	116,601	226,194	109,647	116,231	225,878
Net operating result for the year		1,296	–	1,296	986	–	986
Restated net operating result for the period		1,296	–	1,296	986	–	986
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	13,502	13,502	–	370	370
– Joint ventures and associates	17a	1	–	1	–	–	–
Other comprehensive income		1	13,502	13,503	–	370	370
Total comprehensive income		1,297	13,502	14,799	986	370	1,356
Equity – balance at end of the reporting period		110,890	130,103	240,993	110,633	116,601	227,234

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
12,299	Rates and annual charges		12,169	11,332
1,550	User charges and fees		1,798	1,261
530	Investment and interest revenue received		376	578
1,092	Grants and contributions		1,655	2,366
–	Bonds, deposits and retention amounts received		–	37
1,212	Other		3,132	1,908
<i>Payments:</i>				
(6,225)	Employee benefits and on-costs		(5,579)	(5,399)
(5,555)	Materials and contracts		(7,103)	(5,499)
–	Bonds, deposits and retention amounts refunded		(49)	–
(3,057)	Other		(3,317)	(3,438)
<u>1,846</u>	Net cash provided (or used in) operating activities	16b	<u>3,082</u>	<u>3,146</u>
Cash flows from investing activities				
<i>Receipts:</i>				
91	Sale of infrastructure, property, plant and equipment		115	328
<i>Payments:</i>				
–	Purchase of investment securities		(18,334)	–
(3,266)	Purchase of infrastructure, property, plant and equipment		(2,696)	(1,485)
<u>(3,175)</u>	Net cash provided (or used in) investing activities		<u>(20,915)</u>	<u>(1,157)</u>
<u>(1,329)</u>	Net increase/(decrease) in cash and cash equivalents		<u>(17,833)</u>	<u>1,989</u>
20,498	Plus: cash and cash equivalents – beginning of year	16a	22,516	20,527
<u>19,169</u>	Cash and cash equivalents – end of the year	16a	<u>4,683</u>	<u>22,516</u>
–	plus: Investments on hand – end of year	7(b)	18,334	–
<u>19,169</u>	Total cash, cash equivalents and investments		<u>23,017</u>	<u>22,516</u>

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Revenue from continuing operations	18
4	Interest and investment income	24
5	Expenses from continuing operations	26
6	Gain or loss from disposal of assets	30
7(a)	Cash and cash equivalents	31
7(b)	Investments	32
7(c)	Restricted cash, cash equivalents and investments	33
8	Receivables	34
9	Inventories and other assets	37
10	Infrastructure, property, plant and equipment	38
11	Contract assets and liabilities	41
12	Leases	42
13	Payables and borrowings	44
14	Provisions	46
15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	48
16	Statement of cash flow information	53
17	Interests in other entities	54
18	Commitments	57
19	Contingencies	58
20	Financial risk management	61
21	Material budget variations	64
22	Fair Value Measurement	66
23	Related party disclosures	71
24	Events occurring after the reporting date	72
25	Statement of developer contributions	73
26(a)	Statement of performance measures – consolidated results	74

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 9 November 2020. 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.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

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:

- General purpose operations

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(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.

No trust funds are currently held by Council.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not have material dependence on volunteer services. Volunteers are utilised in Cultural Events & Bushland. These services are not recognised due to their nature as a large percentage would not go ahead should there not be volunteers to undertake the roles and their non-material value.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 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:

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2020.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

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 1/7/20).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/20.

As at the end of this reporting period, lease agreements currently in place will have no material impact on Council's reported position, performance and /or disclosures.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Council does not expect any impact on the financial statements from financial activities as a lessor.

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 contract 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 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 is a deferral of revenue of \$1.04m which has been recognised as a contract liability at 1 July 2019 and 30 June 2020.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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 2020.

The impact of AASB 2018-8 is expected to have no material impact on Council's reporting position, performance and/or disclosures.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Maintain Character and Manage Growth Planning	476	334	1,296	1,498	(820)	(1,164)	–	–	11	67
Focus on the Community	1,018	2,141	3,496	3,360	(2,478)	(1,219)	114	67	103,642	100,481
Manage and Preserve Our Environment	3,226	3,281	3,748	3,648	(522)	(367)	54	215	15,521	8,056
Make Getting Around Easier	3,349	960	4,081	3,298	(732)	(2,338)	310	197	89,993	86,472
Leadership and Governance	10,327	10,066	4,479	3,992	5,848	6,074	334	328	38,973	37,914
Total functions and activities	18,396	16,782	17,100	15,796	1,296	986	812	807	248,185	232,990

The Council of the Municipality of Hunter's Hill

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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 2020

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 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	7,813	7,595
Business	1058 (1)	235	226
Less: pensioner rebates (mandatory)	1058 (1)	(51)	(52)
Rates levied to ratepayers		<u>7,997</u>	<u>7,769</u>
Pensioner rate subsidies received	1058 (1)	28	30
Total ordinary rates		<u>8,025</u>	<u>7,799</u>
Special rates			
Environmental	1058 (1)	182	177
Infrastructure	1058 (1)	385	375
Other	1058 (1)	516	250
Community facilities	1058 (1)	348	–
Rates levied to ratepayers		<u>1,431</u>	<u>802</u>
Total special rates		<u>1,431</u>	<u>802</u>
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	2,818	2,745
Section 611 charges	1058 (1)	61	62
Less: pensioner rebates (mandatory)	1058 (1)	(26)	(26)
Annual charges levied		<u>2,853</u>	<u>2,781</u>
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	14	15
Total annual charges		<u>2,867</u>	<u>2,796</u>
TOTAL RATES AND ANNUAL CHARGES		<u>12,323</u>	<u>11,397</u>

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

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

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

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

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

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	6	7
Waste management services (non-domestic)	15 (1)	162	163
Total specific user charges		168	170
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	26	28
Planning and building regulation	15 (1)	475	363
Section 10.7 certificates (EP&A Act)	15 (1)	47	47
Section 603 certificates	15 (1)	18	16
Total fees and charges – statutory/regulatory		566	454
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Community centres	1058 (1)	160	193
Lease rentals	15 (1)	17	14
Leaseback fees – Council vehicles	1058 (1)	24	25
Park rents	1058 (1)	65	83
Parking fees	1058 (1)	156	153
Restoration charges	15 (1)	826	115
Total fees and charges – other		1,248	583
TOTAL USER CHARGES AND FEES		1,982	1,207

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

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

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

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

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

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties	1058 (2)	312	196
Bus shelter contract - License fee	15	1,000	–
Fines -other	1058 (1)	26	16
Fines – parking	1058 (1)	447	258
Legal fees recovery – other	1058 (1)	–	320
Commissions and agency fees	1058 (1)	1	17
Sundry rents and charges	1058 (1)	193	189
Waste rebate	1058 (1)	60	55
Other	1058 (1)	18	–
<u>TOTAL OTHER REVENUE</u>		<u>2,057</u>	<u>1,051</u>

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

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

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

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

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

Accounting policy for other revenue

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.

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

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

Council has received \$1m one-off license fee for the new bus shelters' advertising. Based on an assessment under the new accounting standard AASB15 Revenue from Contract with Customers, the \$1m license fee is recognised as revenue in the 2019/20 financial year.

2019 accounting policy:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	162	161	–	–
Financial assistance – local roads component	1058 (1)	74	73	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	172	167	–	–
Financial assistance – local roads component	1058 (1)	79	75	–	–
Total general purpose		487	476	–	–
Specific purpose					
Community care	1058 (1)	23	23	–	–
Environmental programs	1058 (1)	2	105	–	–
Library	1058 (1)	91	44	–	–
Recreation and culture	1058 (1)	–	46	10	1,040
Street lighting	1058 (1)	35	34	–	–
Traffic route subsidy	1058 (1)	8	7	–	–
Transport (roads to recovery)	1058 (1)	–	–	93	–
Stormwater drainage	1058 (1)	40	64	–	–
Other	1058 (1)	23	8	–	–
Total specific purpose		222	331	103	1,040
Total grants		709	807	103	1,040
Grant revenue is attributable to:					
– Commonwealth funding		487	476	–	–
– State funding		222	331	103	1,040
		709	807	103	1,040

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	358	441
Other developer contributions		1058 (1)	–	–	270	–
Total developer contributions – cash			–	–	628	441
Total developer contributions	25		–	–	628	441
Other contributions:						
Cash contributions						
Kerb and gutter		15 (1)	14	14	–	–
RMS contributions (regional roads, block grant)		1058 (1)	93	92	–	–
Other		15 (1)	20	19	34	–
Total other contributions – cash			127	125	34	–
Total other contributions			127	125	34	–
Total contributions			127	125	662	441
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>			836	932	765	1,481

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	90	92
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	65	119
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 (2019 only)	(111)	(121)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	44	90
Capital grants		
Unexpended at the close of the previous reporting period	1,040	–
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	103	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 (2019 only)	–	–
Less: capital grants received in a previous reporting period now spent and recognised as income	(10)	–
Unexpended and held as externally restricted assets (capital grants)	1,133	1,040
Contributions		
Unexpended at the close of the previous reporting period	1,701	1,513
Add: contributions recognised as income in the current period but not yet spent	655	484
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 (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(568)	(296)
Unexpended and held as externally restricted assets (contributions)	1,788	1,701

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	29	25
– Cash and investments	347	542
Finance income on the net investment in the lease	–	–
Total Interest and investment income	376	567
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	29	25
General Council cash and investments	320	499

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	27	43
Total interest and investment revenue	376	567

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	4,043	3,980
Employee leave entitlements (ELE)	483	488
Superannuation	447	533
Workers' compensation insurance	92	68
Fringe benefit tax (FBT)	20	31
Other Employee benefits		
Travel expenses	56	65
Training costs (other than salaries and wages)	75	68
Total employee costs	5,216	5,233
TOTAL EMPLOYEE COSTS EXPENSED	5,216	5,233

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 19 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(b) Materials and contracts		
Raw materials and consumables	739	711
Contractor and consultancy costs	5,677	4,399
Auditors remuneration ²	103	93
Legal expenses:		
– Legal expenses: planning and development	313	691
– Legal expenses: other	73	34
Expenses from short-term leases (2020 only)	–	–
Expenses from leases of low value assets (2020 only)	–	–
Expenses from Peppercorn leases (2020 only)	7	–
Variable lease expense relating to usage (2020 only)	26	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	5
Other	6	–
Total materials and contracts	6,944	5,933
TOTAL MATERIALS AND CONTRACTS	6,944	5,933

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Other	–	5
	–	5

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	50	45
Remuneration for audit and other assurance services	50	45

Total Auditor-General remuneration

	50	45
--	----	----

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

Internal auditors	53	48
Remuneration for audit and other assurance services	53	48

Total remuneration of non NSW Auditor-General audit firms

	53	48
--	----	----

Total Auditor remuneration

	103	93
--	-----	----

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(c) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		139	107
Office equipment		92	76
Furniture and fittings		17	19
Infrastructure:	10		
– Buildings – non-specialised		111	111
– Buildings – specialised		267	258
– Other structures		204	222
– Roads		962	955
– Footpaths		283	277
– Kerb and guttering		130	122
– Other road assets		58	34
– Stormwater drainage		115	114
Total gross depreciation and amortisation costs		2,378	2,295
Total depreciation and amortisation costs		2,378	2,295
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		2,378	2,295

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

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

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 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(d) Other expenses		
Advertising	66	61
Bad and doubtful debts	–	2
Bank charges	37	37
Contributions/levies to other levels of government		
– Department of planning levy	61	60
– NSW fire brigade levy	473	419
– Regional library	774	740
– Other contributions/levies	22	22
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	142	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	19	32
Donations, contributions and assistance to other organisations (Section 356)	29	20
Electricity and heating	184	162
Insurance	239	133
Printing and stationery	48	77
Street lighting	145	247
Subscriptions and publications	131	105
Telephone and communications	21	36
<u>TOTAL OTHER EXPENSES</u>	<u>2,435</u>	<u>2,335</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 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	160
Net gain/(loss) on disposal		–	160
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		115	168
Less: carrying amount of plant and equipment assets sold/written off		(58)	(181)
Net gain/(loss) on disposal		57	(13)
Infrastructure			
	10		
Less: carrying amount of infrastructure assets sold/written off		–	(31)
Net gain/(loss) on disposal		–	(31)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>57</u>	<u>116</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 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	928	377
Cash-equivalent assets		
– Deposits at call	–	115
– Short-term deposits	3,755	22,024
Total cash and cash equivalents	4,683	22,516

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 2020

Note 7(b). Investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
a. 'Financial assets at fair value through profit and loss'				
– Amortised cost	18,334	–	–	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>23,017</u>	<u>–</u>	<u>22,516</u>	<u>–</u>

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Financial assets through profit or loss

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	23,017	–	22,516	–
attributable to:				
External restrictions	4,794	–	4,779	–
Internal restrictions	5,582	–	5,509	–
Unrestricted	12,641	–	12,228	–
	<u>23,017</u>	<u>–</u>	<u>22,516</u>	<u>–</u>

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

Details of restrictions

External restrictions – other

Developer contributions – general	1,594	1,701
Other developer contributions	195	–
Specific purpose unexpended grants (recognised as revenue) – general fund	1,177	1,130
Domestic waste management	680	505
Other special levies	1,148	1,443
External restrictions – other	<u>4,794</u>	<u>4,779</u>

Total external restrictions

<u>4,794</u>	<u>4,779</u>
--------------	--------------

Internal restrictions

Plant and vehicle replacement	434	389
Employees leave entitlement	596	632
Deposits, retentions and bonds	2,704	2,760
Construction of buildings	249	249
Office equipment	520	693
Road reconstruction	306	87
Elections	106	84
Insurance reserve	108	99
Property strategy	146	30
Sustainability Reserve	300	300
Other	113	186

Total internal restrictions

<u>5,582</u>	<u>5,509</u>
--------------	--------------

TOTAL RESTRICTIONS

<u>10,376</u>	<u>10,288</u>
---------------	---------------

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	458	17	304	17
Interest and extra charges	13	14	13	14
User charges and fees	404	–	210	–
Accrued revenues				
– Interest on investments	61	–	61	–
– Other income accruals	109	–	126	–
Government grants and subsidies	–	–	54	–
Net GST receivable	307	–	316	–
Total	1,352	31	1,084	31
Less: provision of impairment				
User charges and fees	(19)	–	(19)	–
Total provision for impairment – receivables	(19)	–	(19)	–
<u>TOTAL NET RECEIVABLES</u>	<u>1,333</u>	<u>31</u>	<u>1,065</u>	<u>31</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 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.

Rates and annual charges outstanding are secured against the property.

Accounting policy under AASB 9 applicable from 1 July 2019

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 2020

Note 8. 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 5 years past due, whichever occurs first.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	13	–	8	–
Total inventories at cost	13	–	8	–
<u>TOTAL INVENTORIES</u>	<u>13</u>	<u>–</u>	<u>8</u>	<u>–</u>

(b) Other assets

Prepayments	161	–	59	–
<u>TOTAL OTHER ASSETS</u>	<u>161</u>	<u>–</u>	<u>59</u>	<u>–</u>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	174	–	67	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>174</u>	<u>–</u>	<u>67</u>	<u>–</u>

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

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

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

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12	–	12	1,394	–	–	–	–	–	1,406	–	1,406
Plant and equipment	1,466	(878)	588	–	187	(58)	(139)	–	–	1,306	(728)	578
Office equipment	1,089	(947)	142	63	–	–	(92)	–	–	1,152	(1,039)	113
Furniture and fittings	309	(197)	112	–	–	–	(17)	–	–	309	(214)	95
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	(2,802)	5,241	–	–	–	(111)	(603)	–	8,339	(3,812)	4,527
– Buildings – specialised	16,295	(6,023)	10,272	88	–	–	(267)	(912)	–	17,565	(8,384)	9,181
– Other structures	9,108	(2,830)	6,278	113	–	–	(204)	–	3,246	15,972	(6,539)	9,433
– Roads	54,081	(9,469)	44,612	393	–	–	(962)	–	3,217	66,428	(19,168)	47,260
– Footpaths	10,554	(3,342)	7,212	299	–	–	(283)	–	1,656	13,244	(4,360)	8,884
– Kerb and guttering	14,806	(1,377)	13,429	177	–	–	(130)	(441)	–	18,625	(5,590)	13,035
– Other road assets	1,397	(241)	1,156	406	–	–	(58)	–	57	1,873	(312)	1,561
– Stormwater drainage	9,539	(1,733)	7,806	259	–	–	(115)	–	7,282	23,329	(8,097)	15,232
Total Infrastructure, property, plant and equipment	238,525	(29,839)	208,686	3,192	187	(58)	(2,378)	(1,956)	15,458	281,374	(58,243)	223,131

(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 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals 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
– 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
– Kerb and guttering	14,775	(1,255)	13,520	31	5	(5)	(122)	–	–	–	14,806	(1,377)	13,429
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 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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:

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.	5 to 10
Vehicles	5 to 8		
Other plant and equipment	5 to 15	Buildings	
		Buildings: masonry	50 to 100
		Buildings: other	50 to 100
Transportation assets		Stormwater assets	
Sealed roads: surface	10 to 25	Drains	60 to 100
Sealed roads: structure	60 to 100		
Kerb, gutter and footpaths	10 to 70		
Other Infrastructure	10 to 70		

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 2020

Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,040	–
Total grants received in advance		1,040	–
Total contract liabilities		1,040	–

Notes

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

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Total contract liabilities relating to unrestricted assets	1,040	–
Total contract liabilities	1,040	–

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

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

(i) Council as a lessee

Council has leases a photocopier. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Council has an operating lease for the photocopiers and the lease are 5 years.

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

(a) Income Statement

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

Variable lease payments based on usage not included in the measurement of lease liabilities	26
Expenses relating to Peppercorn leases	7
	33

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

Provide general indication of the use of the assets under a concessionary arrangement e.g.

- boat ramp

The leases are generally between years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 18.

(b) Operating leases

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

\$ '000	2020
(ii) Operating lease expenses	
Other	5
Total expenses relating to operating leases	5

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Goods and services – operating expenditure	474	–	628	–
Goods and services – capital expenditure	862	–	179	–
Accrued expenses:				
– Other expenditure accruals	439	–	170	–
Security bonds, deposits and retentions	2,711	–	2,760	–
Total payables	4,486	–	3,737	–
Income received in advance				
Payments received in advance	262	–	252	–
Total income received in advance	262	–	252	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,748</u>	<u>–</u>	<u>3,989</u>	<u>–</u>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Total payables and borrowings relating to unrestricted assets	4,748	–	3,989	–
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,748</u>	<u>–</u>	<u>3,989</u>	<u>–</u>

\$ '000	2020	2019
(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	2,331	2,427
Total payables and borrowings	2,331	2,427

(c) Financing arrangements

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

Credit cards/purchase cards	40	20
Total financing arrangements	40	20
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	40	20
Total undrawn financing arrangements	40	20

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables.

Payables

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Employee benefits				
Annual leave	390	–	468	–
Sick leave	56	–	50	–
Long service leave	929	19	1,238	5
Other leave	10	–	6	–
Sub-total – aggregate employee benefits	<u>1,385</u>	<u>19</u>	<u>1,762</u>	<u>5</u>
<u>TOTAL PROVISIONS</u>	<u>1,385</u>	<u>19</u>	<u>1,762</u>	<u>5</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	179	–	180	–
Provisions relating to externally restricted assets	<u>179</u>	<u>–</u>	<u>180</u>	<u>–</u>
Total provisions relating to restricted assets	<u>179</u>	<u>–</u>	<u>180</u>	<u>–</u>
Total provisions relating to unrestricted assets	<u>1,206</u>	<u>19</u>	<u>1,582</u>	<u>5</u>
<u>TOTAL PROVISIONS</u>	<u>1,385</u>	<u>19</u>	<u>1,762</u>	<u>5</u>

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

(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	789	818
	<u>789</u>	<u>818</u>

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(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.

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Revenue recognition from contract modifications

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

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

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

Principal v agent

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

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

Licences

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

Prepaid rates

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Grants – capital

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

Changes in presentation

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

Council had a grant with relation to the Boronia Park Grandstand and Playspace that required to be adjusted due to the adoption the new accounting standards.

- A grant of \$1,040 million was received in FY2018-19, with requirements that funds would be taken up as works were completed, however as at 30 June 2020 the works were still not completed and thus requiring the funds to be adjusted between Equity & contract liabilities.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	<u>–</u>
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	1,040
Total Contract liabilities	<u>1,040</u>

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	4,683	–	–	4,683	
Investments	18,334	–	–	18,334	
Receivables	1,333	–	–	1,333	
Inventories	13	–	–	13	
Other	161	–	–	161	
Total current assets	24,524	–	–	24,524	
Current liabilities					
Payables	4,486	–	–	4,486	
Income received in advance	262	–	–	262	
Contract liabilities	1,040	–	(1,040)	–	
Provisions	1,385	–	–	1,385	
Total current liabilities	7,173	–	(1,040)	6,133	
Non-current assets					
Receivables	31	–	–	31	
Infrastructure, property, plant and equipment	223,131	–	–	223,131	
Investments accounted for using equity method	499	–	–	499	
Total non-current assets	223,661	–	–	223,661	
Non-current liabilities					
Provisions	19	–	–	19	
Total Non-current liabilities	19	–	–	19	
Net assets	240,993	–	1,040	242,033	
Equity					
Accumulated surplus	110,890	–	1,040	111,930	
Revaluation reserves	130,103	–	–	130,103	
Council equity interest	240,993	–	1,040	242,033	
Total equity	240,993	–	1,040	242,033	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of financial position for the year ended 30 June 2020 only with regards to the sporting facilities and playspace with funding FY2018-19 with construction not yet commenced by 30 June 2020, therefore requiring deferral of income at 1 July 2019 and at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	12,323	–	–	12,323	
User charges and fees	1,982	–	–	1,982	
Other revenues	2,057	–	–	2,057	
Grants and contributions provided for operating purposes	836	–	–	836	
Grants and contributions provided for capital purposes	765	–	–	765	
Interest and investment income	376	–	–	376	
Net gains from the disposal of assets	57	–	–	57	
Total Income from continuing operations	18,396	–	–	18,396	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	5,216	–	–	5,216	
Materials and contracts	6,944	–	–	6,944	
Depreciation and amortisation	2,378	–	–	2,378	
Other expenses	2,435	–	–	2,435	
Net share of interests in joint ventures and associates using the equity method	127	–	–	127	
Total Expenses from continuing operations	17,100	–	–	17,100	
Total Operating result from continuing operations	1,296	–	–	1,296	
Net operating result for the year	1,296	–	–	1,296	
Total comprehensive income	14,798	–	–	14,798	

The adoption of AASB 15 and AASB 1058 has not materially changed of the Income statement for the year ended 30 June 2020 only with regards to the sporting facilities and playspace with funding FY2018-19 with construction not yet commenced by 30 June 2020, therefore requiring deferral of income at 1 July 2019 and at 30 June 2020.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	1,040	1,040

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total liabilities	–	1,040	1,040
Accumulated surplus	110,633	(1,040)	109,593
Total equity	–	(1,040)	(1,040)

(iii) AASB 16 Leases**Council as a lessee**

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

The adoption of AASB 16 has not had a material impact on the Council's financial results and Council does not have material items which it leases.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	27

Short-term leases included in commitments note 14

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total equity	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	4,683	22,516
Balance as per the Statement of Cash Flows		4,683	22,516
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,296	986
Adjust for non-cash items:			
Depreciation and amortisation		2,378	2,295
Net losses/(gains) on disposal of assets		(57)	(116)
Adoption of AASB 15/1058		(1,040)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		127	(31)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(268)	(93)
Increase/(decrease) in provision for impairment of receivables		–	(1)
Decrease/(increase) in inventories		(5)	(3)
Decrease/(increase) in other current assets		(102)	50
Increase/(decrease) in payables		(154)	437
Increase/(decrease) in other accrued expenses payable		269	(208)
Increase/(decrease) in other liabilities		(39)	(4)
Increase/(decrease) in contract liabilities		1,040	–
Increase/(decrease) in provision for employee benefits		(363)	(166)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		3,082	3,146

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	(127)	31	499	625
Total	(127)	31	499	625

(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	2020	2019
CivicRisk Metro	Joint venture	Equity accounting	431	564
CivicRisk Mutual	Joint venture	Equity accounting	67	61
Total carrying amounts – material joint ventures			498	625

(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	
	2020	2019	2020	2019
CivicRisk Metro	3.4%	3.9%	3.4%	3.9%
CivicRisk Mutual	0.9%	0.9%	0.9%	0.9%

(d) Summarised financial information for joint ventures

\$ '000	CivicRisk Metro		CivicRisk Mutual	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	9,281	254	6,177	1,813
Other current assets	15,062	10,154	12,101	7,215
Non-current assets	6,711	12,769	5,102	5,368
Current liabilities				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

\$ '000	CivicRisk Metro		CivicRisk Mutual	
	2020	2019	2020	2019
Current financial liabilities (excluding trade and other payables and provisions)	3,451	1,625	5,923	4,578
Other current liabilities	1,762	312	3,635	4,232
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	5,558	6,651	3,635	2,279
Net assets	20,283	14,589	10,187	3,307
Reconciliation of the carrying amount				
Opening net assets (1 July)	14,648	13,549	6,944	8,468
Profit/(loss) for the period	(289)	1,099	211	(1,524)
Closing net assets	14,359	14,648	7,155	6,944
Council's share of net assets (%)	3.4%	3.9%	0.9%	0.9%
Council's share of net assets (\$)	690	569	92	30
Statement of comprehensive income				
Income	2,116	3,129	14,679	11,320
Interest income	271	1,013	205	448
Profit/(loss) from continuing operations	2,387	4,142	14,884	11,768
Profit/(loss) for the period	2,387	4,142	14,884	11,768
Total comprehensive income	2,387	4,142	14,884	11,768
Share of income – Council (%)	3.4%	3.9%	0.9%	0.9%
Profit/(loss) – Council (\$)	81	162	134	106
Total comprehensive income – Council (\$)	81	162	134	106
Summarised Statement of cash flows				
Cash flows from operating activities	1,511	(1,436)	1,614	2,904
Cash flows from investing activities	7,516	470	2,750	(2,250)
Net increase (decrease) in cash and cash equivalents	9,027	(966)	4,364	654

(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 2020

Note 17. 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 2020

Note 18. Commitments

\$ '000	2020	2019
(a) Non-cancellable operating lease commitments		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	3	6
Later than one year and not later than 5 years	11	21
Total non-cancellable operating lease commitments	14	27

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 20 (c)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

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

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

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

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

Description of the funding arrangements.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$137,402.53. The last valuation of the Scheme was performed by Richard Boyfield FIAA as at 30 June 2019, and covers the period ended 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$152,580.24.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$66,900 as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(ii) 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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.

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 Revenue NSW.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	4,683	22,516	23,017	22,516
Receivables	1,364	1,096	1,365	1,096
Fair value through profit and loss				
Investments				
– Amortised cost	18,334	–	–	–
Total financial assets	24,381	23,612	24,382	23,612
Financial liabilities				
Payables	4,486	3,737	5,412	3,737
Total financial liabilities	4,486	3,737	5,412	3,737

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

• **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature. Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	230	230	(230)	(230)
2019				
Possible impact of a 1% movement in interest rates	225	225	(225)	(225)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	1	392	29	22	31	475
2019						
Gross carrying amount	–	274	15	13	19	321

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	528	122	22	21	215	908
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	9.00%	2.13%
ECL provision	–	–	–	–	19	19
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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	2,711	1,771	–	–	4,482	4,486
Total financial liabilities		2,711	1,771	–	–	4,482	4,486
2019							
Trade/other payables	0.00%	2,760	977	–	–	3,737	3,737
Total financial liabilities		2,760	977	–	–	3,737	3,737

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
User charges and fees	1,550	1,982	432	28% F
The variance was an increase in restoration fees.				
Other revenues	1,090	2,057	967	89% F
The material variance is the Bus Shelter sign-on fees which was not originally budgeted. The contract has been assessed in accordance with the requirement of AASB15 Revenue from Contractors with Customers.				
Operating grants and contributions	754	836	82	11% F
The material variances is due to an increase in received library grant and Crown Reserves improvement funding for weeds control.				
Capital grants and contributions	338	765	427	126% F
The major contributions to the favourable variance include the developer contributions, Road to recovery and other contribution received.				
Interest and investment revenue	530	376	(154)	(29)% U
Decrease in interest rates due to the current economic climate and COVID-19 were far greater than could be predicted.				
Net gains from disposal of assets	122	57	(65)	(53)% U
Deferred replacement of plant and motor vehicle items.				
EXPENSES				
Employee benefits and on-costs	6,225	5,216	1,009	16% F
Staff complement has been down due to retirements and resignations with positions difficult to fill due to skill shortage.				
Materials and contracts	5,555	6,944	(1,389)	(25)% U
Staff shortages have resulted in use of contractors to maintain services and used to complete capital works. Increased materials costs were required to support expanded capital program.				
Other expenses	2,848	2,435	413	15% F
The variance is a decrease in street lighting, councillor expenses, telephone and printing.				
Net losses from disposal of assets	210	-	210	100% F
The variance is due to infrastructure assets being renewal projects and not as a replacement.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Joint ventures and associates – net losses	–	127	(127)	∞ U
The equity reduction due to the insurance renew and recoveries to the impact of claim repayment				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	1,846	3,082	1,236	67% F
The favourable variance is entirely due to fees for restoration and Bus Shelter.				

Cash flows from investing activities	(3,175)	(20,915)	(17,740)	559% U
---	---------	----------	----------	---------------

This materials variance is due to less expenditure being incurred on Council's capital works program than originally forecasted for the financial year. This due to delays in projects being completed or commenced as originally anticipated. The unexpended funds from the FY19-20 will be carried over to the FY 2020-21 to allow the program of works to be completed. Council is seeking to improve its return on investment activities by moving from short term deposits to medium term instruments.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	Plant & Equipment	30/06/20	–	–	578	578
	Office Equipment	30/06/20	–	–	113	113
	Furniture & Fittings	30/06/20	–	–	95	95
	Operational Land	30/06/18	–	33,282	–	33,282
	Community Land	30/06/17	–	–	78,544	78,544
	Building – Non Specialised	30/06/20	–	–	12,151	12,151
	Building – Specialised	30/06/20	–	–	1,558	1,558
	Other Structures	30/06/20	–	–	9,432	9,432
	Roads	30/06/20	–	–	26,759	26,759
	Footpaths	30/06/20	–	–	17,604	17,604
	Kerb & Guttering	30/06/20	–	–	24,215	24,215
	Other road assets	30/06/20	–	–	2,161	2,161
	Stormwater Drainage	30/06/20	–	–	15,232	15,232
	Total infrastructure, property, plant and equipment		–	33,282	188,442	221,724

2019	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
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

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 Assetic Valuers and Asset Management at 30 June 2020. Residential properties were valued on Level 3 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 estimate unobservable inputs such as residual value, useful life, consumption patterns, asset condition and remaining service potential.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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
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
2020					
Opening balance	587	143	112	78,544	10,272
Purchases (GBV)	188	63	–	–	88
Disposals (WDV)	(58)	–	–	–	–
Depreciation and impairment	(139)	(92)	(17)	–	(267)
FV gains – other comprehensive income	–	–	–	–	(912)
Closing balance	578	114	95	78,544	9,181

\$ '000	Other structures	Roads	Footpaths	Kerb and guttering	Other road assets
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
2020					
Opening balance	6,278	44,612	7,212	13,429	1,156
Purchases (GBV)	113	393	299	177	406
Depreciation and impairment	(204)	(962)	(283)	(130)	(58)
FV gains – other comprehensive income	3,246	3,217	1,656	(441)	57
Closing balance	9,433	47,260	8,884	13,035	1,561

\$ '000					Stomwater drainage	Total
2019						

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Stomwater drainage	Total
Opening balance	7,819	170,521
Purchases (GBV)	101	1,654
Disposals (WDV)	–	(210)
Depreciation and impairment	(114)	(2,184)
FV gains – other comprehensive income	–	370
Closing balance	7,806	170,151
2020		
Opening balance	7,806	170,151
Purchases (GBV)	259	1,986
Disposals (WDV)	–	(58)
Depreciation and impairment	(115)	(2,267)
FV gains – other comprehensive income	7,282	14,105
Closing balance	15,232	183,917

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 (30/6/20)	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	578	Cost approach	Gross Replacement Cost, remaining useful life
Office Equipment	113	Cost approach	Gross Replacement Cost, remaining useful life
Furniture & Fittings	95	Cost approach	Gross Replacement Cost, remaining useful life
Specialised Buildings	9,182	Cost approach	Gross Replacement Cost, remaining useful life
Other Structures	9,432	Cost approach	Gross Replacement Cost, remaining useful life
Roads	47,260	Cost approach	Gross Replacement Cost, remaining useful life
Footpaths	8,884	Cost approach	Gross Replacement Cost, remaining useful life
Kerb & Gutter	13,035	Cost approach	Gross Replacement Cost, remaining useful life
Other Road Assets	1,561	Cost approach	Gross Replacement Cost, remaining useful life
Stormwater Drainage	15,232	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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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 was performed by APV.

As 30 June 2020 all Buildings revaluation was performed by Assetic 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 2020 by Assetic. 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 2020.

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 2020 by Assetic.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,280	1,211
Post-employment benefits	136	132
Total	1,416	1,343

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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 2020

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Other	1,701	358	–	27	(492)	–	1,594	–
S7.11 contributions – under a plan	1,701	358	–	27	(492)	–	1,594	–
Total S7.11 and S7.12 revenue under plans	1,701	358	–	27	(492)	–	1,594	–
Total contributions	1,701	358	–	27	(492)	–	1,594	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 27 NOVEMBER 2013

Other	1,701	358	–	27	(492)	–	1,594	–
Total	1,701	358	–	27	(492)	–	1,594	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	601	3.42%	(4.24)%	(3.09)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	17,574				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	16,738	91.27%	85.49%	90.54%	>60.00%
Total continuing operating revenue ¹	18,339				
3. Unrestricted current ratio					
Current assets less all external restrictions	19,619	5.06x	8.08x	8.70x	>1.50x
Current liabilities less specific purpose liabilities	3,874				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2,979	∞	∞	51.23x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	502	3.95%	2.97%	2.49%	<5.00%
Rates, annual and extra charges collectible	12,700				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	4,683	3.50	18.85	17.40	>3.00
Monthly payments from cash flow of operating and financing activities	1,337	mths	mths	mths	mths

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

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Council of the Municipality of Hunters Hill

To the Councillors of the Council of the Municipality of Hunters Hill

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

19 November 2020
SYDNEY



Ms Lisa Miscamble
General Manager
The Council of the Municipality of Hunter's Hill
PO Box 21
Hunter's Hill NSW 2110

Contact: Unaib Jeffrey
Phone no: (02) 9275 7450
Our ref: D2023981/1742

19 November 2020

Dear Ms Miscamble

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Hunter's Hill Council**





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

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

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

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.3	11.4	 7.8
Grants and contributions revenue	1.6	2.4	 33.3
Operating result for the year	1.2	0.9	 33.3
Net operating result before capital grants and contributions	0.5	(0.4)	 225

The Council's operating result (\$1.2 million profit including the effect of depreciation and amortisation expense of \$2.3 million) was \$0.3 million higher than the 2018–19 result. This is mainly attributable to the following:

- \$1.0 million increase in rates and annual charges as approved in the Special Rate Variation
- \$1.0 million increase in other revenue as Council signed a bus shelter advertising contract with a media company
- \$0.8 million decrease in government grants received during the year
- \$1.0 million increase in materials and contracts costs as Council performed several new projects in 2019-20.

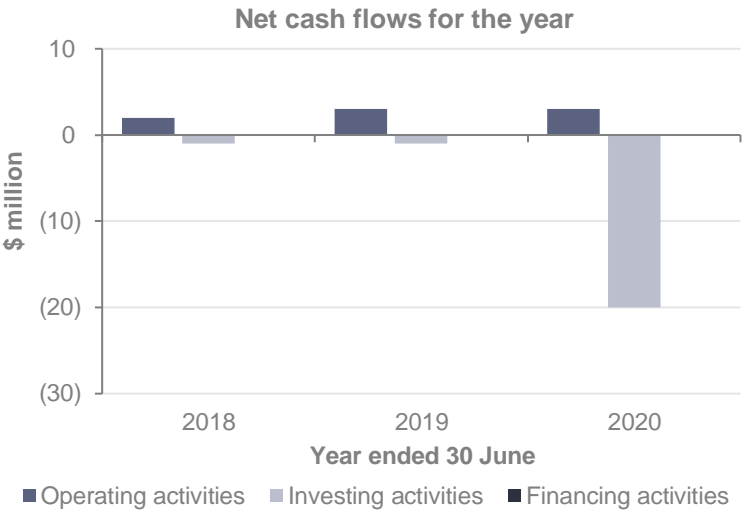
The net operating result before capital grants and contributions (a surplus of \$0.5 million) was \$0.9 million higher than the 2018–19 result. The primary reason for the improvement is outlined above.

Rates and annual charges revenue (\$12.3 million) increased by \$0.9 million in 2019–20 due to the Council's approved Special Rate Variation, which increased general rates revenue by 8.8 per cent in 2019–20.

Grants and contributions revenue (\$1.6 million) decreased by \$0.8 million (33.3 per cent) in 2019–20 due to the fact that during the financial year 2018-19 year Council received a capital grant for the Boronia Park upgrade from the State Government of \$1.0 million.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash balances and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$17.8 million to \$4.7 million at the end of the financial year 2019-20. This was mainly due to purchase of investment securities of \$18 million during the financial year 2019-20.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	4.8	4.8	• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges and special levies.
Internal restrictions	5.6	5.5	
Unrestricted	12.6	12.2	• Balances are internally restricted due to Council policy or decisions for forward plans including works programs. • Unrestricted balances provide liquidity for day to day operations.
Cash and investments	23.0	22.5	

PERFORMANCE

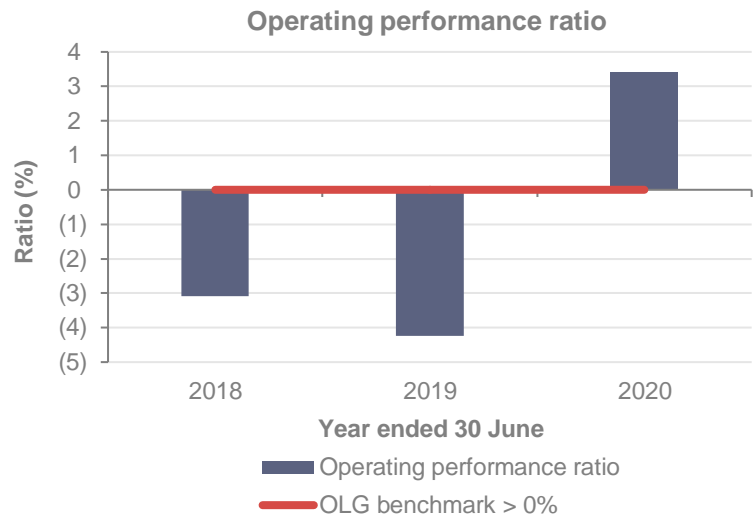
Performance measures

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

Operating performance ratio

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

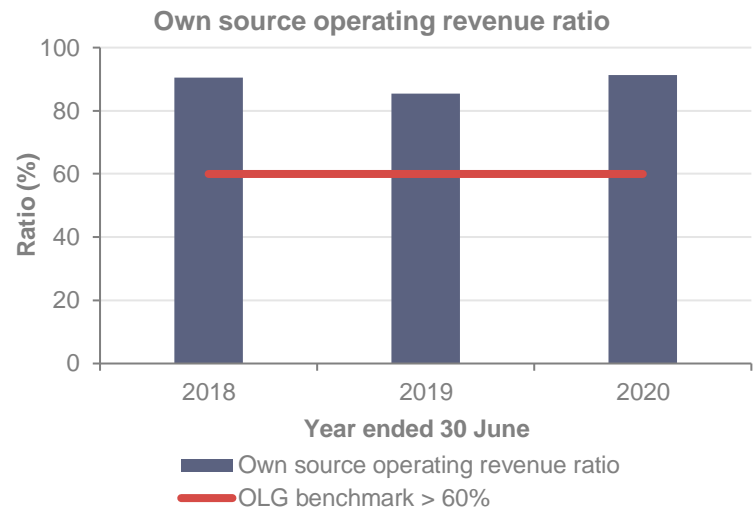
The Council met the OLG benchmark for the current reporting period. This was primarily attributable to an increase in other revenues and rates revenue.



Own source operating revenue ratio

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

The Council exceeded the OLG benchmark for the past three years. The ratio indicates that Council generates adequate funds from own source revenues.

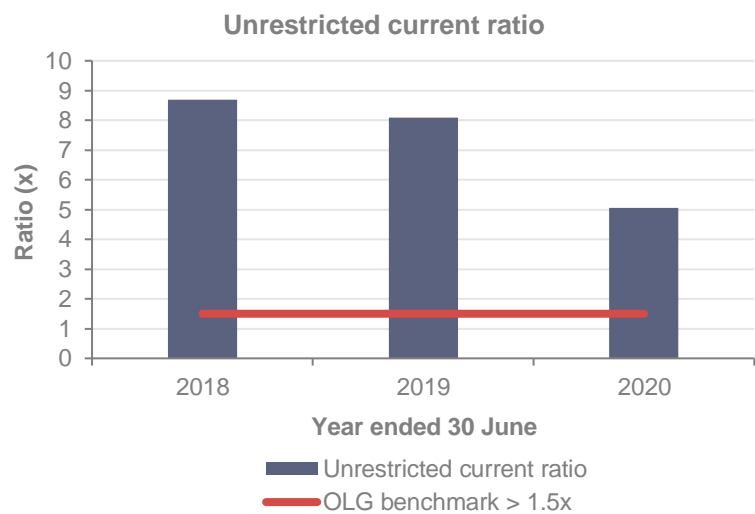


Unrestricted current ratio

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

The Council exceeded the OLG benchmark for the past three years.

This ratio indicates that Council currently has \$5.06 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

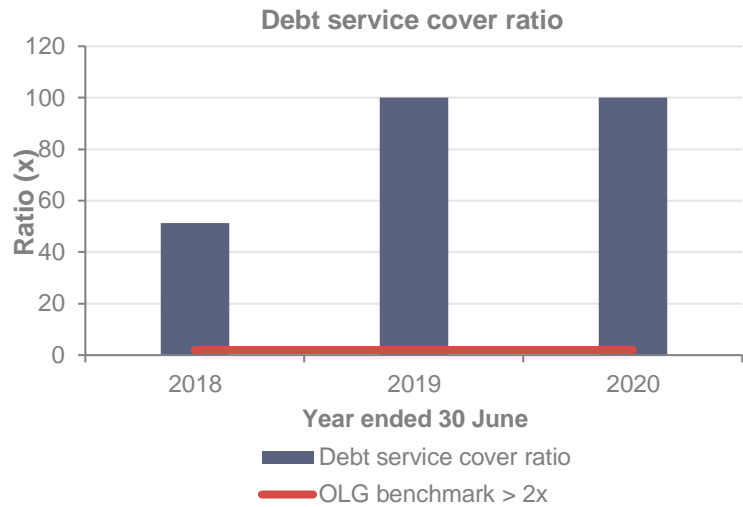


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the past three years.

The Council has no external borrowings.

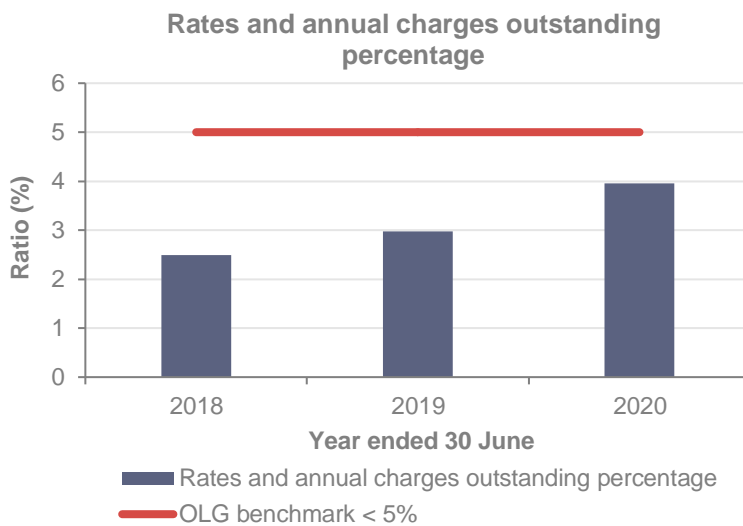


Rates and annual charges outstanding percentage

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

The Council exceeded the OLG benchmark for the past three years.

This ratio has been impacted primarily by the economic conditions resulting from the COVID-19 pandemic.

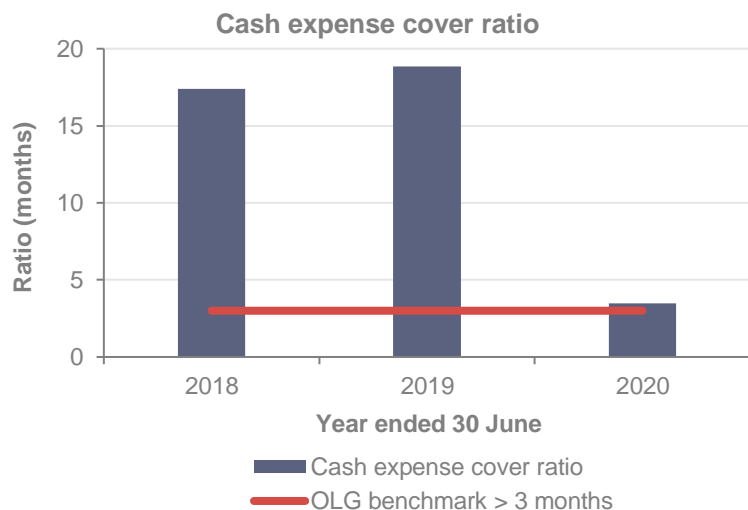


Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the past three years.

This indicates that Council had the capacity to cover 3.5 months of cash expenditure without additional cash inflows at 30 June 2020.



Infrastructure, property, plant and equipment renewals

The Council had asset renewals of \$3.2 million in the 2020 financial year as against \$0.6 million in the prior year.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program. The majority of the asset renewals expenditure was within the other roads assets and Capital work in progress categories.

Asset renewals were \$3.2 million compared to the depreciation charge of \$2.4 million which indicates the Council is renewing its assets faster than they are depreciating in the current year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$1.0 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council does not recognise right-of-use assets and lease liabilities as Council does not have material items which it leases.

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

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.



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

cc: Cllr Ross Williams, Mayor
Mr Brian Robertson, Chair of the Audit and Risk Committee
Maria Kenny, Director Finance and Corporate Strategy
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 2020



Special Schedules

for the year ended 30 June 2020

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	9,519	8,659
Plus or minus adjustments ²	b	14	2
Notional general income	c = a + b	9,533	8,661
Permissible income calculation			
Special variation percentage ³	d	0.00%	9.74%
Or rate peg percentage	e	2.60%	0.00%
Plus special variation amount	h = d x (c + g)	–	844
Or plus rate peg amount	i = e x (c + g)	248	–
Sub-total	k = (c + g + h + i + j)	9,781	9,505
Plus (or minus) last year's carry forward total	l	(13)	14
Less valuation objections claimed in the previous year	m	(1)	–
Sub-total	n = (l + m)	(14)	14
Total permissible income	o = k + n	9,767	9,519
Less notional general income yield	p	9,754	9,519
Catch-up or (excess) result	q = o – p	12	(1)
Plus income lost due to valuation objections claimed ⁴	r	1	1
Carry forward to next year ⁵	t = q + r + s	13	–

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

Council of the Municipality of Hunters Hill

To the Councillors of the Council of the Municipality of Hunters Hill

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Council of the Municipality of Hunters Hill (the Council) for the year ending 30 June 2021.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

19 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 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 level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices/ Administration Centres	381	1	68	90	3,078	5,444	4.0%	44.0%	45.0%	7.0%	0.0%
	Council Works Depot	294	–	26	63	509	1,042	14.0%	4.0%	53.0%	28.0%	1.0%
	Council Public Halls	3,193	650	288	120	4,875	10,577	7.0%	18.0%	45.0%	24.0%	6.0%
	Other Buildings	668	122	95	289	5,247	8,842	15.0%	45.0%	32.0%	6.0%	2.0%
	Sub-total	4,536	773	477	562	13,708	25,905	9.4%	32.1%	40.9%	14.4%	3.2%
Other structures	Other structures	1,329	365	276	25	9,433	15,971	1.0%	30.0%	61.0%	6.0%	2.0%
	Sub-total	1,329	365	276	25	9,433	15,971	1.0%	30.0%	61.0%	6.0%	2.0%
Roads	Sealed roads	2,375	3,970	507	1,322	47,260	66,429	10.0%	55.0%	30.0%	5.0%	0.0%
	Footpaths	276	7	187	242	8,884	13,244	5.0%	29.0%	63.0%	3.0%	0.0%
	Kerb and guttering	107	124	242	13	13,035	18,625	0.0%	36.0%	64.0%	0.0%	0.0%
	Other road assets	–	–	–	6	1,561	1,873	78.0%	22.0%	0.0%	0.0%	0.0%
	Sub-total	2,758	4,101	936	1,583	70,740	100,171	8.8%	47.4%	40.1%	3.7%	0.0%
Stormwater drainage	Stormwater drainage	112	131	394	174	15,232	23,329	17.0%	1.0%	82.0%	0.0%	0.0%
	Sub-total	112	131	394	174	15,232	23,329	17.0%	1.0%	82.0%	0.0%	0.0%
TOTAL - ALL ASSETS		8,735	5,370	2,083	2,344	109,113	165,376	9.3%	36.8%	48.2%	5.1%	0.7%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator 2020	Prior periods		Benchmark
	2020		2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	1,212	56.85%	26.38%	36.36%	>=100.00%
Depreciation, amortisation and impairment	2,132				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	8,735	7.72%	8.23%	2.04%	<2.00%
Net carrying amount of infrastructure assets	113,096				
Asset maintenance ratio					
Actual asset maintenance	2,344	112.53%	37.27%	78.62%	>100.00%
Required asset maintenance	2,083				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,370	3.25%	22.50%	3.23%	
Gross replacement cost	165,376				

(*) 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.