



Hawkesbury City Council

Attachment 1  
to  
item 181

General Purpose Financial  
Statements and Special Purpose  
Financial Statements for the year  
ended 30 June 2019

date of meeting: 24 September 2019  
location: council chambers  
time: 6:30 p.m.





HAWKESBURY CITY COUNCIL  
**FINANCIAL STATEMENTS**  
for the year ended 30 June 2019

*The Hawkesbury 2036...It's Our Future*

**General Purpose  
Special Purpose  
Special Schedules**





# Hawkesbury City Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*Hawkesbury City Council leading and working with our  
community to create a healthy and resilient future*



# Hawkesbury City Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*Hawkesbury City Council leading and working with our  
community to create a healthy and resilient future*

# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

366 George Street  
WINDSOR NSW 2756

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

# Hawkesbury City Council

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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



## General Purpose Financial Statements

for the year ended 30 June 2019

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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 24 September 2019.

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Councillor Barry Calvert  
**Mayor**  
24 September 2019

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Councillor Mary Lyons-Buckett  
**Deputy Mayor**  
24 September 2019

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Ms Linda Perrine  
**Acting General Manager**  
24 September 2019

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Ms Emma Galea  
**Responsible Accounting Officer**  
24 September 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
56,834	Rates and annual charges	3a	57,453	52,906
7,154	User charges and fees	3b	6,912	7,021
1,569	Interest and investment revenue	3c	1,768	1,520
4,396	Other revenues	3d	4,907	4,379
6,487	Grants and contributions provided for operating purposes	3e, 3f	11,093	7,217
6,235	Grants and contributions provided for capital purposes	3e, 3f	22,963	19,052
<u>Other income:</u>				
–	Fair value increment on investment properties		2,264	2,104
265	Net share of interests in joint ventures and associates using the equity method	16	262	304
<b>82,940</b>	<b>Total income from continuing operations</b>		<b>107,622</b>	<b>94,503</b>
<b>Expenses from continuing operations</b>				
28,431	Employee benefits and on-costs	4a	29,221	27,013
303	Borrowing costs	4b	305	364
18,484	Materials and contracts	4c	19,312	17,690
19,214	Depreciation and amortisation	4d	18,640	19,485
13,555	Other expenses	4e	11,562	11,390
–	Net losses from the disposal of assets	5	300	97
–	Revaluation decrement / impairment of IPP&E	4d	–	178
<b>79,987</b>	<b>Total expenses from continuing operations</b>		<b>79,340</b>	<b>76,217</b>
<b>2,953</b>	<b>Operating result from continuing operations</b>		<b>28,282</b>	<b>18,286</b>
<b>2,953</b>	<b>Net operating result for the year</b>		<b>28,282</b>	<b>18,286</b>
2,953	Net operating result attributable to council		28,282	18,286
<b>(3,282)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>5,319</b>	<b>(766)</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>Net operating result for the year (as per Income Statement)</b>		<b>28,282</b>	<b>18,286</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	190	47,466
Other movements - net movement in Hawkesbury Sports Council Equity		184	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>374</b>	<b>47,466</b>
<b>Total other comprehensive income for the year</b>		<b>374</b>	<b>47,466</b>
<b>Total comprehensive income for the year</b>		<b>28,656</b>	<b>65,752</b>
Total comprehensive income attributable to Council		28,656	65,752

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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



## Statement of Financial Position

as at 30 June 2019

	Notes	Actual 2019 \$ '000	Restated Actual 2018 <sup>1</sup> \$ '000	Restated Actual 1 July 2017 \$ '000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalent assets	6(a)	14,063	5,341	5,233
Investments	6(b)	51,000	53,500	38,800
Receivables	7	6,849	5,940	6,599
Inventories	8a	271	216	287
Other	8b	815	1,004	836
<b>Total current assets</b>		<b>72,998</b>	<b>66,001</b>	<b>51,755</b>
<b>Non-current assets</b>				
Receivables	7	–	1,079	1,051
Infrastructure, property, plant and equipment	9(a)	989,683	966,149	919,168
Investment property	10a	49,630	47,271	41,655
Intangible assets	11	338	242	471
Investments accounted for using the equity method	16	3,491	3,229	2,538
<b>Total non-current assets</b>		<b>1,043,142</b>	<b>1,017,970</b>	<b>964,883</b>
<b>TOTAL ASSETS</b>		<b>1,116,140</b>	<b>1,083,971</b>	<b>1,016,638</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	12	10,470	10,192	7,967
Borrowings	12	867	751	850
Provisions	13	9,740	10,367	8,812
<b>Total current liabilities</b>		<b>21,077</b>	<b>21,310</b>	<b>17,629</b>
<b>Non-current liabilities</b>				
Borrowings	12	1,979	2,982	4,506
Provisions	13	11,226	6,477	2,914
<b>Total non-current liabilities</b>		<b>13,205</b>	<b>9,459</b>	<b>7,420</b>
<b>TOTAL LIABILITIES</b>		<b>34,282</b>	<b>30,769</b>	<b>25,049</b>
<b>Net assets</b>		<b>1,081,858</b>	<b>1,053,202</b>	<b>991,589</b>
<b>EQUITY</b>				
Accumulated surplus	14a	469,951	441,485	423,199
Revaluation reserves	14a	611,907	611,717	568,390
<b>Council equity interest</b>		<b>1,081,858</b>	<b>1,053,202</b>	<b>991,589</b>
<b>Total equity</b>		<b>1,081,858</b>	<b>1,053,202</b>	<b>991,589</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*. The restatement referred above relates to the recognition of \$8.6M of Rural Fire assets. Please refer to Note 14.

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

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

	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance		441,485	611,717	1,053,202	414,587	564,251	978,838
Correction of prior period errors	14b	–	–	–	8,612	–	8,612
<b>Restated opening balance</b>		<b>441,485</b>	<b>611,717</b>	<b>1,053,202</b>	<b>423,199</b>	<b>564,251</b>	<b>987,450</b>
Net operating result for the year		28,282	–	28,282	18,286	–	18,286
<b>Restated net operating result for the period</b>		<b>28,282</b>	<b>–</b>	<b>28,282</b>	<b>18,286</b>	<b>–</b>	<b>18,286</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	190	190	–	47,466	47,466
– Other reserves movements		184	–	184	–	–	–
<b>Other comprehensive income</b>		<b>184</b>	<b>190</b>	<b>374</b>	<b>–</b>	<b>47,466</b>	<b>47,466</b>
<b>Total comprehensive income</b>		<b>28,466</b>	<b>190</b>	<b>28,656</b>	<b>18,286</b>	<b>47,466</b>	<b>65,752</b>
<b>Equity – balance at end of the reporting period</b>		<b>469,951</b>	<b>611,907</b>	<b>1,081,858</b>	<b>441,485</b>	<b>611,717</b>	<b>1,053,202</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*. The restatement referred above relates to the recognition of \$8.6M of Rural Fire assets. Please refer to Note 14.

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

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Actual 2019 \$ '000	Actual 2018 \$ '000
	Notes		
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
53,992	Rates and annual charges	56,642	52,168
7,082	User charges and fees	7,129	7,390
1,569	Investment and interest revenue received	1,855	1,394
11,258	Grants and contributions	16,379	18,031
–	Bonds, deposits and retention amounts received	107	261
4,352	Other	4,810	8,114
<u>Payments</u>			
(27,578)	Employee benefits and on-costs	(28,599)	(26,773)
(18,299)	Materials and contracts	(19,074)	(18,812)
(251)	Borrowing costs	(161)	(191)
(13,419)	Other	(8,092)	(10,059)
18,706	<b>Net cash provided (or used in) operating activities</b>	30,996	31,523
	15b		
<b>Cash flows from investing activities</b>			
<u>Receipts</u>			
–	Sale of investment securities	23,700	15,500
–	Sale of investment property	–	303
1,496	Sale of infrastructure, property, plant and equipment	1,001	1,134
<u>Payments</u>			
–	Purchase of investment securities	(21,200)	(43,789)
–	Purchase of investment property	(95)	(139)
(23,577)	Purchase of infrastructure, property, plant and equipment	(24,441)	(17,480)
–	Purchase of intangible assets	(305)	(207)
(22,081)	<b>Net cash provided (or used in) investing activities</b>	(21,340)	(44,678)
<b>Cash flows from financing activities</b>			
<u>Receipts</u>			
2,990	Proceeds from borrowings and advances	–	–
<u>Payments</u>			
(1,107)	Repayment of borrowings and advances	(934)	(904)
1,883	<b>Net cash flow provided (used in) financing activities</b>	(934)	(904)
(1,492)	<b>Net increase/(decrease) in cash and cash equivalents</b>	8,722	(14,059)
5,341	Plus: cash and cash equivalents – beginning of year	5,341	19,400
3,849	<b>Cash and cash equivalents – end of the year</b>	14,063	5,341
	15a		
Additional Information:			
–	plus: Investments on hand – end of year	51,000	53,500
3,849	<b>Total cash, cash equivalents and investments</b>	65,063	58,841
	6(b)		

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

#### (b) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 10
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iii) estimated tip remediation provisions – refer Note 13
- (iv) employee benefit provisions – refer Note 13.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

(i) Impairment of receivables

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

#### 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.

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

- General purpose operations
- Sewerage service
- Hawkesbury Sports Council Incorporated

##### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

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

##### 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 2019 reporting periods (and which have not been early adopted by Council).

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

##### AASB 16 Leases

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

Under the new standard, a financial liability (ie. a lease liability) and an asset (i.e. 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.



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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 July 2019).

Leases affected by the new standard, relate to the leasing of IT equipment. For those contracts, council will have to report \$518K of right-of use assets and \$517K worth of lease liability as at 30 June 2020. The total effect on the Income Statement for the year ended 30 June 2020 will be approximately \$198K, which will be split between interest expense (\$18K) and amortisation of right-of use assets (\$180K).

#### **AASB 15 Revenue from Contracts with Customers and associated amending standards**

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

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

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

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

Based on a comprehensive analysis of council's income streams, the impact of AASB15 is not expected to be material. The majority of income streams subject to requirements of AASB 15 in the next year will have the same treatment as under existing AASB 118 Revenue.

Following a comprehensive review of all existing and future council's income streams, council does not expect a significant impact on financial reporting in the following year.

#### **AASB 1058 Income of Not For Profit 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.

Based on our review, council will have to recognise \$127K of liability on transition date. The liability represents the amount of unsatisfied performance obligations as at 30 June 2019 for uncompleted grants (contracts). This income will be accounted for under AASB 1058 with income recognised when the performance obligation is satisfied. This liability will be settled through recognition of income once the performance obligation is satisfied in 2020 financial year.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Furthermore, another \$250K of unspent grants as at 30 June 2019 will be recognised as liability on transition date. However, \$230K will never be reflected as income due to the fact that council is acting as an agent on behalf of a grant provider. The liability will be settled through cash payment to recipients of the grant money.

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.

In line with 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.

The implementation of this standard will increase disclosure requirements only and will not materially impact upon Council's financial performance or position.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018. Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	6	10	614	720	(608)	(710)	–	–	904	140
Our Leadership	48,307	44,648	7,905	8,268	40,402	36,380	2,723	2,761	89,635	73,660
Our Community	1,919	1,658	7,970	7,416	(6,051)	(5,758)	843	656	26,132	15,348
Our Environment	835	1,739	2,084	1,903	(1,249)	(164)	172	84	3,646	4,063
Our Assets	52,323	45,923	58,447	55,523	(6,124)	(9,600)	3,662	6,209	988,680	990,524
Our Future	4,232	525	2,320	2,387	1,912	(1,862)	3,999	28	7,143	236
<b>Total functions and activities</b>	<b>107,622</b>	<b>94,503</b>	<b>79,340</b>	<b>76,217</b>	<b>28,282</b>	<b>18,286</b>	<b>11,399</b>	<b>9,738</b>	<b>1,116,140</b>	<b>1,083,971</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **Governance**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure and legislative compliance.

#### **Our Leadership**

Be a respected civic leader through consistent, transparent and engaged decision making that the community can understand.

#### **Our Community**

Partner with our community and key service providers to deliver outcomes that support a connected, health and inclusive Hawkesbury.

#### **Our Environment**

Through leadership, stewardship and education, ensure that our natural and built environment is protected and enhanced for current community and for future generations.

#### **Our Assets**

Provide, upgrade and maintain assets to support our community.

#### **Our Future**

Be a place that is vibrant, attractive and welcoming that treasures and celebrates our shared history, environment, local economy and lifestyle.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	29,838	26,694
Farmland	1,459	1,377
Business	3,559	3,304
Less: pensioner rebates (mandatory)	(558)	(547)
<b>Rates levied to ratepayers</b>	<b>34,298</b>	<b>30,828</b>
Pensioner rate subsidies received	309	297
<b>Total ordinary rates</b>	<b>34,607</b>	<b>31,125</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	12,687	12,270
Stormwater management services	535	534
Sewerage services	7,139	6,651
Waste management services (non-domestic)	1,275	1,228
Section 611 charges	22	22
Less: pensioner rebates (mandatory)	(322)	(329)
Less: pensioner rebates (Council policy)	(376)	(342)
Sullage	1,709	1,567
<b>Annual charges levied</b>	<b>22,669</b>	<b>21,601</b>
Pensioner subsidies received:		
– Sewerage	40	41
– Domestic waste management	137	139
<b>Total annual charges</b>	<b>22,846</b>	<b>21,781</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>57,453</b>	<b>52,906</b>

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

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Sewerage services	1,077	953
Waste management services (non-domestic)	14	4
Sullage	330	337
<b>Total specific user charges</b>	<b>1,421</b>	<b>1,294</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	136	23
Planning and building regulation	1,235	1,829
Regulatory/ statutory fees	440	450
Registration fees	1	3
Section 10.7 certificates (EP&A Act)	225	257
Section 603 certificates	84	97
SMF inspection fees	259	176
<b>Total fees and charges – statutory/regulatory</b>	<b>2,380</b>	<b>2,835</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Caravan park	7	8
Cemeteries	262	327
Leaseback fees – Council vehicles	355	308
Park rents	147	151
Restoration charges	335	152
Swimming centre	213	218
Animal shelter income	722	696
Library, museum and gallery income	67	65
Vehicle inspection fees	–	2
Waste management facility	903	884
Other	100	81
<b>Total fees and charges – other</b>	<b>3,111</b>	<b>2,892</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>6,912</b>	<b>7,021</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	261	217
– Cash and investments	1,507	1,303
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,768</b>	<b>1,520</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	233	190
General Council cash and investments	932	597
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	273	331
– Section 7.12	96	100
– Section 64	77	64
Sewerage fund operations	76	98
Domestic waste management operations	37	85
Stormwater management	44	46
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	–	9
<b>Total interest and investment revenue</b>	<b>1,768</b>	<b>1,520</b>

**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
<b>(d) Other revenues</b>			
Rental income – investment property	10	2,033	1,876
Rental income – other council properties		454	439
Fines – parking		604	586
Fines – other		159	232
Legal fees recovery – rates and charges (extra charges)		119	151
Legal fees recovery – other		1	12
Insurance claims recoveries		444	261
Recycling income (non-domestic)		117	72
Sales – general		2	2
Agricultural income		13	12
External income		77	86
GST fuel rebates		133	151
NSW rural fire reimbursement		136	154
Nursery income		43	46
Private works printing income		9	12
Other		561	284
Vary LEP applications		2	3
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>4,907</u></b>	<b><u>4,379</u></b>

**Accounting policy for other revenue**

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Operating 2019 Actual \$ '000	Operating 2018 Actual \$ '000	Capital 2019 Actual \$ '000	Capital 2018 Actual \$ '000
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,326	1,359	–	–
Financial assistance – local roads component	848	845	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	1,397	1,402	–	–
Financial assistance – local roads component	856	872	–	–
<b>Total general purpose</b>	<b>4,427</b>	<b>4,478</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged care	39	59	–	–
Community care	42	41	–	–
Economic development	3,922	5	–	–
Environmental programs	129	2	2	22
Heritage and cultural	408	185	–	10
Library – per capita	150	161	–	–
LIRS subsidy	104	123	–	–
Noxious weeds	19	50	–	–
Recreation and culture	176	144	302	1,007
Storm/flood damage	–	11	–	–
Street lighting	168	164	–	–
Traffic route subsidy	17	11	–	–
Transport (roads to recovery)	–	–	–	1,458
Transport (other roads and bridges funding)	839	857	581	711
Public order and safety	74	69	–	170
<b>Total specific purpose</b>	<b>6,087</b>	<b>1,882</b>	<b>885</b>	<b>3,378</b>
<b>Total grants</b>	<b>10,514</b>	<b>6,360</b>	<b>885</b>	<b>3,378</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	4,554	4,517	–	1,629
– State funding	5,960	1,823	885	1,741
– Other funding	–	20	–	8
	<b>10,514</b>	<b>6,360</b>	<b>885</b>	<b>3,378</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Operating 2019 Actual \$ '000	Operating 2018 Actual \$ '000	Capital 2019 Actual \$ '000	Capital 2018 Actual \$ '000
Notes				
<b>(f) Contributions</b>				
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>				
<b>Cash contributions</b>				
S 7.4 – contributions using planning agreements	29	5	–	–
S 7.11 – contributions towards amenities/services	–	–	358	3,293
S 7.12 – fixed development consent levies	–	–	866	1,439
S 64 – sewerage service contributions	–	–	1,731	1,272
S 64 – stormwater contributions	–	–	220	434
<b>Total developer contributions – cash</b>	<b>29</b>	<b>5</b>	<b>3,175</b>	<b>6,438</b>
<b>Non-cash contributions</b>				
S 7.4 – contributions using planning agreements	–	–	17,540	45
S 7.11 – contributions towards amenities/services	–	–	496	8,171
S 7.12 – fixed development consent levies	–	–	44	681
S 64 - Stormwater Contributions	–	–	73	–
Other	–	–	298	–
<b>Total developer contributions non-cash</b>	<b>–</b>	<b>–</b>	<b>18,451</b>	<b>8,897</b>
<b>Total developer contributions</b>	<b>29</b>	<b>5</b>	<b>21,626</b>	<b>15,335</b>
	23			
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Bushfire services	–	–	313	164
Business development	28	229	–	1
Community services	–	4	118	69
Dedications	–	–	–	100
Dedications – subdivisions (other than by s7.11)	–	–	–	(33)
Drainage	–	7	–	–
Other councils – joint works/services	300	304	–	–
Recreation and culture	–	–	–	3
Roads and bridges	18	27	3	–
Other	–	18	–	–
Bushfire prevention	172	239	–	–
Fire and emergency services implementation	–	3	–	–
Parks contributions	–	1	18	35
Hawkesbury Sports Council	32	20	–	–
<b>Total other contributions – cash</b>	<b>550</b>	<b>852</b>	<b>452</b>	<b>339</b>
<b>Total other contributions</b>	<b>550</b>	<b>852</b>	<b>452</b>	<b>339</b>
<b>Total contributions</b>	<b>579</b>	<b>857</b>	<b>22,078</b>	<b>15,674</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>11,093</b>	<b>7,217</b>	<b>22,963</b>	<b>19,052</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

#### **Accounting policy for grants and contributions**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,602	2,317
<b>Add:</b> operating grants recognised in the current period but not yet spent	6,742	2,596
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(2,558)	(2,311)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>6,786</b>	<b>2,602</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	735	677
<b>Add:</b> capital grants recognised in the current period but not yet spent	216	518
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(582)	(460)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>369</b>	<b>735</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	14,756	8,756
<b>Add:</b> contributions recognised in the current period but not yet spent	3,574	6,818
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> 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	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(2,229)	(818)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>16,101</b>	<b>14,756</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	20,896	19,730
Employee termination costs (where material – other than vested leave paid)	–	156
Travel expenses	9	14
Employee leave entitlements (ELE)	4,832	4,177
Superannuation	2,724	2,552
Workers' compensation insurance	487	307
Fringe benefit tax (FBT)	74	69
Payroll tax	36	30
Training costs (other than salaries and wages)	263	201
Protective clothing	61	62
Other	14	16
<b>Total employee costs</b>	<b>29,396</b>	<b>27,314</b>
Less: capitalised costs	(175)	(301)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>29,221</b>	<b>27,013</b>
Number of 'full-time equivalent' employees (FTE) at year end	279	272
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	314	291

**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 18 for more information.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

Notes	2019 Actual \$ '000	2018 Actual \$ '000
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	159	189
<b>Total interest bearing liability costs expensed</b>	<b>159</b>	<b>189</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	13 97	106
Interest applicable on interest free (and favourable) loans to Council	47	69
Other Borrowing Costs	2	–
<b>Total other borrowing costs</b>	<b>146</b>	<b>175</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>305</b>	<b>364</b>

**Accounting policy for borrowing costs**

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 4. Expenses from continuing operations

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(c) Materials and contracts</b>		
Raw materials and consumables	1,760	1,270
– Cemeteries	89	84
– Community services	68	165
– Ferry operational	540	516
– Informational technology	188	207
– Internal Audit	117	179
– Other contractors	1,720	1,284
– Roads, parks and buildings	5,886	5,042
– Waste collection and disposal	6,290	6,350
– Sewer services	915	1,198
Auditors remuneration <sup>2</sup>	46	91
<b>Legal expenses:</b>		
– Legal expenses: planning and development	463	175
– Legal expenses: debt recovery	119	138
– Legal expenses: other	212	136
<b>Operating leases:</b>		
– Operating lease rentals: contingent rentals <sup>1</sup>	637	615
Other	262	240
<b>Total materials and contracts</b>	<b>19,312</b>	<b>17,690</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>19,312</b>	<b>17,690</b>

#### Accounting policy for operating leases

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

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

Computers	573	551
Other	64	64
	<b>637</b>	<b>615</b>

#### 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	33	80
<b>Remuneration for audit and other assurance services</b>	<b>33</b>	<b>80</b>
<b>Total Auditor-General remuneration *</b>	<b>33</b>	<b>80</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements (Hawkesbury Sports Council)	13	11
<b>Remuneration for audit and other assurance services</b>	<b>13</b>	<b>11</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>13</b>	<b>11</b>
<b>Total Auditor remuneration</b>	<b>46</b>	<b>91</b>

(\*) In order to adhere to accounting standards, only the services performed in the year have been recognised. When adjusting for the timing discrepancy, an additional \$56,200 would have been recognised, totalling \$88,700.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,816	1,207
Office equipment		107	121
Furniture and fittings		40	48
Land improvements (depreciable)		22	20
<b>Infrastructure:</b>			
– Buildings – non-specialised		504	769
– Buildings – specialised		2,722	3,811
– Other structures		380	546
– Roads		6,031	5,905
– Bridges		490	483
– Footpaths		328	304
– Stormwater drainage		1,945	1,895
– Sewerage network		2,028	1,983
– Swimming pools		138	155
– Other open space/recreational assets		1,402	1,554
<b>Other assets:</b>			
– Library books		261	259
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9(a), 13	217	218
Intangible assets	11	209	207
<b>Total gross depreciation and amortisation costs</b>		<b>18,640</b>	<b>19,485</b>
Total depreciation and amortisation costs		<b>18,640</b>	<b>19,485</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Land under roads (post 30/06/08)		–	178
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>178</b>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	178
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>18,640</u></b>	<b><u>19,663</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 4. Expenses from continuing operations (continued)

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

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible 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.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(e) Other expenses</b>		
Advertising	133	139
Bad and doubtful debts	166	214
Bank charges	194	174
Boundary road contribution	14	5
Computer software charges	779	801
Contributions/levies to other levels of government		
– Bushfire fighting fund	634	653
– Department of planning levy	88	85
– Emergency services levy (includes FRNSW, SES, and RFS levies)	90	106
– NSW fire brigade levy	148	153
– Waste S88 EPA contribution	3,250	3,431
– Other contributions/Regional Strategic Alliance	141	95
– Other contributions/levies	639	648
Councillor expenses – mayoral fee	42	44
Councillor expenses – councillors' fees	232	268
Councillors' expenses (incl. mayor) – other (excluding fees above)	39	48
Donations, contributions and assistance to other organisations (Section 356)	86	102
Electricity and heating	946	646
Fire control expenses	186	141
Gas	40	37
Insurance	1,039	905
Licences and subscriptions	205	219
Office expenses (including computer expenses)	35	43
Postage	189	188
Printing and stationery	89	95
Better Waste & Recycling Program	64	104
Sewerage treatment works operations	690	627
Stormwater – environmental	49	31
Street lighting	756	633
Telephone and communications	104	112
Valuation fees (rates)	162	156
Water	171	191
Other	162	296
<b>Total other expenses</b>	<b>11,562</b>	<b>11,390</b>
<b>TOTAL OTHER EXPENSES</b>	<b>11,562</b>	<b>11,390</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		918	989
Less: carrying amount of plant and equipment assets sold/written off		(1,259)	(1,010)
<b>Net gain/(loss) on disposal</b>		<b>(341)</b>	<b>(21)</b>
<b>Infrastructure</b>	9(a)		
Proceeds from disposal – infrastructure		77	128
Less: carrying amount of infrastructure assets sold/written off		(42)	(228)
<b>Net gain/(loss) on disposal</b>		<b>35</b>	<b>(100)</b>
<b>Investment properties</b>	10		
Proceeds from disposal – investment property		–	303
Less: carrying amount of investment property sold/written off		–	(284)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>19</b>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		23,700	15,500
Less: carrying amount of investments sold/redeemed/matured		(23,700)	(15,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Library Books</b>			
Proceeds from disposal – Library Books		6	7
<b>Net gain/(loss) on disposal</b>		<b>6</b>	<b>7</b>
<b>Operational Land</b>			
Proceeds from disposal – Operational land		–	6
Less: carrying amount of Operational land assets sold/written off		–	(12)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(6)</b>
<b>Other</b>			
Proceeds from disposal – Other		–	4
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>4</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(300)</b>	<b>(97)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

	2019 Actual \$ '000	2018 Actual \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	960	1,786
Cash-equivalent assets		
– Deposits at call	13,103	3,555
<b>Total cash and cash equivalents</b>	<b>14,063</b>	<b>5,341</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	51,000	–	53,500	–
<b>Total Investments</b>	<b>51,000</b>	<b>–</b>	<b>53,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>65,063</b>	<b>–</b>	<b>58,841</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	51,000	–	53,500	–
<b>Total</b>	<b>51,000</b>	<b>–</b>	<b>53,500</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### Accounting policy for investments

##### Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

##### Financial assets

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

##### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

##### Classification

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

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

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

##### (b) Held to maturity investments

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### **(c) Loans and receivables**

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

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

#### **(d) Available for sale financial assets**

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

#### **Recognition and de-recognition**

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

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

#### **Impairment of financial assets**

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

#### **Impairment of available for sale investments**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
Total cash, cash equivalents and investments	65,063	–	58,841	–
<b>attributable to:</b>				
External restrictions	33,551	–	26,808	–
Internal restrictions	17,192	–	20,296	–
Unrestricted	14,320	–	11,737	–
	65,063	–	58,841	–

	2019 Actual \$ '000	2018 Actual \$ '000
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## Details of restrictions

**External restrictions – other**

Developer contributions – general	14,294	14,424
Developer contributions – sewer fund	2,523	453
Specific purpose unexpended grants	7,155	3,025
Specific purpose unexpended contributions	619	751
Sewerage services	5,326	5,293
Domestic waste management	1,652	1,455
Stormwater management	1,982	1,407

**External restrictions – other**

	33,551	26,808
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**Total external restrictions**

	33,551	26,808
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**Internal restrictions**

Employees leave entitlement	1,465	1,465
Contingency	421	721
Election	241	141
Heritage	80	80
Information technology	560	517
Infrastructure projects	267	267
Legal	175	250
Risk management	157	173
Tip remediation and sullage	4,507	6,690
Unexpended contributions	17	56
Unspent work reserve/property	8,728	9,136
Workers compensation	574	800

**Total internal restrictions**

	17,192	20,296
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**TOTAL RESTRICTIONS**

	50,743	47,104
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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Purpose</b>				
Rates and annual charges	3,748	–	1,959	978
Interest and extra charges	218	–	197	–
User charges and fees	1,664	–	1,618	101
Private works	(1)	–	(2)	–
Accrued revenues				
– Interest on investments	474	–	582	–
Government grants and subsidies	735	–	1,509	–
Net GST receivable	530	–	433	–
<b>Total</b>	<b>7,368</b>	<b>–</b>	<b>6,296</b>	<b>1,079</b>
<b>Less: provision of impairment</b>				
User charges and fees	(519)	–	(356)	–
<b>Total provision for impairment – receivables</b>	<b>(519)</b>	<b>–</b>	<b>(356)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,849</b>	<b>–</b>	<b>5,940</b>	<b>1,079</b>
<b>Externally restricted receivables</b>				
<b>Sewerage services</b>				
– Rates and availability charges	417	–	329	–
– Other	428	–	84	–
<b>Domestic waste management</b>	<b>811</b>	<b>–</b>	<b>676</b>	<b>–</b>
<b>Total external restrictions</b>	<b>1,656</b>	<b>–</b>	<b>1,089</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>5,193</b>	<b>–</b>	<b>4,851</b>	<b>1,079</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,849</b>	<b>–</b>	<b>5,940</b>	<b>1,079</b>

	2019 Actual \$ '000	2018 Actual \$ '000
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	356	152
+ new provisions recognised during the year	163	204
<b>Balance at the end of the period</b>	<b>519</b>	<b>356</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

On initial recognition of the asset, an estimate of the 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.

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 where the costs of recovery exceed the amount to be collected.

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

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	271	–	216	–
<b>Total inventories at cost</b>	<b>271</b>	<b>–</b>	<b>216</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>271</b>	<b>–</b>	<b>216</b>	<b>–</b>

**(b) Other assets**

Prepayments	815	–	1,004	–
<b>TOTAL OTHER ASSETS</b>	<b>815</b>	<b>–</b>	<b>1,004</b>	<b>–</b>

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Total externally restricted assets</b>	–	–	–	–
<b>Total internally restricted assets</b>	–	–	–	–
<b>Total unrestricted assets</b>	<b>1,086</b>	<b>–</b>	<b>1,220</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>1,086</b>	<b>–</b>	<b>1,220</b>	<b>–</b>

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

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

	2019 Actual \$ '000	2018 Actual \$ '000
Other (Salaries prepayment)	135	–
	<b>135</b>	<b>–</b>

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

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

**Inventory held for distribution**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets (continued)

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#### **Land held for resale/capitalisation of borrowing costs**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9(a). Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	8,070	–	8,070	–	9,576	–	–	(9,159)	–	8,487	–	8,487
Plant and equipment	24,332	(6,669)	17,663	–	3,964	(1,258)	(1,816)	–	190	28,545	(9,802)	18,743
Office equipment	2,626	(2,221)	405	–	75	(1)	(107)	22	–	2,720	(2,326)	394
Furniture and fittings	1,938	(1,678)	260	–	18	–	(40)	–	–	1,953	(1,715)	238
<b>Land:</b>												
– Operational land	84,891	–	84,891	–	186	–	–	–	–	85,077	–	85,077
– Community land	81,990	–	81,990	4	–	(14)	–	–	–	81,980	–	81,980
– Land under roads (post 30/6/08)	12,069	–	12,069	–	4,457	–	–	1	–	16,527	–	16,527
Land improvements – non-depreciable	1,068	–	1,068	–	151	–	–	–	–	1,219	–	1,219
Land improvements – depreciable	4,859	(4,258)	601	–	242	–	(22)	127	–	5,228	(4,280)	948
<b>Infrastructure:</b>												
– Buildings – non-specialised	27,680	(13,241)	14,439	179	–	–	(504)	1	–	27,996	(13,881)	14,115
– Buildings – specialised	137,530	(48,120)	89,410	58	27	–	(2,722)	304	–	137,783	(50,706)	87,077
– Other structures	13,487	(6,337)	7,150	45	27	(15)	(380)	51	–	13,574	(6,696)	6,878
– Roads	544,195	(183,408)	360,787	9,099	4,407	–	(6,031)	717	–	558,417	(189,438)	368,979
– Bridges	48,038	(16,074)	31,964	169	–	–	(490)	–	–	48,207	(16,564)	31,643
– Footpaths	22,148	(10,305)	11,843	191	1,957	–	(328)	29	–	24,324	(10,632)	13,692
– Stormwater drainage	204,005	(65,530)	138,475	6	5,398	–	(1,945)	–	–	209,411	(67,477)	141,934
– Sewerage network	171,371	(90,818)	80,553	836	39	(13)	(2,028)	65	–	172,135	(92,683)	79,452
– Swimming pools	4,973	(2,719)	2,254	52	–	–	(138)	–	–	5,026	(2,858)	2,168
– Other open space/recreational assets	34,002	(14,647)	19,355	997	662	(1)	(1,402)	631	–	36,272	(16,030)	20,242
<b>Other assets:</b>												
– Heritage collections	1,007	–	1,007	–	6	–	–	–	–	1,013	–	1,013
– Library books	3,140	(2,368)	772	–	249	–	(261)	–	–	3,084	(2,324)	760
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>												
– Tip assets	1,929	(806)	1,123	–	–	–	(217)	7,211	–	9,141	(1,024)	8,117
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,435,348</b>	<b>(469,199)</b>	<b>966,149</b>	<b>11,636</b>	<b>31,441</b>	<b>(1,302)</b>	<b>(18,431)</b>	<b>–</b>	<b>190</b>	<b>1,478,119</b>	<b>(488,436)</b>	<b>989,683</b>

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



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

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

	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	11,085	–	11,085	–	5,116	–	–	–	(8,131)	–	8,070	–	8,070
Plant and equipment	23,526	(5,854)	17,672	–	2,190	(1,010)	(1,207)	–	18	–	24,332	(6,669)	17,663
Office equipment	2,561	(2,099)	462	33	31	–	(121)	–	–	–	2,626	(2,221)	405
Furniture and fittings	1,883	(1,626)	257	42	9	–	(48)	–	–	–	1,938	(1,678)	260
<b>Land:</b>													
– Operational land	69,834	–	69,834	–	–	(12)	–	–	–	15,069	84,891	–	84,891
– Community land	81,986	–	81,986	–	4	–	–	–	–	–	81,990	–	81,990
– Land under roads (post 30/6/08)	11,093	–	11,093	–	1,149	–	–	–	5	–	12,069	–	12,069
Land improvements – non-depreciable	1,068	–	1,068	–	–	–	–	–	–	–	1,068	–	1,068
Land improvements – depreciable	4,859	(4,238)	621	–	–	–	(20)	(178)	–	–	4,859	(4,258)	601
<b>Infrastructure:</b>													
– Buildings – non-specialised	24,165	(14,067)	10,098	–	155	–	(769)	–	50	4,905	27,680	(13,241)	14,439
– Buildings – specialised	119,267	(54,579)	64,688	885	263	(7)	(3,811)	–	2,165	25,227	137,530	(48,120)	89,410
– Other structures	13,455	(5,826)	7,629	17	50	–	(546)	–	–	–	13,487	(6,337)	7,150
– Roads	534,139	(177,503)	356,636	5,665	3,176	(7)	(5,905)	–	1,222	–	544,195	(183,408)	360,787
– Bridges	46,720	(15,712)	31,008	607	427	(116)	(483)	–	521	–	48,038	(16,074)	31,964
– Footpaths	20,528	(10,000)	10,528	301	1,167	–	(304)	–	151	–	22,148	(10,305)	11,843
– Stormwater drainage	197,350	(63,638)	133,712	2,402	1,860	–	(1,895)	–	2,396	–	204,005	(65,530)	138,475
– Sewerage network	167,593	(88,684)	78,909	425	70	(86)	(1,983)	–	1,603	1,615	171,371	(90,818)	80,553
– Swimming pools	4,971	(2,564)	2,407	–	2	–	(155)	–	–	–	4,973	(2,719)	2,254
– Other open space/recreational assets	33,350	(13,068)	20,282	23	4	–	(1,554)	–	–	600	34,002	(14,647)	19,355
<b>Other assets:</b>													
– Heritage collections	957	–	957	–	–	–	–	–	–	50	1,007	–	1,007
– Library books	3,693	(2,954)	739	–	292	–	(259)	–	–	–	3,140	(2,368)	772
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip assets	1,929	(588)	1,341	–	–	–	(218)	–	–	–	1,929	(806)	1,123
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,376,012</b>	<b>(463,000)</b>	<b>913,012</b>	<b>10,400</b>	<b>15,965</b>	<b>(1,238)</b>	<b>(19,278)</b>	<b>(178)</b>	<b>–</b>	<b>47,466</b>	<b>1,435,348</b>	<b>(469,199)</b>	<b>966,149</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

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

Land is not depreciated. 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:

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### **Land under roads**

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

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

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

#### **Crown reserves**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9(b). Externally restricted infrastructure, property, plant and equipment

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
<b>Water supply</b>						
Land						
<b>Total water supply</b>	–	–	–	–	–	–
<b>Sewerage services</b>						
WIP	1,345	–	1,345	134	–	134
Plant and equipment	926	336	590	846	248	598
Office equipment	263	124	139	258	111	147
Furniture and fittings	3	–	3	2	–	2
Land						
– Operational land	1,959	–	1,959	1,315	–	1,315
– Community land	7	–	7	7	–	7
Buildings	1,219	610	609	1,220	538	682
Other structures	362	193	169	334	180	154
Infrastructure	172,135	92,683	79,452	171,371	90,817	80,554
Other assets	9	–	9	79	51	28
<b>Total sewerage services</b>	<b>178,228</b>	<b>93,946</b>	<b>84,282</b>	<b>175,566</b>	<b>91,945</b>	<b>83,621</b>
<b>Domestic waste management</b>						
Plant and equipment	2,015	302	1,713	1,891	534	1,357
Land						
<b>Total DWM</b>	<b>2,015</b>	<b>302</b>	<b>1,713</b>	<b>1,891</b>	<b>534</b>	<b>1,357</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>180,243</b>	<b>94,248</b>	<b>85,995</b>	<b>177,457</b>	<b>92,479</b>	<b>84,978</b>

## Note 9(c). Infrastructure, property, plant and equipment – current year impairments

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
(i) Impairment losses recognised in the Income Statement:			
Impairment of Land Under Roads acquired for cash during 2016/2017		–	(178)
<b>Total impairment losses</b>		–	<b>(178)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4d	–	<b>(178)</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property

	2019 \$ '000	2018 \$ '000
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	49,630	47,271
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	47,271	45,312
– Capitalised expenditure – this year	95	139
– Disposals during year	–	(284)
– Net gain/(loss) from fair value adjustments	2,264	2,104
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>49,630</b>	<b>47,271</b>

**(b) Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2019 revaluations were based on independent assessments made by:  
Curtis Valuations Pty Ltd

**(c) Contractual obligations at reporting date**

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

**(d) Leasing arrangements – Council as lessor**

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	500	77
Later than 1 year but less than 5 years	630	721
Later than 5 years	243	122
<b>Total minimum lease payments receivable</b>	<b>1,373</b>	<b>920</b>

**(e) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	1,356	1,432
– Other income	677	444
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(449)	(241)
– that did not generate rental income	(351)	(326)
<b>Net revenue contribution from investment property</b>	<b>1,233</b>	<b>1,309</b>

plus:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
Fair value movement for year	2,264	2,104
<b>Total income attributable to investment property</b>	<b>3,497</b>	<b>3,413</b>

**Accounting policy for investment property**

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

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

## Note 11. Intangible assets

	2019 Actual \$ '000	2018 Actual \$ '000
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Intangible assets are as follows:

**Opening values at 1 July**

Gross book value	3,263	3,112
Accumulated amortisation	(3,021)	(2,870)
<b>Net book value – opening balance</b>	<b>242</b>	<b>242</b>

**Movements for the year**

– Purchases	306	207
– Amortisation charges	(209)	(207)

**Closing values at 30 June**

Gross book value	3,566	3,263
Accumulated amortisation	(3,228)	(3,021)

**TOTAL INTANGIBLE ASSETS – NET BOOK VALUE**

	<b>338</b>	<b>242</b>
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The net book value of intangible assets represents:

– Software	338	242
	<b>338</b>	<b>242</b>

**Accounting policy for intangible assets****IT development and software**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	7,136	–	6,843	–
Accrued expenses:				
– Other expenditure accruals	1,159	–	1,281	–
Security bonds, deposits and retentions	2,175	–	2,068	–
<b>Total payables</b>	<b>10,470</b>	<b>–</b>	<b>10,192</b>	<b>–</b>
<b>Borrowings</b>				
Loan – Sewer	376	–	400	328
Loan – LIRS	491	1,979	351	2,654
<b>Total borrowings</b>	<b>867</b>	<b>1,979</b>	<b>751</b>	<b>2,982</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>11,337</u></b>	<b><u>1,979</u></b>	<b><u>10,943</u></b>	<b><u>2,982</u></b>

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Sewer	752	–	400	328
Loan – LIRS	491	1,971	351	2,654
Payables and borrowings relating to externally restricted assets	1,243	1,971	751	2,982
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,243</b>	<b>1,971</b>	<b>751</b>	<b>2,982</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>10,094</b>	<b>8</b>	<b>10,192</b>	<b>–</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>11,337</u></b>	<b><u>1,979</u></b>	<b><u>10,943</u></b>	<b><u>2,982</u></b>

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(b) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
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	638	620
<b>Total payables and borrowings</b>	<b>638</b>	<b>620</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

## (c) Changes in liabilities arising from financing activities

	as at	Non-cash changes				as at
	30/6/2018					30/6/2019
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Loan – sewer	728	(400)	–	48	–	376
Loan – LIRS	3,005	(535)	–	–	–	2,470
<b>TOTAL</b>	<b>3,733</b>	<b>(935)</b>	<b>–</b>	<b>48</b>	<b>–</b>	<b>2,846</b>

	as at	Non-cash changes				as at
	30/6/2017					30/6/2018
	Opening Balance	Repayments	Acquisition	Interest	Other non-cash movements	Closing balance
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Loan – sewer	1,059	(400)	–	69	–	728
Loan – LIRS	3,509	(504)	–	–	–	3,005
<b>TOTAL</b>	<b>4,568</b>	<b>(904)</b>	<b>–</b>	<b>69</b>	<b>–</b>	<b>3,733</b>

	2019	2018
	Actual	Actual
	\$ '000	\$ '000

## (d) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	800	800
Credit cards/purchase cards	500	500
<b>Total financing arrangements</b>	<b>1,300</b>	<b>1,300</b>

## Drawn facilities as at balance date:

– Credit cards/purchase cards	–	12
<b>Total drawn financing arrangements</b>	<b>–</b>	<b>12</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	800	800
– Credit cards/purchase cards	500	488
<b>Total undrawn financing arrangements</b>	<b>1,300</b>	<b>1,288</b>

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

## Accounting policy for payables and borrowings

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Payables and borrowings (continued)

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#### **Payables**

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

#### **Borrowings**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	2,550	–	2,499	–
Sick leave	493	–	558	–
Long service leave	6,185	1,184	5,954	552
Leave in lieu	201	–	371	–
ELE on-costs	–	–	57	–
<b>Sub-total – aggregate employee benefits</b>	<b>9,429</b>	<b>1,184</b>	<b>9,439</b>	<b>552</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	183	9,571	820	5,535
<b>Sub-total – asset remediation/restoration</b>	<b>183</b>	<b>9,571</b>	<b>820</b>	<b>5,535</b>
<b>Other provisions</b>				
Self insurance – workers compensation	115	445	94	354
PPE Lease Liability	13	26	14	36
<b>Sub-total – other provisions</b>	<b>128</b>	<b>471</b>	<b>108</b>	<b>390</b>
<b>TOTAL PROVISIONS</b>	<b>9,740</b>	<b>11,226</b>	<b>10,367</b>	<b>6,477</b>

**(a) Provisions relating to restricted assets****Externally restricted assets**

Sewer	732	158	330	40
Domestic waste management	459	24	382	10
<b>Provisions relating to externally restricted assets</b>	<b>1,191</b>	<b>182</b>	<b>712</b>	<b>50</b>

**Internally restricted assets**

Waste Management Facility	183	9,572	820	5,535
Self insurance	115	445	94	354
<b>Provisions relating to internally restricted assets</b>	<b>298</b>	<b>10,017</b>	<b>914</b>	<b>5,889</b>

**Total provisions relating to restricted assets**

<b>Total provisions relating to restricted assets</b>	<b>1,489</b>	<b>10,199</b>	<b>1,626</b>	<b>5,939</b>
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**Total provisions relating to unrestricted assets**

<b>Total provisions relating to unrestricted assets</b>	<b>8,251</b>	<b>1,027</b>	<b>8,741</b>	<b>538</b>
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**TOTAL PROVISIONS**

<b>TOTAL PROVISIONS</b>	<b>9,740</b>	<b>11,226</b>	<b>10,367</b>	<b>6,477</b>
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	2019 Actual \$ '000	2018 Actual \$ '000
<b>(b) Current provisions not anticipated to be settled within the next twelve months</b>		

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

Provisions – employees benefits	6,224	6,216
	<b>6,224</b>	<b>6,216</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions (continued)

## (c) Description of and movements in provisions

	ELE provisions					Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	Other employee benefits \$ '000	
<b>2019</b>						
At beginning of year	2,499	558	6,506	57	371	9,991
Other	51	(65)	863	(57)	(130)	662
Total ELE provisions at end of period	2,550	493	7,369	–	241	10,653
<b>2018</b>						
At beginning of year	2,407	600	6,352	61	331	9,751
Other	92	(42)	154	(4)	40	240
Total ELE provisions at end of period	2,499	558	6,506	57	371	9,991

	Other provisions			Total Actual \$ '000
	PPE Lease Liability \$ '000	Self insurance \$ '000	Asset remediation \$ '000	
<b>2019</b>				
At beginning of year	50	448	6,355	6,853
Additional provisions	–	112	6,335	6,447
Amounts used (payments)	(11)	–	–	(11)
Unwinding of discount	–	–	97	97
Other	–	–	(3,033)	(3,033)
Total other provisions at end of period	39	560	9,754	10,353
<b>2018</b>				
At beginning of year	–	308	4,098	4,406
Additional provisions	50	140	2,153	2,343
Unwinding of discount	–	–	104	104
Total other provisions at end of period	50	448	6,355	6,853

## Nature and purpose of non-employee benefit provisions

**Asset remediation**

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

**Self-insurance**

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

#### **Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. 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) Correction of errors relating to a previous reporting period

**Nature of prior-period error**

The NSW Audit Office has directed Council to recognise a range of vehicles used by the Rural Fire Service as Council assets. The impact of recognising these assets is an increase of \$8.6M to Property, Plant and Equipment assets within the Statement of Financial Position.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

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

**Changes to the opening Statement of Financial Position at 1 July 2017****Statement of Financial Position**

	Original Balance 1 July, 2017 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2017 \$ '000
Property, Plant and Equipment	14,914	8,804	23,718
<b>Total Assets</b>	1,008,026	8,804	1,016,830
<b>Total Liabilities</b>	25,049	–	25,049
Retained Earnings	414,587	8,804	423,391
<b>Total Equity</b>	982,977	8,804	991,781

**Adjustments to the comparative figures for the year ended 30 June 2018****Statement of Financial Position**

	Original Balance 30 June, 2018 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2018 \$ '000
Property, Plant and Equipment	9,051	8,804	17,855
<b>Total Assets</b>	1,075,359	8,804	1,084,163
<b>Total Liabilities</b>	30,769	–	30,769
Retained Earnings	432,873	8,804	441,677
<b>Total Equity</b>	1,044,590	8,804	1,053,394

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

#### **Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

#### **Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****Transition adjustments**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Cash and Cash Equivalents	Cost	Cost	5,341	–	–	5,341
Term Deposits	Held to Maturity	Amortised Cost	53,500	–	–	53,500
Trade and Other Receivables	Loans and Receivables	Amortised Cost	6,586	–	–	6,586
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>65,427</b>	<b>–</b>	<b>–</b>	<b>65,427</b>
<b>Financial liabilities</b>						
Payables	Amortised Cost	Amortised Cost	10,192	–	–	10,192
Borrowings	Amortised Cost	Amortised Cost	3,733	–	–	3,733
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>13,925</b>	<b>–</b>	<b>–</b>	<b>13,925</b>

**Notes to the table above****Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Statement of cash flows - additional information

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	14,063	5,341
<b>Balance as per the Statement of Cash Flows</b>		<b>14,063</b>	<b>5,341</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		28,282	18,286
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		18,640	19,485
Net losses/(gains) on disposal of assets		300	97
Non-cash capital grants and contributions		(18,451)	(8,897)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(2,264)	(2,104)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	178
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		47	69
Unwinding of discount rates on reinstatement provisions		97	104
Share of net (profits)/losses of associates/joint ventures using the equity method		(262)	(304)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		7	(245)
Increase/(decrease) in provision for impairment of receivables		163	204
Decrease/(increase) in inventories		(55)	(52)
Decrease/(increase) in other current assets		189	(231)
Increase/(decrease) in payables		293	1,885
Increase/(decrease) in other accrued expenses payable		(122)	204
Increase/(decrease) in other liabilities		107	261
Increase/(decrease) in provision for employee benefits		622	240
Increase/(decrease) in other provisions		3,403	2,343
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>30,996</b>	<b>31,523</b>
<b>(c) Non-cash investing and financing activities</b>			
Developer contributions 'in kind'		18,451	8,897
<b>Total non-cash investing and financing activities</b>		<b>18,451</b>	<b>8,897</b>
<b>(d) Net cash flows attributable to discontinued operations</b>			

Please refer to Note 22 for details of cash flows that relate to discontinued operations

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2019 Actual	2018 Actual	2019 Actual	2018 Actual
Joint ventures	262	304	3,491	3,229
<b>Total</b>	<b>262</b>	<b>304</b>	<b>3,491</b>	<b>3,229</b>

## (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Name of Operation/Entity	Principal activity	Actual
<b>Hawkesbury Sports Council</b>	Sports & Sporting Recreation 2 Stewart Street, SOUTH WINDSOR NSW 2756	

Interests in Subsidiary	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	10%	10%
Non-controlling interest in Subsidiary	–	–	90%	90%

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

As HSC is a subsidiary of Council, there are no significant restrictions relating to Cash & Investments of Other Assets.

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

Council has delegated the responsibility of the management of sporting facilities and associated auspiced Council funded services to the Hawkesbury Sports Council (HSC). The HSC is an incorporated association that operates autonomously via the entity's constitution. Council contributions, both financial and in-kind, support in the form of land and facilities to ensure adequate provision of sports services and facilities to the community.

As the function of HSC is to perform the functions and services delegated by Council, any financial loss incurred by HSC is borne by Council and recognised in the consolidated Financial Statements. As a mechanism to reduce the risk of financial losses and ensure that decisions made by HSC align with Council's operational and strategic objectives, Council representatives, being the Manager of Parks & Recreation and a nominated Councillor, are invited to attend each meeting. As assets used by HSC are owned by Council, adequate insurance cover is included in Council's insurance policy portfolio to mitigate risks associated with loss or damage.

During 2018/2019, Council contributed \$807K for the operation of HSC and \$293K for capital improvements of facilities. Council currently intends to continue providing operational and capital financial contributions to HSC.

**Other disclosures**

Although Council has limited voting powers on the HSC executive, the existence of this entity is contingent on Council continuing to provide facilities, financial contributions and delegation for the management of its sporting facilities.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities (continued)

	2019 Actual	2018 Actual
<b>Summarised statement of comprehensive income</b>		
Revenue	969	941
Expenses	(1,051)	(1,053)
<b>Profit for the period</b>	<b>(82)</b>	<b>(112)</b>
<b>Total comprehensive income (1)</b>	<b>(82)</b>	<b>(112)</b>
<b>Summarised statement of financial position</b>		
Current assets	625	521
Non-current assets	134	128
<b>Total assets</b>	<b>759</b>	<b>649</b>
Current liabilities	93	81
<b>Total liabilities</b>	<b>93</b>	<b>81</b>
<b>Net assets (2)</b>	<b>666</b>	<b>568</b>

**Accounting policy for subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

**(b) 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**

	Nature of relationship	Measurement method	2019	2018
Civic Risk West	Joint venture	Equity method	3,169	2,768
Civic Risk Mutual	Joint venture	Equity method	322	461
<b>Total carrying amounts – material joint ventures</b>			<b>3,491</b>	<b>3,229</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities (continued)

	Principal activity	Place of business
<b>(b) Details</b>		
Civic Risk West	Self insurance provider for public liability and indemnity	Penrith
Civic Risk Mutual	Review Industrial Special Risk and Motor Risk	Penrith

**(c) Relevant interests and fair values**

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Civic Risk West	7.0%	7.0%	7.0%	7.0%	9.0%	10.0%
Civic Risk Mutual	5.0%	7.0%	5.0%	7.0%	6.0%	6.0%

**(d) Summarised financial information for joint ventures**

	Civic Risk West		Civic Risk Mutual	
	2019 Actual	2018 Actual	2019 Actual	2018 Actual
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	3,022	–	1,158
Other current assets	30,380	19,442	9,029	5,759
<b>Non-current assets</b>	36,521	41,740	5,368	5,989
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	–	6,111	–	2,690
Other current liabilities	7,397	720	5,173	299
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	12,116	15,612	2,279	1,448
<b>Net assets</b>	<b>47,388</b>	<b>41,761</b>	<b>6,945</b>	<b>8,469</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	41,761	37,976	8,469	6,490
Profit/(loss) for the period	5,627	5,913	(1,524)	1,979
Other adjustments to equity	–	(2,128)	–	–
<b>Closing net assets</b>	<b>47,388</b>	<b>41,761</b>	<b>6,945</b>	<b>8,469</b>
<b>Council's share of net assets (%)</b>	6.7%	6.6%	4.6%	5.4%
<b>Council's share of net assets (\$)</b>	3,169	2,769	322	461
<b>Statement of comprehensive income</b>				
Income	9,966	6,076	11,320	9,425
Interest income	–	3,261	448	419
Interest expense	–	(17)	–	–
Other expenses	(4,339)	(3,408)	(13,292)	(7,865)
<b>Profit/(loss) from continuing operations</b>	<b>5,627</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,979</b>
<b>Profit/(loss) for the period</b>	<b>5,627</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,979</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities (continued)

	Civic Risk West		Civic Risk Mutual	
	2019 Actual	2018 Actual	2019 Actual	2018 Actual
<b>Total comprehensive income</b>	5,627	5,912	(1,524)	1,979
<b>Share of income – Council (%)</b>	7.1%	4.5%	9.1%	2.0%
<b>Profit/(loss) – Council (\$)</b>	401	–	(139)	40
<b>Total comprehensive income – Council (\$)</b>	401	265	(139)	40
<b>Dividends received by Council</b>	–	143	–	–
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	–	49	–	903
Cash flows from investing activities	–	(4)	–	(250)
<b>Net increase (decrease) in cash and cash equivalents</b>	–	45	–	653

**(f) The nature and extent of significant restrictions relating to joint ventures**

There are restrictions on Westpool and UIP members to access equity to pay Council's liabilities, including:

- members must provide 12 months notice prior to leaving the pool; and
- equity is only returned to members after the capital adequacy thresholds have been met within the pool.

**Accounting policy for joint arrangements**

The council has determined that it has only joint ventures.

**Joint ventures:**

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Interests in other entities (continued)

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#### (c) Unconsolidated structured entities

Council did not consolidate the following structured entities:

##### **Hawkesbury River County Council**

A statutory body responsible for the management of priority weeds, covering the Hawkesbury, Penrith, Hills and Blacktown LGAs. HRCC earned \$1.5M of revenue and expended \$1.5M in 2018/2019 and holds \$2.3M of equity as at 30 June 2019.

##### **Nature of risks relating to the Unconsolidated Structured Entity**

Council contributed \$175,462 to HRCC in 2018/2019, which represented 11% of total revenue. Only 45% of revenue is sourced by constituent Councils, with the majority of income received being grants for the management of noxious weeds.

The HRCC operates within the boundaries of available revenue and therefore is deemed to be low risk. Council's involvement is limited to the contributions paid annually and is represented at board meetings by two Councillors.

##### **Current intention to provide financial support**

Council currently intends to continue providing financial contributions to HRCC.

##### **Western Sydney Organisation of Councils (WSROC)**

A regional body established to co-ordinate lobbying for Western Sydney, representing 10 councils, including HCC. Additionally, WSROC provides resource-sharing opportunities and joint project management co-ordination.

##### **Nature of risks relating to the Unconsolidated Structured Entity**

Council contributed \$88,000 to WSROC in 2018/2019. Council also participates in joint projects and programs when they arise, if they present a sound investment opportunity to council, but is not required to participate.

WSROC operates within the boundaries of contributions received from member Councils and therefore is deemed to be low risk. Council involvement is limited to the membership paid annually and is represented on the board by two Councillors.

##### **Current intention to provide financial support**

Council is currently reviewing its continued membership of WSROC.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	1,737	429
Plant and equipment	339	474
<b>Total commitments</b>	<b>2,076</b>	<b>903</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	2,076	903
<b>Total payable</b>	<b>2,076</b>	<b>903</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	1,286	409
Externally restricted reserves	696	478
Internally restricted reserves	94	16
<b>Total sources of funding</b>	<b>2,076</b>	<b>903</b>

**(b) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	400	325
Later than one year and not later than 5 years	729	199
<b>Total non-cancellable operating lease commitments</b>	<b>1,129</b>	<b>524</b>

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

Office rentals, including computer equipment and multi-purpose printers.

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

**Conditions relating to finance and operating leases:**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Contingencies and other assets/liabilities not recognised

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

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

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

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

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

*Description of the funding arrangements.*

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

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

Division B	1.9x times employee contributions, for non-180 point members; Nil for 180 point members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

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

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Contingencies and other assets/liabilities not recognised (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$658,281. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018 and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$326,521. Council's expected contribution to the plan for the next annual reporting period is \$577,778.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,799	
Past Service Liabilities	1,784	100.8%
Vested Benefits	1,792	100.4%

\* 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 \$624,800 as at 30 June 2019.

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

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.

**(iv) Other guarantees**

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

**2. Other liabilities****(i) Third party claims**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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#### **ASSETS NOT RECOGNISED**

##### **(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

##### **(ii) Infringement notices/fines**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Financial risk management

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#### 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

## (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.

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2019</b>				
Possible impact of a 1% movement in interest rates	651	651	(651)	(651)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	588	588	(588)	(588)

## (b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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.

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	2,930	251	263	304	3,748
<b>2018</b>						
Gross carrying amount	1,917	379	197	206	238	2,937

## Receivables - non-rates and annual charges

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	2,950	188	177	25	280	3,620
Expected loss rate (%)	8.49%	10.00%	15.00%	50.00%	75.00%	14.32%
<b>ECL provision</b>	<b>250</b>	<b>19</b>	<b>27</b>	<b>13</b>	<b>210</b>	<b>519</b>
<b>2018</b>						
Gross carrying amount	3,617	230	216	29	346	4,438
Expected loss rate (%)	0.74%	10.00%	15.00%	50.00%	75.00%	8.03%
<b>ECL provision</b>	<b>27</b>	<b>23</b>	<b>32</b>	<b>15</b>	<b>259</b>	<b>356</b>

## (c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2019</b>							
Trade/other payables	–	2,175	8,295	–	–	10,470	10,470
Loans and advances	5.82%	–	1,101	1,770	–	2,871	2,846
<b>Total financial liabilities</b>		<b>2,175</b>	<b>9,396</b>	<b>1,770</b>	<b>–</b>	<b>13,341</b>	<b>13,316</b>
<b>2018</b>							
Trade/other payables	–	2,068	8,124	–	–	10,192	10,192
Loans and advances	5.82%	–	1,102	3,016	–	4,118	3,733
<b>Total financial liabilities</b>		<b>2,068</b>	<b>9,226</b>	<b>3,016</b>	<b>–</b>	<b>14,310</b>	<b>13,925</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 12/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
<b>REVENUES</b>				
Rates and annual charges	56,834	57,453	619	1% <b>F</b>
User charges and fees	7,154	6,912	(242)	(3)% <b>U</b>
Interest and investment revenue	1,569	1,768	199	13% <b>F</b>
Investment revenue is more than the Original Budget due to high levels of funds invested than budgeted.				
Other revenues	4,396	4,907	511	12% <b>F</b>
Council received a number of insurance claim settlements that occurred as a result of unforeseen events, hence were not included in the Original Budget.				
Operating grants and contributions	6,487	11,093	4,606	71% <b>F</b>
Only known grants and contributions are included in the Original Budget. Additional grants and contributions were received during the year. Unknown grants included \$3.9M for the Liveability Grant from the Western Sydney City Deals.				
Capital grants and contributions	6,235	22,963	16,728	268% <b>F</b>
Only known grants are included in the Original Budget. Non cash dedications were greater than forecasted in the Original Budget, due to difficulties predicting development timing, with an additional \$17M received than forecasted.				
Fair value increment on investment property	–	2,264	2,264	∞ <b>F</b>
Fair value adjustments as a result of revaluation of investment property are not included in the Original Budget.				
Joint ventures and associates – net profits	265	262	(3)	(1)% <b>U</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	28,431	29,221	(790)	(3)% <b>U</b>
Borrowing costs	303	305	(2)	(1)% <b>U</b>
Materials and contracts	18,484	19,312	(828)	(4)% <b>U</b>
Depreciation and amortisation	19,214	18,640	574	3% <b>F</b>
Other expenses	13,555	11,562	1,993	15% <b>F</b>
The Original Budget is based on a range of assumptions, including the delivery of works and programs based on an assumed level of staffing and timing of works due to a range of factors. Tip Remediation works planned in 2018/19 were not undertaken. A range of vacancies also contributed to expenditure being less than projected.				

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----		
Net losses from disposal of assets	–	300	(300)	∞	U
Net losses from disposal of assets is not included in the Original Budget.					

## STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	18,706	30,996	12,290	66%	F
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The proportion of cash received for income was greater than projected. Only known grants and contributions received during the year were included in the Original Budget. Investment income greater than budgeted due to a higher level of funds invested. The impact of GST grossing up is not included in the Original Budget.

Net cash provided from (used in) investing activities	(22,081)	(21,340)	741	(3)%	F
Net cash provided from (used in) financing activities	1,883	(934)	(2,817)	(150)%	U

The Original Budget included the drawing down of an additional loan, which due to higher than projected cash levels, was not required during the financial year. This is a timing difference only. It is anticipated that these loan funds will be required during 2019/2020.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

2019	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	
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Investment Properties	30/06/19	–	49,630	–	49,630
<b>Total investment property</b>		<b>–</b>	<b>49,630</b>	<b>–</b>	<b>49,630</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational Land	30/06/18	–	85,077	–	85,077
Community Land	30/06/16	–	–	81,980	81,980
Land under road	30/06/14	–	–	16,527	16,527
Land Improvements – non depreciable	30/06/17	–	–	1,219	1,219
Land Improvements – depreciable	30/06/17	–	–	948	948
Buildings – Non Specialsied	30/06/18	–	–	14,115	14,115
Buildings – Specialised	30/06/18	–	–	87,077	87,077
Other Structure	30/06/17	–	–	6,878	6,878
Road, Bridges, Footpaths	30/06/15	–	–	414,314	414,314
Stormwater Drainage	30/06/15	–	–	141,934	141,934
Swimming Pools	30/06/17	–	–	2,168	2,168
Sewer Network	30/06/18	–	–	79,452	79,452
Other Open Space	30/06/17	–	–	20,242	20,242
Library books, Heritage & Tip	30/06/18	–	–	37,752	37,752
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>85,077</b>	<b>904,606</b>	<b>989,683</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

2018	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	
<b>Recurring fair value measurements</b>					
<b>Investment property</b>					
Investment Properties	30/06/18	–	47,271	–	47,271
<b>Total investment property</b>		–	<b>47,271</b>	–	<b>47,271</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational Land	30/06/18	–	84,891	–	84,891
Community Land	30/06/16	–	–	81,990	81,990
Land under road	30/06/14	–	–	12,069	12,069
Land Improvements – non depreciable	30/06/17	–	–	1,068	1,068
Land Improvements – depreciable	30/06/17	–	–	601	601
Buildings – Non Specialised	30/06/18	–	–	14,439	14,439
Buildings – Specialised	30/06/18	–	–	89,410	89,410
Other Structure	30/06/17	–	–	7,150	7,150
Road, Bridges, Footpaths	30/06/15	–	–	404,594	404,594
Stormwater Drainage	30/06/15	–	–	138,475	138,475
Swimming Pools	30/06/17	–	–	2,254	2,254
Sewer Network	30/06/15	–	–	80,553	80,553
Other Open Space	30/06/17	–	–	19,355	19,355
Library books, Heritage & Tip	30/06/17	–	–	8,612	8,612
<b>Total infrastructure, property, plant and equipment</b>		–	<b>84,891</b>	<b>881,258</b>	<b>966,149</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

#### (2) 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:

#### Financial assets

The Council's financial assets relate to investments in term deposits. The information included under note 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

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#### Financial liabilities

Council does not have any liabilities which are fair valued.

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#### Investment property

Council conducts indexation each year and a full revaluation is conducted every three year, and is classified as a Level 2 Fair Value. The full revaluation and indexation is done by independent and qualified valuers to determine the fair value of its investment properties.

The revaluation was conducted by Curtis Valuations Pty Limited as at 30 June 2019. The value of investment property was determined through either capitalisation of rental income or with reference to value of similar properties within the area. The key unobservable input to this valuation is rent, interest rate property value.

Council revalues investment properties every three years. The next revaluation is due during the 2021/2022 financial year.

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

##### **Buildings**

Council engages external, independent and qualified valuers to determine the fair value of Council's buildings. Buildings were last revalued as at June 2018 by Scott Fullarton Valuations Pty Ltd.

The valuer obtained the gross value of each building, by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input is the rate square per metre. Accordingly, this was benchmarked to construction costs of similar properties across the industry. Non-specialised buildings were valued at market value, having regard to "highest and best" use.

Council revalues the building every 5 years, the next revaluation is due for the 2022/2023 financial year.

##### **Operational Land**

Council engages external, independent and qualified valuer to determine the fair value of the council's operational land. Operational land was revalued on 30 June 2018 and fair values were determined by Scott Fullarton Valuation Pty Ltd.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to the description and dimensions of the land, Planning and other constraints on development and the potential for alternative use. In this regard, the valuer analysed sales of land throughout the subject and surrounding council area and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

Council revalues the operational land every five years, the next revaluation is due for 2022/2023 financial year.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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#### **Land under road**

Council conducted the revaluation for the land under road on 30 June 2014. Council used the valuer general's value to determine the fair value of the land under road assets.

Land under road has been determined using a discounted unit rate per square metre, derived from the Unimproved Land Value as determined by the Valuer General for rating purposes, discounted and is applied to the total square area.

Council revalues the land under road every 3 years in line with the Valuer General's revaluation schedule, which will be for the 2019/2020 financial year.

#### **Community Land**

Council conducted the revaluation for the community land on 30 June 2016. Council used the valuer general's value to determine the fair value of the community land.

Community land has been determined using a unit rate per square metre, derived from the Unimproved Land Value as determined by the Valuer General for rating purposes.

Council revalues the community land every 3 years in line with the Valuer General's revaluation schedule, which will be for the 2019/2020 financial year.

#### **Sewerage Network**

Council conducts indexation on asset values under this class every year and conducts full revaluation every five years. Council engages an external, independent and qualified valuer to conduct full revaluations.

The Sewerage network was last indexed in 2017/2018 financial year by the construction cost index rate, issued by NSW Office of Water. The fair value, last fully revalued in the 2014/2015 financial year, was determined based on asset replacement cost and condition of the assets. Council is currently undertaking a full revaluation due to identification of a potential material difference between the written down value and the likely fair value.

The next full revaluation is for the during the 2023/2024 financial year.

#### **Road, Bridges, Footpaths and Drainage**

Council conducts a full revaluation of the above assets every five years. The last revaluation was conducted during the 2014/2015 financial year, which was performed by council internal professional staff, consisting of qualified engineers.

The fair value of road assets was determined based on the replacement cost per square metre rate and condition of the asset. The fair value of footpaths and drainage assets were determined based on the replacement cost per square metre and condition of the asset. Replacement costs were used to determine the fair value of bridges. Replacement costs were based on the contract prices being incurred by Council.

Next full revaluation is for the 2019/2020 financial year.

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

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

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

	Community Land Actual \$ '000	Land under Roads Actual \$ '000	Land imp. non-dep. Actual \$ '000	Land imp. dep. Actual \$ '000	Buildings non-spec. Actual \$ '000
<b>2018</b>					
<b>Opening balance</b>	81,986	11,093	1,068	621	10,098
Transfers from/(to) another asset class	–	5	–	–	–
Purchases (GBV)	–	1,149	–	–	155
Depreciation and impairment	–	–	–	(20)	(557)
Impairment Loss	–	(178)	–	–	–
PY Capitalisation	4	–	–	–	50
Revaluation	–	–	–	–	4,693
<b>Closing balance</b>	<b>81,990</b>	<b>12,069</b>	<b>1,068</b>	<b>601</b>	<b>14,439</b>
<b>2019</b>					
<b>Opening balance</b>	81,990	12,069	1,068	601	14,439
Purchases (GBV)	4	4,457	151	242	179
Disposals (WDV)	(14)	–	–	–	–
Depreciation and impairment	–	–	–	(22)	(504)
PY Capitalisation	–	1	–	127	1
<b>Closing balance</b>	<b>81,980</b>	<b>16,527</b>	<b>1,219</b>	<b>948</b>	<b>14,115</b>
	Building specialised Actual \$ '000	Other structures Actual \$ '000	Roads, bridges, footpaths Actual \$ '000	Stormwater drainage Actual \$ '000	Pools and Open Space Actual \$ '000
<b>2018</b>					
<b>Opening balance</b>	64,688	7,629	398,172	–	22,689
Purchases (GBV)	1,148	67	11,353	4,262	31
Disposals (WDV)	(7)	–	(133)	–	(2)
Depreciation and impairment	(2,669)	(546)	(6,692)	(1,895)	(1,709)
PY Capitalisation	2,165	–	1,894	2,396	–
Revaluation	24,085	–	–	–	600
<b>Closing balance</b>	<b>89,410</b>	<b>7,150</b>	<b>404,594</b>	<b>138,475</b>	<b>21,609</b>
<b>2019</b>					
<b>Opening balance</b>	89,410	7,150	404,594	138,475	21,609
Purchases (GBV)	85	72	15,824	5,404	1,712
Disposals (WDV)	–	(15)	–	–	(1)
Depreciation and impairment	(2,722)	(380)	(6,849)	(1,945)	(1,541)
PY Capitalisation	304	51	745	–	631
<b>Closing balance</b>	<b>87,077</b>	<b>6,878</b>	<b>414,314</b>	<b>141,934</b>	<b>22,410</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

	Other assets Actual \$ '000	Total Actual \$ '000
<b>2018</b>		
<b>Opening balance</b>	111,422	843,178
Transfers from/(to) another asset class	–	5
Purchases (GBV)	8,208	26,373
Disposals (WDV)	(1,096)	(1,238)
Depreciation and impairment	(3,835)	(17,923)
Impairment Loss	–	(178)
Adjustments	50	50
PY Capitalisation	(6,511)	(2)
Revaluation	1,615	30,993
<b>Closing balance</b>	<b>109,853</b>	<b>881,258</b>
<b>2019</b>		
<b>Opening balance</b>	109,853	881,258
Purchases (GBV)	14,761	42,891
Disposals (WDV)	(1,272)	(1,302)
Depreciation and impairment	(4,468)	(18,431)
PY Capitalisation	(1,860)	–
Revaluation	190	190
<b>Closing balance</b>	<b>117,204</b>	<b>904,606</b>

**(4) Highest and best use**

Due to the use of facilities and open space for the provision of community services and due to the condition of some assets, not all of Council's non-financial assets are being used at their highest and best use from a purely financial perspective.

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

Note 22. Related Party Transactions

(a) Key management personnel

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

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

	2019 \$ '000	2018 \$ '000
<b>Compensation:</b>		
Short-term benefits Other Short Term Payment	1,742	1,920
Annual Leave Entitlements	116	121
Post-employment benefits	149	178
Long Service Leave Entitlements	49	52
Termination benefits	–	156
<b>Total</b>	<b>2,056</b>	<b>2,427</b>

(b) Other transactions with KMP and their related parties

	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
<b>2019</b>					
Daughter of Director Jeff Organ provided design works for community consultation, sourced in accordance with Council's recruitment process for casual employees	13	–	Normal employment terms	–	–
<b>2018</b>					
Daughter of Director Jeff Organ provided design works for community consultation, sourced in accordance with Council's recruitment process for casual employees	36	–	Normal employment terms	–	–
Director Matthew Owens purchased the vehicle used as part of his employment on termination	29	–	Purchased for market value	–	–

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/6/2018			as at 30/6/2019				
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	–	–	–	–	(60)	–	(60)	–
Roads	3,480	71	496	97	(90)	517	4,075	–
Parking	392	–	–	8	(21)	–	379	–
Open space	1,332	53	–	40	(209)	–	1,216	–
Community facilities	1,079	37	–	37	(75)	–	1,078	–
Recreational Facilities	997	23	–	24	(40)	–	1,004	–
Bushfire	1	–	–	–	–	–	1	–
Extractive Industries	333	34	–	4	(132)	–	239	–
Land Acquisition	1,957	141	–	58	–	–	2,156	–
Plan Administration Reserve	36	1	–	–	–	–	37	–
<b>S7.11 contributions – under a plan</b>	<b>9,607</b>	<b>360</b>	<b>496</b>	<b>268</b>	<b>(627)</b>	<b>517</b>	<b>10,125</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>2,735</b>	<b>866</b>	<b>43</b>	<b>95</b>	<b>(488)</b>	<b>–</b>	<b>3,208</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>12,342</b>	<b>1,226</b>	<b>539</b>	<b>363</b>	<b>(1,115)</b>	<b>517</b>	<b>13,333</b>	<b>–</b>
S7.4 planning agreements	28	29	17,541	2	–	–	59	–
S64 contributions	2,507	1,951	73	78	(1,111)	–	3,425	–
<b>Total contributions</b>	<b>14,877</b>	<b>3,206</b>	<b>18,153</b>	<b>443</b>	<b>(2,226)</b>	<b>517</b>	<b>16,817</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Statement of developer contributions (continued)

	as at 30/6/2018				as at 30/6/2019			
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN – HAWKESBURY CITY</b>								
Drainage	–	–	–	–	(60)	–	(60)	–
Roads	3,480	71	496	97	(90)	517	4,075	–
Parking	392	–	–	8	(21)	–	379	–
Open space	1,332	53	–	40	(209)	–	1,216	–
Community facilities	1,079	37	–	37	(75)	–	1,078	–
Recreational Facilities	997	23	–	24	(40)	–	1,004	–
Bushfire	1	–	–	–	–	–	1	–
Extractive Industries	333	34	–	4	(132)	–	239	–
Land Acquisition	1,957	141	–	58	–	–	2,156	–
Plan Administration Reserve	36	1	–	–	–	–	37	–
<b>Total</b>	<b>9,607</b>	<b>360</b>	<b>496</b>	<b>268</b>	<b>(627)</b>	<b>517</b>	<b>10,125</b>	<b>–</b>

## S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN – HAWKESBURY CITY</b>								
Other	2,735	866	43	95	(488)	–	3,208	–
<b>Total</b>	<b>2,735</b>	<b>866</b>	<b>43</b>	<b>95</b>	<b>(488)</b>	<b>–</b>	<b>3,208</b>	<b>–</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Financial result and financial position by fund

	General <sup>1</sup> 2019 \$ '000	Sewer 2019 \$ '000
<b>Income Statement by fund</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	50,622	6,831
User charges and fees	5,747	1,165
Interest and investment revenue	1,635	133
Other revenues	4,503	404
Grants and contributions provided for operating purposes	11,093	–
Grants and contributions provided for capital purposes	21,232	1,731
<b>Other income</b>		
Fair value increment on investment property	2,264	–
Share of interests in joint ventures and associates using the equity method	262	–
<b>Total income from continuing operations</b>	<b>97,358</b>	<b>10,264</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	27,434	1,787
Borrowing costs	305	–
Materials and contracts	17,251	2,061
Depreciation and amortisation	16,504	2,136
Other expenses	10,357	1,205
Net losses from the disposal of assets	283	17
<b>Total expenses from continuing operations</b>	<b>72,134</b>	<b>7,206</b>
<b>Operating result from continuing operations</b>	<b>25,224</b>	<b>3,058</b>
<b>Net operating result for the year</b>	<b>25,224</b>	<b>3,058</b>
<b>Net operating result attributable to each council fund</b>	25,224	3,058
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	3,992	1,327

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Financial result and financial position by fund (continued)

	General <sup>1</sup> 2019 \$ '000	Sewer 2019 \$ '000
<b>Statement of Financial Position by fund</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,589	4,474
Investments	47,625	3,375
Receivables	6,426	423
Inventories	271	–
Other	815	–
<b>Total current assets</b>	<b>64,726</b>	<b>8,272</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	905,401	84,282
Investments accounted for using the equity method	3,491	–
Investment property	49,630	–
Intangible assets	338	–
<b>Total non-current assets</b>	<b>958,860</b>	<b>84,282</b>
<b>TOTAL ASSETS</b>	<b>1,023,586</b>	<b>92,554</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	10,470	–
Borrowings	491	376
Provisions	9,374	366
<b>Total current liabilities</b>	<b>20,335</b>	<b>742</b>
<b>Non-current liabilities</b>		
Borrowings	1,979	–
Provisions	11,147	79
<b>Total non-current liabilities</b>	<b>13,126</b>	<b>79</b>
<b>TOTAL LIABILITIES</b>	<b>33,461</b>	<b>821</b>
<b>Net assets</b>	<b>990,125</b>	<b>91,733</b>
<b>EQUITY</b>		
Accumulated surplus	428,310	41,641
Revaluation reserves	561,815	50,092
<b>Council equity interest</b>	<b>990,125</b>	<b>91,733</b>
<b>Total equity</b>	<b>990,125</b>	<b>91,733</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>3,093</b>	<b>3.77%</b>	(3.97)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>82,133</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>70,554</b>	<b>67.13%</b>	70.96%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>105,096</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>37,656</b>	<b>3.2x</b>	2.93x	>1.5x
Current liabilities less specific purpose liabilities	<b>11,781</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>22,038</b>	<b>17.79x</b>	13.37x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,239</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>3,966</b>	<b>6.56%</b>	5.63%	<5.00%
Rates, annual and extra charges collectible	<b>60,481</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>65,063</b>	<b>13.73 mths</b>	12.44 mths	>3 mths
Monthly payments from cash flow of operating and financing activities	<b>4,738</b>			

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

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

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

Note 25(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>2.44%</b>	(5.22)%	<b>15.20%</b>	6.43%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>65.44%</b>	68.64%	<b>82.75%</b>	94.54%	>60.00%
Total continuing operating revenue <sup>1</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>3.2x</b>	2.93x	<b>7.75x</b>	7.39x	>1.5x
Current liabilities less specific purpose liabilities					
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>22.25x</b>	16.57x	<b>8.43x</b>	6.41x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>6.65%</b>	5.69%	<b>5.83%</b>	5.18%	<5.00%
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>13.36</b>	12.44	<b>17.27</b>	12.53	>3
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	mths

Footnotes

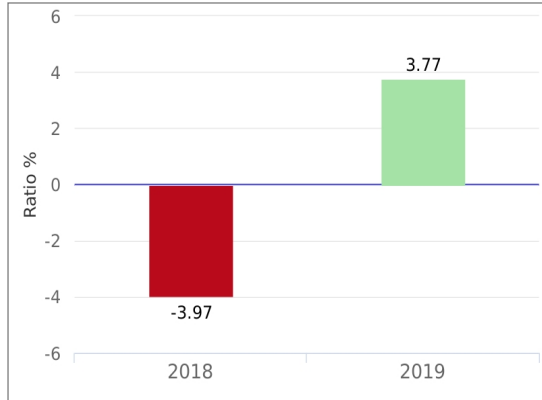
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 3.77%

The ratio improved as a result in increase rates income achieved through the Special Rates Variation, increased Annual Charges, and a \$3.9M unbudgeted operating grant from the Western Sydney City Deals.

Ratio is better than the benchmark.

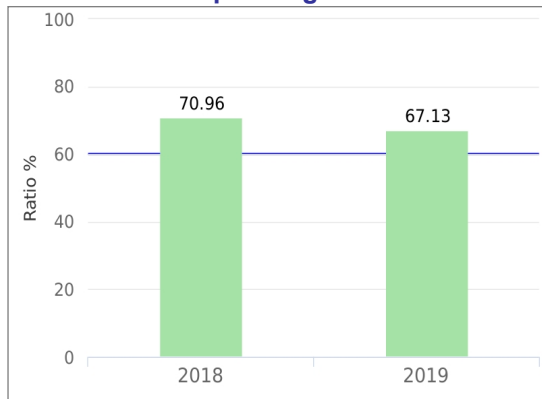
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 67.13%

The ratio declined as a result of a \$3.9M increase in capital grants and contributions over the previous reporting period.

Ratio is better than the benchmark.

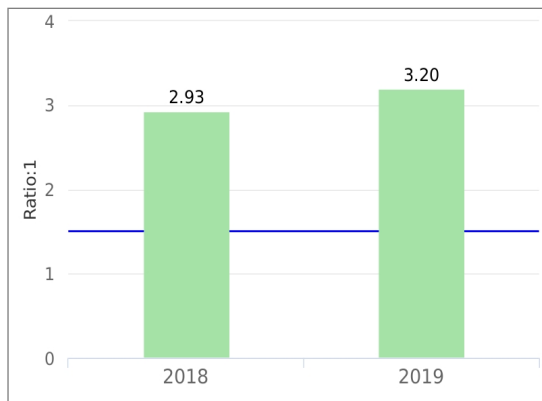
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 3.2x

The ratio improved as a result of the level of current liabilities less specific purpose liabilities reducing from the previous reporting period.

The ratio is better than the benchmark.

Benchmark: — > 1.5x

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

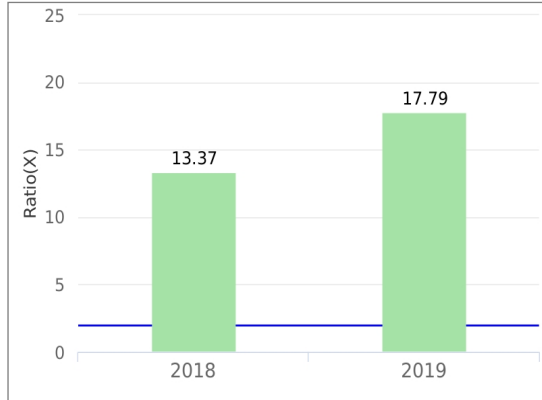
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 17.79x

The ratio increased due to an increase in available cash to service debt costs, in conjunction with a reduction in debt costs from the previous reporting period.

The ratio is better than the benchmark.

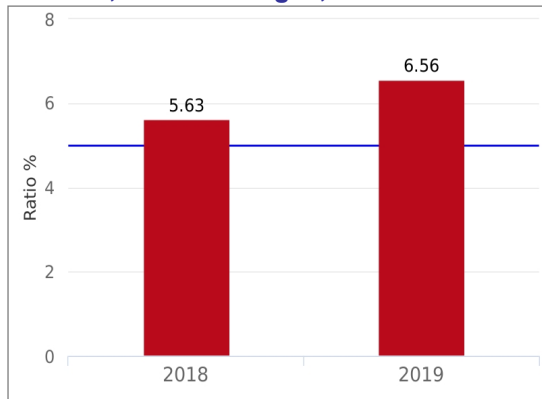
Benchmark: — > 2x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 6.56%

The ratio declined as a result in an increase in the amount of outstanding rates and annual charges. It is to be noted that this ratio does not account for payment arrangements or the impact of Council's policy in not taking legal action on pensioners.

The ratio needs improvement.

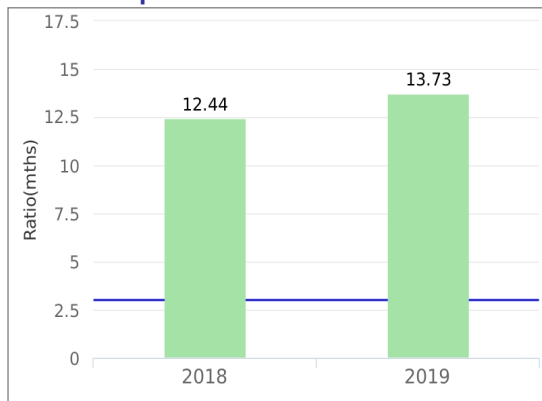
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 13.73 mths

The ratio increased as a result of increased cash and cash equivalents.

The ratio is better than the benchmark.

Benchmark: — > 3mths

Ratio achieves benchmark

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

Ratio is outside benchmark

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

**General Purpose Financial Statements**  
for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).



# Hawkesbury City Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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*Hawkesbury City Council leading and working with our  
community to create a healthy and resilient future*

## Special Purpose Financial Statements

for the year ended 30 June 2019

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<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>9</b>

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**Background**

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

## Special Purpose Financial Statements

for the year ended 30 June 2019

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### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial Reporting*,
- the NSW Office of *Water Best-Practice Management of Water and Sewerage Guidelines*.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

**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 24 September 2019.**

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Councillor Barry Calvert  
**Mayor**  
24 September 2019

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Councillor Mary Lyons-Buckett  
**Deputy Mayor**  
24 September 2019

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Ms Linda Perrine  
**Acting General Manager**  
24 September 2019

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Ms Emma Galea  
**Responsible Accounting Officer**  
24 September 2019

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

	2019 Actual \$ '000	2018 Actual \$ '000
<b>Income from continuing operations</b>		
Access charges	6,831	6,329
User charges	1,165	1,019
Interest	133	162
Grants and contributions provided for non-capital purposes	–	17
Other income	404	298
<b>Total income from continuing operations</b>	<b>8,533</b>	<b>7,825</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,787	1,565
Materials and contracts	2,061	2,440
Depreciation, amortisation and impairment	2,136	2,121
Loss on sale of assets	17	88
Calculated taxation equivalents	60	61
Unwinding of interest free loan	47	69
Other expenses	1,205	1,039
<b>Total expenses from continuing operations</b>	<b>7,313</b>	<b>7,383</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,220</b>	<b>442</b>
Grants and contributions provided for capital purposes	1,731	434
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,951</b>	<b>876</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,951</b>	<b>876</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(336)	(133)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,615</b>	<b>743</b>
<b>Plus accumulated surplus</b>	<b>38,665</b>	<b>37,757</b>
– Taxation equivalent payments	60	61
– Corporate taxation equivalent	336	133
– Tax equivalent dividend paid	(35)	(29)
<b>Plus adjustments for amounts unpaid:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>41,641</b>	<b>38,665</b>
<b>Return on capital %</b>	<b>1.4%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>1,891</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,616	743
<b>Surplus for dividend calculation purposes</b>	<b>2,616</b>	<b>743</b>
<b>Potential dividend calculated from surplus</b>	<b>1,308</b>	<b>372</b>

## Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

	2019 Actual \$ '000	2018 Actual \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,474	3,275
Investments	3,375	2,471
Receivables	423	413
<b>Total current assets</b>	<b>8,272</b>	<b>6,159</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	84,282	83,621
Investment property	–	75
<b>Total non-current assets</b>	<b>84,282</b>	<b>83,696</b>
<b>TOTAL ASSETS</b>	<b>92,554</b>	<b>89,855</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	376	400
Provisions	366	330
<b>Total current liabilities</b>	<b>742</b>	<b>730</b>
<b>Non-current liabilities</b>		
Borrowings	–	328
Provisions	79	40
<b>Total non-current liabilities</b>	<b>79</b>	<b>368</b>
<b>TOTAL LIABILITIES</b>	<b>821</b>	<b>1,098</b>
<b>NET ASSETS</b>	<b>91,733</b>	<b>88,757</b>
<b>EQUITY</b>		
Accumulated surplus	41,641	38,665
Revaluation reserves	50,092	50,092
<b>TOTAL EQUITY</b>	<b>91,733</b>	<b>88,757</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies

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A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Sewerage Service

Comprising the operations & net assets of Council's Sewerage Reticulation & Treatment Operations servicing the Hawkesbury City Council area.

##### Category 2

(where gross operating turnover is less than \$2 million)

Nil

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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#### Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

#### (i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$629,000 of combined land values attracts 0%. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

#### Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

#### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### (iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

#### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



**Special Purpose Financial Statements**  
for the year ended 30 June 2019

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Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

# Hawkesbury City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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*Hawkesbury City Council leading and working with our  
community to create a healthy and resilient future*

**Special Schedules**

for the year ended 30 June 2019

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

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	34,728	31,186
Plus or minus adjustments <sup>2</sup>	b	340	524
<b>Notional general income</b>	<b>c = a + b</b>	<b>35,068</b>	<b>31,710</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	9.50%	9.50%
Plus special variation amount	$h = d \times (c - g)$	3,331	3,012
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>38,399</b>	<b>34,722</b>
Plus (or minus) last year's carry forward total	l	(2)	(1)
Less valuation objections claimed in the previous year	m	(5)	-
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(7)</b>	<b>(1)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>38,392</b>	<b>34,721</b>
Less notional general income yield	p	38,392	34,728
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>1</b>	<b>(7)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	-	5
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r - s</b>	<b>1</b>	<b>(2)</b>

### 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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Report on Infrastructure Assets  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Council Offices/ Admin Centres	168	–	669	914	9,303	17,679	57.0%	33.0%	8.0%	2.0%	–
	Council Work Depot	18	–	246	271	3,032	6,313	16.0%	68.0%	15.0%	1.0%	–
	Council Public Halls	390	–	237	455	20,677	29,731	16.0%	55.0%	26.0%	3.0%	–
	Libraries	75	–	356	268	10,539	15,567	35.0%	60.0%	4.0%	1.0%	–
	Cultural Facilities	45	–	147	99	4,816	7,398	27.0%	66.0%	5.0%	1.0%	1.0%
	Council Houses	63	–	129	11	1,238	4,906	–	27.0%	70.0%	3.0%	–
	Child Care Centres	74	–	291	217	10,386	17,491	15.0%	66.0%	18.0%	1.0%	–
	Amenities/Toilets	135	–	348	222	11,481	20,982	4.0%	81.0%	14.0%	1.0%	–
	Leisure Facilities	293	–	367	514	21,261	31,191	28.0%	57.0%	13.0%	2.0%	–
	Other – Emergency Services	93	–	271	334	8,459	14,521	10.0%	66.0%	23.0%	1.0%	–
	<b>Sub-total</b>	<b>1,354</b>	<b>–</b>	<b>3,061</b>	<b>3,305</b>	<b>101,192</b>	<b>165,779</b>	<b>22.3%</b>	<b>59.1%</b>	<b>16.9%</b>	<b>1.7%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	8	7	6,878	13,574	15.0%	23.0%	62.0%	–	–
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>7</b>	<b>6,878</b>	<b>13,574</b>	<b>15.0%</b>	<b>23.0%</b>	<b>62.0%</b>	<b>–</b>	<b>–</b>
<b>Roads</b>	Sealed Roads Surface	1,617	–	1,226	1,313	58,874	77,754	53.0%	26.0%	14.0%	2.0%	5.0%
	Unsealed roads	511	–	1,054	811	12,029	19,407	2.0%	76.0%	13.0%	8.0%	1.0%
	Sealed Roads Structure	4,415	–	4,905	3,984	254,298	389,079	26.0%	49.0%	21.0%	2.0%	2.0%
	Bridges	–	–	190	184	31,643	48,207	24.0%	70.0%	6.0%	–	–
	Footpaths/ Cycle Ways	500	–	180	189	13,692	24,324	24.0%	64.0%	10.0%	2.0%	–
	Other road assets	257	–	303	338	5,113	7,312	8.0%	15.0%	60.0%	15.0%	2.0%
	Kerb and Gutter	–	–	17	16	31,290	54,127	18.0%	34.0%	48.0%	–	–
	Car Park	5	–	42	50	7,375	10,738	14.0%	30.0%	55.0%	1.0%	–
	<b>Sub-total</b>	<b>7,305</b>	<b>–</b>	<b>7,917</b>	<b>6,885</b>	<b>414,314</b>	<b>630,948</b>	<b>27.3%</b>	<b>47.2%</b>	<b>21.7%</b>	<b>2.0%</b>	<b>1.9%</b>
<b>Water supply network</b>	Recycle Water Network – Treatment Plant	–	–	–	–	3,856	5,157	–	100.0%	–	–	–
	Recycle Water Network – Reticulation	–	–	–	–	3,526	4,040	–	100.0%	–	–	–
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,382</b>	<b>9,197</b>	<b>–</b>	<b>100.0%</b>	<b>–</b>	<b>–</b>	<b>–</b>

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Sewerage network</b>	Mains	–	–	108	102	10,145	17,753	47.0%	18.0%	35.0%	–	–
	Manholes	44	–	73	63	6,741	19,821	15.0%	38.0%	46.0%	1.0%	–
	Reticulation	727	–	298	290	25,142	61,920	23.0%	4.0%	68.0%	5.0%	–
	Pump Stations	–	–	520	529	9,413	16,342	27.0%	72.0%	1.0%	–	–
	Treatment Works	300	–	2,545	2,779	20,629	47,101	43.0%	38.0%	18.0%	–	1.0%
	<b>Sub-total</b>	<b>1,071</b>	<b>–</b>	<b>3,544</b>	<b>3,763</b>	<b>72,070</b>	<b>162,937</b>	<b>30.8%</b>	<b>26.3%</b>	<b>40.6%</b>	<b>2.0%</b>	<b>0.3%</b>
<b>Stormwater drainage</b>	Retarding Basins	–	–	–	–	9,887	9,887	100.0%	–	–	–	–
	Stormwater Conduits	–	–	56	60	117,321	179,408	55.0%	44.0%	1.0%	–	–
	Inlet and Junction Pits	–	–	7	2	10,691	14,787	86.0%	14.0%	–	–	–
	Head Walls	–	–	3	2	1,784	2,678	78.0%	22.0%	–	–	–
	Gross Pollutant Traps	–	–	41	56	2,251	2,650	21.0%	79.0%	–	–	–
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>107</b>	<b>120</b>	<b>141,934</b>	<b>209,410</b>	<b>59.2%</b>	<b>40.0%</b>	<b>0.9%</b>	<b>–</b>	<b>–</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	136	151	2,168	5,026	8.0%	64.0%	28.0%	–	–
	Open Space/Rec	610	–	3,462	3,780	20,242	36,272	13.0%	59.0%	25.0%	3.0%	–
	<b>Sub-total</b>	<b>610</b>	<b>–</b>	<b>3,598</b>	<b>3,931</b>	<b>22,410</b>	<b>41,298</b>	<b>12.4%</b>	<b>59.6%</b>	<b>25.4%</b>	<b>2.6%</b>	<b>–</b>
<b>TOTAL - ALL ASSETS</b>		<b>10,340</b>	<b>–</b>	<b>18,235</b>	<b>18,011</b>	<b>766,180</b>	<b>1,233,143</b>	<b>31.6%</b>	<b>45.3%</b>	<b>20.4%</b>	<b>1.6%</b>	<b>1.0%</b>

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

Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>				
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>				
Asset renewals <sup>2</sup>	<b>11,632</b>	<b>72.85%</b>	59.60%	>=100.00%
Depreciation, amortisation and impairment	<b>15,968</b>			
<b>Infrastructure backlog ratio <sup>1</sup></b>				
Estimated cost to bring assets to a satisfactory standard	<b>10,340</b>	<b>1.35%</b>	2.27%	<2.00%
Net carrying amount of infrastructure assets	<b>766,180</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>18,011</b>	<b>98.77%</b>	88.76%	>100.00%
Required asset maintenance	<b>18,235</b>			

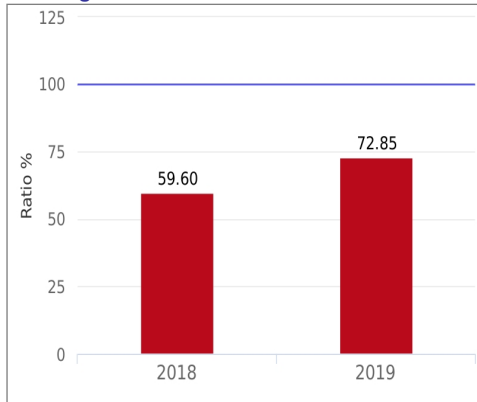
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)  
as at 30 June 2019

**Buildings and infrastructure renewals ratio <sup>1</sup>**



**Infrastructure renewals ratio**

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

**Commentary on result**

18/19 ratio 72.85%

The ratio has improved as a result of increased renewals due to enhanced funding.

Ratio needs improvement.

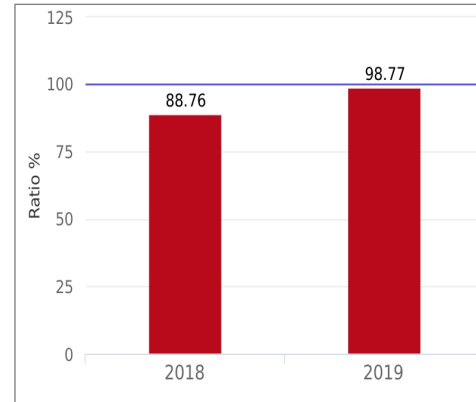
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

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

**Commentary on result**

18/19 ratio 98.77%

The ratio is below the minimum benchmark of 100%, indicating that Council needs to invest funds within the year to stop the infrastructure backlog from growing.

Ratio needs improvement.

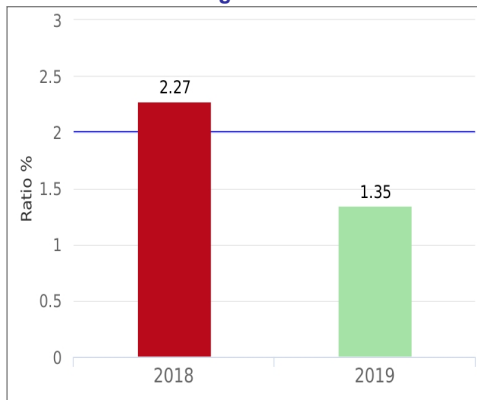
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

**Infrastructure backlog ratio <sup>1</sup>**



**Infrastructure backlog ratio**

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

**Commentary on result**

18/19 ratio 1.35%

The ratio indicates that Council is meeting the required renewal to catch up on prior year renewal shortfalls.

Ratio meets the benchmark.

Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

(1) Excludes Work In Progress (WIP)



Report on Infrastructure Assets (continued)  
as at 30 June 2019

\$ '000	General fund		Sewer fund		Benchmark
	2019	2018	2019	2018	
<b>Infrastructure asset performance indicators (by fund)</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>					
Depreciation, amortisation and impairment	<b>80.40%</b>	56.99%	<b>20.96%</b>	124.61%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	<b>1.35%</b>	1.77%	<b>1.35%</b>	6.44%	<2.00%
<b>Asset maintenance ratio</b>					
Actual asset maintenance					
Required asset maintenance	<b>96.99%</b>	84.19%	<b>106.18%</b>	110.28%	>100.00%

(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.