



Hawkesbury City Council

Attachment 2
to

item 206

and

Attachment 2
to

item 206

General Purpose and Special Purpose
Financial Statements and
Special Schedules for the
period ending
30 June 2019

date of meeting: 12 November 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

*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

*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.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment (IPP&E).

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 financial year ended 30 June 2019

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

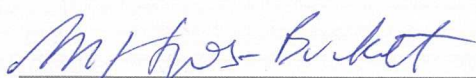
- The Local Government Act 1993 (NSW) (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- present fairly the Council's operating result and financial position for the year, and
- accords 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.



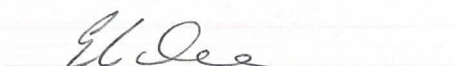
Councillor Mary Lyons-Buckett
DEPUTY MAYOR
24 September 2019



Councillor Barry Calvert
MAYOR
24 September 2019



Ms Linda Perrine
ACTING GENERAL MANAGER
24 September 2019



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 \$ '000 |
|--|--|--------|---------------------------|---------------------------|
| Income from continuing operations | | | | |
| <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 |
| 82,940 | Total income from continuing operations | | 107,622 | 94,503 |
| Expenses from continuing operations | | | | |
| 28,431 | Employee benefits and on-costs | 4a | 28,949 | 26,798 |
| 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 | 11,834 | 11,605 |
| – | Net losses from the disposal of assets | 5 | 300 | 97 |
| – | Revaluation decrement / impairment of IPP&E | 4d | – | 178 |
| 79,987 | Total expenses from continuing operations | | 79,340 | 76,217 |
| 2,953 | Operating result from continuing operations | | 28,282 | 18,286 |
| 2,953 | Net operating result for the year | | 28,282 | 18,286 |
| 2,953 | Net operating result attributable to council | | 28,282 | 18,286 |
| (3,282) | Net operating result for the year before grants and contributions provided for capital purposes | | 5,319 | (766) |

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

Hawkesbury City Council

Statement of Comprehensive Income

for the year ended 30 June 2019

| | | Actual 2019 \$ '000 | Actual 2018 ¹ \$ '000 |
|--|-------|---------------------------|--|
| | Notes | | |
| Net operating result for the year (as per Income Statement) | | 28,282 | 18,286 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of IPP&E | 10(a) | 56,112 | 47,466 |
| Other movements - net movement in Hawkesbury Sports Council Equity | | 184 | — |
| Total items which will not be reclassified subsequently to the operating result | | 56,296 | 47,466 |
| Total other comprehensive income for the year | | 56,296 | 47,466 |
| Total comprehensive income for the year | | 84,578 | 65,752 |
| Total comprehensive income attributable to Council | | 84,578 | 65,752 |

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

Hawkesbury City Council

Statement of Financial Position

as at 30 June 2019

| | Notes | Actual 2019 \$ '000 | Restated Actual 2018 ¹ \$ '000 | Restated Actual 1 July 2017 \$ '000 |
|---|-------|---------------------------|--|--|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalent assets | 6(a) | 14,063 | 5,341 | 19,400 |
| Investments | 6(b) | 51,000 | 53,500 | 25,211 |
| Receivables | 7 | 7,012 | 7,182 | 7,141 |
| Inventories | 8a | 271 | 216 | 164 |
| Other | 8b | 815 | 1,004 | 773 |
| Total current assets | | 73,161 | 67,041 | 52,689 |
| Non-current assets | | | | |
| Receivables | 7 | — | — | — |
| Infrastructure, property, plant and equipment | 10(a) | 1,045,605 | 966,149 | 913,012 |
| Investment property | 11a | 49,630 | 47,271 | 45,312 |
| Intangible assets | 12 | 338 | 242 | 242 |
| Investments accounted for using the equity method | 17 | 3,491 | 3,229 | 2,925 |
| Total non-current assets | | 1,099,064 | 1,016,992 | 961,491 |
| TOTAL ASSETS | | 1,172,225 | 1,084,134 | 1,014,180 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 13 | 10,470 | 10,192 | 7,842 |
| Borrowings | 13 | 867 | 751 | 910 |
| Provisions | 14 | 9,740 | 10,367 | 10,134 |
| Total current liabilities | | 21,077 | 21,310 | 18,886 |
| Non-current liabilities | | | | |
| Borrowings | 13 | 1,979 | 2,982 | 3,658 |
| Provisions | 14 | 11,226 | 6,477 | 4,023 |
| Total non-current liabilities | | 13,205 | 9,459 | 7,681 |
| TOTAL LIABILITIES | | 34,282 | 30,769 | 26,567 |
| Net assets | | 1,137,943 | 1,053,365 | 987,613 |
| EQUITY | | | | |
| Accumulated surplus | 15a | 470,114 | 441,648 | 423,362 |
| Revaluation reserves | 15a | 667,829 | 611,717 | 564,251 |
| Council equity interest | | 1,137,943 | 1,053,365 | 987,613 |
| Total equity | | 1,137,943 | 1,053,365 | 987,613 |

(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 Financial Position should be read in conjunction with the accompanying notes.

Hawkesbury City Council

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

| | Notes | 2019 | | | 2018 ¹ | | |
|--|-------|---------------------|---------------------------|------------------|---------------------|---------------------------|------------------|
| | | 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 | | 441,648 | 611,717 | 1,053,365 | 414,587 | 564,251 | 978,838 |
| Correction of prior period errors | 15b | – | – | – | 8,775 | – | 8,775 |
| Restated opening balance | | 441,648 | 611,717 | 1,053,365 | 423,362 | 564,251 | 987,613 |
| Net operating result for the year | | 28,282 | – | 28,282 | 18,286 | – | 18,286 |
| Restated net operating result for the period | | 28,282 | – | 28,282 | 18,286 | – | 18,286 |
| Other comprehensive income | | | | | | | |
| – Gain (loss) on revaluation of IPP&E | 10(a) | – | 56,112 | 56,112 | – | 47,466 | 47,466 |
| - Other movements - net movement in Hawkesbury Sports Council Equity | | 184 | – | 184 | – | – | – |
| Other comprehensive income | | 184 | 56,112 | 56,296 | – | 47,466 | 47,466 |
| Total comprehensive income | | 28,466 | 56,112 | 84,578 | 18,286 | 47,466 | 65,752 |
| Equity – balance at end of the reporting period | | 470,114 | 667,829 | 1,137,943 | 441,648 | 611,717 | 1,053,365 |

(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 Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

| Original unaudited budget 2019 \$ '000 | | Notes | Actual 2019 \$ '000 | Actual 2018 \$ '000 |
|--|--|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| | <u>Receipts</u> | | | |
| 53,992 | Rates and annual charges | | 56,642 | 52,168 |
| 7,082 | User charges and fees | | 7,619 | 7,390 |
| 1,569 | Investment and interest revenue received | | 1,855 | 1,394 |
| 11,258 | Grants and contributions | | 16,438 | 18,031 |
| – | Bonds, deposits and retention amounts received | | 107 | 261 |
| 4,352 | Other | | 8,889 | 8,114 |
| | <u>Payments</u> | | | |
| (27,578) | Employee benefits and on-costs | | (28,689) | (26,773) |
| (18,299) | Materials and contracts | | (20,967) | (18,812) |
| (251) | Borrowing costs | | (161) | (191) |
| (13,419) | Other | | (10,737) | (10,059) |
| 18,706 | Net cash provided (or used in) operating activities | 15b | 30,996 | 31,523 |
| Cash flows from investing activities | | | | |
| | <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) | Net cash provided (or used in) investing activities | | (21,340) | (44,678) |
| Cash flows from financing activities | | | | |
| | <u>Receipts</u> | | | |
| 2,990 | Proceeds from borrowings and advances | | – | – |
| | <u>Payments</u> | | | |
| (1,107) | Repayment of borrowings and advances | | (934) | (904) |
| 1,883 | Net cash flow provided (used in) financing activities | | (934) | (904) |
| (1,492) | Net increase/(decrease) in cash and cash equivalents | | 8,722 | (14,059) |
| 5,341 | Plus: cash and cash equivalents – beginning of year | 15a | 5,341 | 19,400 |
| 3,849 | Cash and cash equivalents – end of the year | 15a | 14,063 | 5,341 |
| Additional Information: | | | | |
| – | plus: Investments on hand – end of year | 6(b) | 51,000 | 53,500 |
| 3,849 | Total cash, cash equivalents and investments | | 65,063 | 58,841 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 September 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)

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. The Consolidated Fund has been included in the Council's financial statements.

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

- General purpose operations
- 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

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 has assessed each revenue stream, and 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)

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.

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

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

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

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 | 73,823 |
| 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 | 1,044,765 | 990,524 |
| Our Future | 4,232 | 525 | 2,320 | 2,387 | 1,912 | (1,862) | 3,999 | 28 | 7,143 | 236 |
| Total functions and activities | 107,622 | 94,503 | 79,340 | 76,217 | 28,282 | 18,286 | 11,399 | 9,738 | 1,172,225 | 1,084,134 |

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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 |
|--|---------------------------|---------------------------|
| (a) Rates and annual charges | | |
| Ordinary rates | | |
| Residential | 29,838 | 26,694 |
| Farmland | 1,459 | 1,377 |
| Business | 3,559 | 3,304 |
| Less: pensioner rebates (mandatory) | (558) | (547) |
| Rates levied to ratepayers | 34,298 | 30,828 |
| Pensioner rate subsidies received | 309 | 297 |
| Total ordinary rates | 34,607 | 31,125 |
| Annual charges | | |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | |
| 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 |
| Annual charges levied | 22,669 | 21,601 |
| Pensioner subsidies received: | | |
| – Sewerage | 40 | 41 |
| – Domestic waste management | 137 | 139 |
| Total annual charges | 22,846 | 21,781 |
| TOTAL RATES AND ANNUAL CHARGES | 57,453 | 52,906 |

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) User charges and fees | | |
| Specific user charges | | |
| (per s.502 - specific 'actual use' charges) | | |
| Sewerage services | 1,077 | 953 |
| Waste management services (non-domestic) | 14 | 4 |
| Sullage | 330 | 337 |
| Total specific user charges | 1,421 | 1,294 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Inspection services | 18 | 23 |
| Planning and building regulation | 1,353 | 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 |
| Total fees and charges – statutory/regulatory | 2,380 | 2,835 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| 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 |
| Total fees and charges – other | 3,111 | 2,892 |
| TOTAL USER CHARGES AND FEES | 6,912 | 7,021 |

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 |
|--|---------------------------|---------------------------|
| (c) Interest and investment revenue (including losses) | | |
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 261 | 217 |
| – Cash and investments | 1,507 | 1,303 |
| <u>TOTAL INTEREST AND INVESTMENT REVENUE</u> | <u>1,768</u> | <u>1,520</u> |

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 |
|---|-------|---------------------------|---------------------------|
| (d) Other revenues | | | |
| 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 |
| <u>TOTAL OTHER REVENUE</u> | | <u>4,907</u> | <u>4,379</u> |

Accounting policy for other revenue

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

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

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.

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 |
|--|--|--|--------------------------------------|--------------------------------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance – general component | 1,326 | 1,359 | – | – |
| Financial assistance – local roads component | 848 | 845 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance – general component | 1,397 | 1,402 | – | – |
| Financial assistance – local roads component | 856 | 872 | – | – |
| Total general purpose | 4,427 | 4,478 | – | – |
| Specific purpose | | | | |
| 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 | – | – |
| Priority 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 |
| Total specific purpose | 6,087 | 1,882 | 885 | 3,378 |
| Total grants | 10,514 | 6,360 | 885 | 3,378 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 4,554 | 4,517 | – | 1,629 |
| – State funding | 5,960 | 1,823 | 885 | 1,741 |
| – Other funding | – | 20 | – | 8 |
| | 10,514 | 6,360 | 885 | 3,378 |

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 | | | | |
| (f) Contributions | | | | |
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | |
| Cash contributions | | | | |
| 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 |
| Total developer contributions – cash | 29 | 5 | 3,175 | 6,438 |
| Non-cash contributions | | | | |
| 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 | – |
| Total developer contributions non-cash | – | – | 18,451 | 8,897 |
| Total developer contributions | 29 | 5 | 21,626 | 15,335 |
| 23 | | | | |
| Other contributions: | | | | |
| Cash contributions | | | | |
| 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 | – | – |
| Total other contributions – cash | 550 | 852 | 452 | 339 |
| Total other contributions | 550 | 852 | 452 | 339 |
| Total contributions | 579 | 857 | 22,078 | 15,674 |
| TOTAL GRANTS AND CONTRIBUTIONS | 11,093 | 7,217 | 22,963 | 19,052 |

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 below.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
| (a) Employee benefits and on-costs | | |
| Salaries and wages | 20,896 | 19,730 |
| Employee termination costs (where material – other than vested leave paid) | – | 156 |
| 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 |
| Protective clothing | 61 | 62 |
| Other | 14 | 16 |
| Total employee costs | 29,124 | 27,099 |
| Less: capitalised costs | (175) | (301) |
| TOTAL EMPLOYEE COSTS EXPENSED | 28,949 | 26,798 |
| 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) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 159 | 189 |
| Total interest bearing liability costs expensed | | 159 | 189 |
| (ii) Other borrowing costs | | | |
| Amortisation of discounts and premiums | | | |
| – Remediation liabilities | 13 | 97 | 106 |
| Interest applicable on interest free (and favourable) loans to Council | | 47 | 69 |
| Other Borrowing Costs | | 2 | – |
| Total other borrowing costs | | 146 | 175 |
| TOTAL BORROWING COSTS EXPENSED | | 305 | 364 |

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
| (c) Materials and contracts | | |
| 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 ² | 46 | 91 |
| Legal expenses: | | |
| – Legal expenses: planning and development | 463 | 175 |
| – Legal expenses: debt recovery | 119 | 138 |
| – Legal expenses: other | 212 | 136 |
| Operating leases: | | |
| – Operating lease rentals: contingent rentals ¹ | 637 | 615 |
| Other | 262 | 240 |
| TOTAL MATERIALS AND CONTRACTS | 19,312 | 17,690 |

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 |
| | 637 | 615 |

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 |
| Remuneration for audit and other assurance services | 33 | 80 |
| Total Auditor-General remuneration * | 33 | 80 |

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 |
|--|---------------------------|---------------------------|
| Non NSW Auditor-General audit firms | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements (Hawkesbury Sports Council) | 13 | 11 |
| Remuneration for audit and other assurance services | 13 | 11 |
| Total remuneration of non NSW Auditor-General audit firms | 13 | 11 |
| Total Auditor remuneration | 46 | 91 |

(*) 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 \$85,400.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| | Notes | 2019 Actual \$ '000 | 2018 Restated \$ '000 |
|---|----------|---------------------------|-----------------------------|
| (d) Depreciation, amortisation and impairment of intangible assets and IPP&E | | | |
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,816 | 1,207 |
| Office equipment | | 107 | 121 |
| Furniture and fittings | | 40 | 48 |
| Land improvements (depreciable) | | 22 | 20 |
| Infrastructure: | | | |
| – 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 |
| Other assets: | | | |
| – Library books | | 261 | 259 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | 9(a), 13 | 217 | 218 |
| Intangible assets | 11 | 209 | 207 |
| Total depreciation and amortisation costs | | 18,640 | 19,485 |
| Impairment / revaluation decrement of IPP&E | | | |
| Land under roads (post 30/06/08) | | – | 178 |
| Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement | | – | 178 |
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u> | | | |
| | | 18,640 | 19,663 |

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 |
|--|---------------------------|---------------------------|
| (e) Other expenses | | |
| 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 |
| Staff Training Costs | 263 | 201 |
| Stormwater – environmental | 49 | 31 |
| Street lighting | 756 | 633 |
| Telephone and communications | 104 | 112 |
| Valuation fees (rates) | 162 | 156 |
| Water | 171 | 296 |
| Other | 171 | |
| TOTAL OTHER EXPENSES | 11,834 | 11,605 |

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

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 |
|--|---------------------------|---------------------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 960 | 1,786 |
| Cash-equivalent assets | | |
| – Deposits at call | 13,103 | 3,555 |
| Total cash and cash equivalents | 14,063 | 5,341 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- 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)

(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 | – |
| attributable to: | | | | |
| 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 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

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 |

Total external restrictions

| | |
|--------|--------|
| 33,551 | 26,808 |
|--------|--------|

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 |
|--------|--------|

TOTAL RESTRICTIONS

| | |
|--------|--------|
| 50,743 | 47,104 |
|--------|--------|

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 |
|---|--------------------------------------|--|--------------------------------------|--|
| Purpose | | | | |
| Rates and annual charges | 3,911 | – | 3,100 | – |
| 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 | – |
| Total | 7,368 | – | 7,437 | 101 |
| Less: provision of impairment | | | | |
| User charges and fees | (519) | – | (356) | – |
| Total provision for impairment – receivables | (519) | – | (356) | – |
| <u>TOTAL NET RECEIVABLES</u> | <u>7,012</u> | <u>–</u> | <u>7,081</u> | <u>101</u> |

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 60 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 |
|----------------------------------|--------------------------------------|--|--------------------------------------|--|
| (a) Inventories | | | | |
| (i) Inventories at cost | | | | |
| Stores and materials | 271 | – | 216 | – |
| Total inventories at cost | 271 | – | 216 | – |
| <u>TOTAL INVENTORIES</u> | <u>271</u> | <u>–</u> | <u>216</u> | <u>–</u> |
| (b) Other assets | | | | |
| Prepayments | 815 | – | 1,004 | – |
| <u>TOTAL OTHER ASSETS</u> | <u>815</u> | <u>–</u> | <u>1,004</u> | <u>–</u> |

(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 | – |
| | 135 | – |

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

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

Inventory held for distribution

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| | as at 30/6/2018(Restated) | | | Asset movements during the reporting period | | | | | | as at 30/6/2019 | | |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|--------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
| | Gross carrying amount \$ '000 | Accumulated depreciation \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '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 |
| Land: | | | | | | | | | | | | |
| – 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 |
| Infrastructure: | | | | | | | | | | | | |
| – 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 | 55,922 | 179,609 | (44,235) | 135,374 |
| – 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 |
| Other assets: | | | | | | | | | | | | |
| – 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 |
| Reinstatement, rehabilitation and restoration assets (refer Note 14): | | | | | | | | | | | | |
| – Tip assets | 1,929 | (806) | 1,123 | – | – | – | (217) | 7,211 | – | 9,141 | (1,024) | 8,117 |
| Total Infrastructure, property, plant and equipment | 1,435,348 | (469,199) | 966,149 | 11,636 | 31,441 | (1,302) | (18,431) | – | 56,112 | 1,485,593 | (439,988) | 1,045,605 |

(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 (Restated) | | | Asset movements during the reporting period | | | | | | | as at 30/6/2018 | | |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|---|--------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
| | Gross carrying amount \$ '000 | Accumulated depreciation \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '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 |
| Land: | | | | | | | | | | | | | |
| – 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 |
| Infrastructure: | | | | | | | | | | | | | |
| – 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 |
| Other assets: | | | | | | | | | | | | | |
| – Heritage collections | 957 | – | 957 | – | – | – | – | – | – | 50 | 1,007 | – | 1,007 |
| – Library books | 3,693 | (2,954) | 739 | – | 292 | – | (259) | – | – | – | 3,140 | (2,368) | 772 |
| Reinstatement, rehabilitation and restoration assets (refer Note 14): | | | | | | | | | | | | | |
| – Tip assets | 1,929 | (588) | 1,341 | – | – | – | (218) | – | – | – | 1,929 | (806) | 1,123 |
| Total Infrastructure, property, plant and equipment | 1,376,012 | (463,000) | 913,012 | 10,400 | 15,965 | (1,238) | (19,278) | (178) | – | 47,466 | 1,435,348 | (469,199) | 966,149 |

(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:

| Plant and equipment | Years | Other equipment | 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 | Buildings | |
| 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 |
| Water and sewer assets | | Stormwater assets | |
| Dams and reservoirs | 100 to 200 | Drains | 80 to 100 |
| Bores | 20 to 40 | Culverts | 50 to 80 |
| Reticulation pipes | 100 to 110 | Flood control | 80 to 100 |
| Pumps and telemetry | 20 to 50 | | |
| Transportation assets | | Other infrastructure assets | |
| 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 | 20-200 |
| Road pavements | 60 | | |
| Kerb, gutter and footpaths | 40 to 100 | | |

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)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

| | 2019 \$ '000 | 2018 \$ '000 |
|---|-----------------|-----------------|
| (a) Investment property at fair value | | |
| Investment property on hand | 49,630 | 47,271 |
| Reconciliation of annual movement: | | |
| Opening balance | 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 |
| CLOSING BALANCE – INVESTMENT PROPERTY | 49,630 | 47,271 |

(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 17 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 |
| Total minimum lease payments receivable | 1,373 | 920 |

(e) Investment property income and expenditure – summary

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

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 |
| Total income attributable to investment property | 3,497 | 3,413 |

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 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

Intangible assets are as follows:

Opening values at 1 July

| | | |
|---|------------|------------|
| Gross book value | 3,263 | 3,112 |
| Accumulated amortisation | (3,021) | (2,870) |
| Net book value – opening balance | 242 | 242 |

Movements for the year

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

Closing values at 30 June

| | | |
|--------------------------|---------|---------|
| Gross book value | 3,569 | 3,263 |
| Accumulated amortisation | (3,230) | (3,021) |

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

| | | |
|--|------------|------------|
| | 339 | 242 |
|--|------------|------------|

The net book value of intangible assets represents:

| | | |
|------------|------------|------------|
| – Software | 339 | 242 |
| | 339 | 242 |

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 |
|---|--------------------------------------|--|--------------------------------------|--|
| Payables | | | | |
| 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 | – |
| Total payables | 10,470 | – | 10,192 | – |
| Borrowings | | | | |
| Loan – Sewer | 376 | – | 400 | 328 |
| Loan – LIRS | 491 | 1,979 | 351 | 2,654 |
| Total borrowings | 867 | 1,979 | 751 | 2,982 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>11,337</u> | <u>1,979</u> | <u>10,943</u> | <u>2,982</u> |

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
| Current payables and borrowings not anticipated to be settled within the next twelve months | | |
| The following liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Payables – security bonds, deposits and retentions | 638 | 620 |
| Total payables and borrowings | 638 | 620 |

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

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

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

(d) Financing arrangements

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

| | | |
|--|--------------|--------------|
| Bank overdraft facilities ¹ | 800 | 800 |
| Credit cards/purchase cards | 500 | 500 |
| Total financing arrangements | 1,300 | 1,300 |

Drawn facilities as at balance date:

| | | |
|---|----------|-----------|
| – Credit cards/purchase cards | – | 12 |
| Total drawn financing arrangements | – | 12 |

Undrawn facilities as at balance date:

| | | |
|---|--------------|--------------|
| – Bank overdraft facilities | 800 | 800 |
| – Credit cards/purchase cards | 500 | 488 |
| Total undrawn financing arrangements | 1,300 | 1,288 |

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

Breaches and Defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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)

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 |
|--|--------------------------------------|--|--------------------------------------|--|
| Provisions | | | | |
| Employee benefits | | | | |
| 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 | — |
| Sub-total – aggregate employee benefits | 9,429 | 1,184 | 9,439 | 552 |
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | 183 | 9,571 | 820 | 5,535 |
| Sub-total – asset remediation/restoration | 183 | 9,571 | 820 | 5,535 |
| Other provisions | | | | |
| Self insurance – workers compensation | 115 | 445 | 94 | 354 |
| PPE Lease Liability | 13 | 26 | 14 | 36 |
| Sub-total – other provisions | 128 | 471 | 108 | 390 |
| <u>TOTAL PROVISIONS</u> | <u>9,740</u> | <u>11,226</u> | <u>10,367</u> | <u>6,477</u> |

| | Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------|---------------------------|
| Current provisions not anticipated to be settled within the next twelve months | | |
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 6,224 | 6,216 |
| | <u>6,224</u> | <u>6,216</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

(c) Description of and movements in provisions

| | PPE Lease Liability | Self insurance | Asset remediation | Total Actual |
|---|------------------------|-------------------|----------------------|-----------------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| 2019 | | | | |
| At beginning of year | 50 | 448 | 6,355 | 6,853 |
| Additional provisions | — | 112 | 6,335 | 6,447 |
| Amounts used (payments) Unwinding of discount | (11) | — | — | (11) |
| Other | — | — | 97 | 97 |
| | — | — | (3,033) | (3,033) |
| Total other provisions at end of period | 39 | 560 | 9,754 | 10,353 |
| 2018 | | | | |
| 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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).

Hawkesbury City Council

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 Council did not previously recognise a range of vehicles and firefighting equipment associated with the Rural Fire Service as Council assets. The impact of recognising these assets is a net increase of \$8.6million to Property, Plant and Equipment within the Statement of Financial Position.

A prior year error was uncovered by Council in relation to Postponed Rates. An adjustment of \$163K has been included to align the General Ledger with the Property and Rating System.

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 | 904,400 | 8,612 | 913,012 |
| Receivables | 6,978 | 163 | 7,141 |
| Total Assets | 1,005,405 | 8,775 | 1,014,180 |
| Total Liabilities | 26,567 | — | 26,567 |
| Retained Earnings | 414,587 | 8,775 | 423,362 |
| Total Equity | 978,838 | 8,775 | 987,613 |

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 | 957,537 | 8,612 | 966,149 |
| Receivables | 6,918 | 163 | 7,081 |
| Total Assets | 1,075,359 | 8,775 | 1,084,134 |
| Total Liabilities | 30,769 | — | 30,769 |

continued on next page ...

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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)

| | Original Balance 30 June, 2018 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2018 \$ '000 |
|---------------------|---|--|---|
| Retained Earnings | 432,873 | 8,775 | 441,648 |
| Total Equity | 1,044,590 | 8,775 | 1,053,365 |

| | Original Balance 30 June, 2018 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2018 \$ '000 |
|--|---|--|---|
| Total income from continuing operations | 94,503 | – | 94,503 |
| Total expenses from continuing operations | 76,217 | – | 76,217 |
| Net operating result for the year | 18,286 | – | 18,286 |

| | Original Balance 30 June, 2018 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2018 \$ '000 |
|--|---|--|---|
| Net operating result for the year | 18,286 | – | 18,286 |
| Other comprehensive income | 47,466 | – | – |
| Total comprehensive income for the year | 65,752 | – | 18,286 |

(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 2018. 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.

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)

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).

Transition adjustments

Application of the Expected Credit Loss model to impairment of trade receivables under AASB 9 did not result in a materially different amount of bad debt provision for trade receivables on transition date 1 July 2018. Council, therefore, decided not to recognise extra amounts of bad debt provision on transition.

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 |
|--|---------------------------------------|-------------------------------------|---|-----------------------|---------------------|---------------------------------------|
| Financial assets | | | | | | |
| 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 |
| Total financial assets under AASB 9 at 1 July 2018 | | | 65,427 | – | – | 65,427 |
| Financial liabilities | | | | | | |
| Payables | Amortised Cost | Amortised Cost | 10,192 | – | – | 10,192 |
| Borrowings | Amortised Cost | Amortised Cost | 3,733 | – | – | 3,733 |
| Total financial liabilities under AASB 9 at 1 July 2018 | | | 13,925 | – | – | 13,925 |

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 |
|---|-------|---------------------------|---------------------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6(a) | 14,063 | 5,341 |
| Balance as per the Statement of Cash Flows | | 14,063 | 5,341 |

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

| | | |
|---|---------------|---------------|
| Net operating result from Income Statement | 28,282 | 18,286 |
| Adjust for non-cash items: | | |
| 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) |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| 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 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | 30,996 | 31,523 |

(c) Non-cash investing and financing activities

| | | |
|--|---------------|--------------|
| Developer contributions 'in kind' | 18,451 | 8,897 |
| Total non-cash investing and financing activities | 18,451 | 8,897 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

(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 |
|---------------------------|--|--------|
| Hawkesbury Sports Council | 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 |
|---|----------------|----------------|
| Summarised statement of comprehensive income | | |
| Revenue | 969 | 941 |
| Expenses | (1,051) | (1,053) |
| Profit for the period | (82) | (112) |
| Total comprehensive income (1) | (82) | (112) |
| Summarised statement of financial position | | |
| Current assets | 625 | 521 |
| Non-current assets | 134 | 128 |
| Total assets | 759 | 649 |
| Current liabilities | 93 | 81 |
| Total liabilities | 93 | 81 |
| Net assets (2) | 666 | 568 |

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.

| | 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 |
| Total | 262 | 304 | 3,491 | 3,229 |

(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 |
| Total carrying amounts – material joint ventures | | | 3,491 | 3,229 |

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) Details | | |
| 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 |
| Statement of financial position | | | | |
| Current assets | | | | |
| Cash and cash equivalents | — | 3,022 | — | 1,158 |
| Other current assets | 30,380 | 19,442 | 9,029 | 5,759 |
| Non-current assets | 36,521 | 41,740 | 5,368 | 5,989 |
| Current liabilities | | | | |
| Current financial liabilities (excluding trade and other payables and provisions) | — | 6,111 | — | 2,690 |
| Other current liabilities | 7,397 | 720 | 5,173 | 299 |
| Non-current liabilities | | | | |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 12,116 | 15,612 | 2,279 | 1,448 |
| Net assets | 47,388 | 41,761 | 6,945 | 8,469 |
| Reconciliation of the carrying amount | | | | |
| 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) | — | — |
| Closing net assets | 47,388 | 41,761 | 6,945 | 8,469 |
| Council's share of net assets (%) | 6.7% | 6.6% | 4.6% | 5.4% |
| Council's share of net assets (\$) | 3,169 | 2,769 | 322 | 461 |
| Statement of comprehensive income | | | | |
| 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) |
| Profit/(loss) from continuing operations | 5,627 | 5,912 | (1,524) | 1,979 |
| Profit/(loss) for the period | 5,627 | 5,912 | (1,524) | 1,979 |

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

(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 priority 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 Regional 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 |
|--|---------------------------|---------------------------|
| (a) Capital commitments (exclusive of GST) | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Buildings | 1,737 | 429 |
| Plant and equipment | 339 | 474 |
| Total commitments | 2,076 | 903 |
| These expenditures are payable as follows: | | |
| Within the next year | 2,076 | 903 |
| Total payable | 2,076 | 903 |

(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 |
| Total non-cancellable operating lease commitments | 1,129 | 524 |

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)

ASSETS NOT RECOGNISED

(i) 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

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 |
| 2019 | | | | |
| Possible impact of a 1% movement in interest rates | 651 | 651 | (651) | (651) |
| 2018 | | | | |
| 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 |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|-------|
| 2019 | | | | | | |
| Gross carrying amount | – | 3,093 | 251 | 263 | 304 | 3,911 |
| 2018 | | | | | | |
| Gross carrying amount | – | 2,459 | 197 | 206 | 238 | 3,100 |

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 |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|------------|
| 2019 | | | | | | |
| 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% |
| ECL provision | 250 | 19 | 27 | 13 | 210 | 519 |
| 2018 | | | | | | |
| 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% |
| ECL provision | 27 | 23 | 32 | 15 | 259 | 356 |

(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 |
|------------------------------------|--|---|------------------------------------|---------------------------|----------------------|-----------------------------------|---|
| 2019 | | | | | | | |
| Trade/other payables | – | 2,175 | 8,295 | – | – | 10,470 | 10,470 |
| Loans and advances | 5.82% | – | 1,101 | 1,770 | – | 2,871 | 2,846 |
| Total financial liabilities | | 2,175 | 9,396 | 1,770 | – | 13,341 | 13,316 |
| 2018 | | | | | | | |
| Trade/other payables | – | 2,068 | 8,124 | – | – | 10,192 | 10,192 |
| Loans and advances | 5.82% | – | 1,102 | 3,016 | – | 4,118 | 3,733 |
| Total financial liabilities | | 2,068 | 9,226 | 3,016 | – | 14,310 | 13,925 |

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* ----- | |
|--|----------------|----------------|-------------------------------|---------------|
| REVENUES | | | | |
| Rates and annual charges | 56,834 | 57,453 | 619 | 1% F |
| User charges and fees | 7,154 | 6,912 | (242) | (3)% U |
| Interest and investment revenue | 1,569 | 1,768 | 199 | 13% F |
| 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% F |
| 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% F |
| 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% F |
| 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 | ∞ F |
| 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)% U |

EXPENSES

| | | | | |
|---------------------------------------|--------|--------|-------|---------------|
| Employee benefits and on-costs | 28,431 | 28,949 | (518) | (2)% U |
| Borrowing costs | 303 | 305 | (2) | (1)% U |
| Materials and contracts | 18,484 | 19,312 | (828) | (4)% U |
| Depreciation and amortisation | 19,214 | 18,640 | 574 | 3% F |
| Other expenses | 13,555 | 11,834 | 1,721 | 13% F |

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 |
|--|--------|--------|--------|-----|---|

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 unobserv-able inputs | |
| Recurring fair value measurements | | | | | |
| Investment property | | | | | |
| Investment Properties | 30/06/19 | – | 49,630 | – | 49,630 |
| Total investment property | | – | 49,630 | – | 49,630 |
| Infrastructure, property, plant and equipment | | | | | |
| 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 | 30/06/19 | – | – | 135,374 | 135,374 |
| Other Open Space | 30/06/17 | – | – | 20,242 | 20,242 |
| Library books, Heritage & Tip | 30/06/18 | – | – | 37,752 | 37,752 |
| Total infrastructure, property, plant and equipment | | – | 85,077 | 960,528 | 1,045,605 |

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 | |
| Recurring fair value measurements | | | | | |
| Investment property | | | | | |
| Investment Properties | 30/06/18 | — | 47,271 | — | 47,271 |
| Total investment property | | — | 47,271 | — | 47,271 |
| Infrastructure, property, plant and equipment | | | | | |
| 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 Specialsied | 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 |
| Total infrastructure, property, plant and equipment | | — | 84,891 | 881,258 | 966,149 |

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.

Financial liabilities

Council does not have any liabilities which are fair valued.

Investment property

Council conducts indexation each year and a full revaluation is conducted every three years, 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.

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)

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 previously revalued the land under road every 5 years. Now, in line with the Valuer General's revaluation schedule, revaluations will occur every three years, commencing in 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 previously revalued the community land every 5 years. Now, in line with the Valuer General's revaluation schedule, revaluations will occur every three years, commencing in 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 revalued in 2018/2019 financial year by APV Pty Ltd, as a result of the annual assessment of fair value indicating a material variance. The revaluations was conducted a year earlier than scheduled. The fair value was determined based on asset replacement cost and condition of the assets. In between full revaluations, Council applies the construction cost index rate, which is issued by NSW Office of Water.

The next full revaluation is due for 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 was 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.

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 |
|---|--|--|--|---|--|
| 2018 | | | | | |
| Opening balance | 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 |
| Closing balance | 81,990 | 12,069 | 1,068 | 601 | 14,439 |
| 2019 | | | | | |
| Opening balance | 81,990 | 12,069 | 1,068 | 601 | 14,439 |
| Purchases (GBV) | 4 | 4,457 | 151 | 242 | 179 |
| Disposals (WDV) | (14) | — | — | (22) | (504) |
| Depreciation and impairment | — | — | — | — | — |
| PY Capitalisation | — | 1 | — | 127 | 1 |
| Closing balance | 81,980 | 16,527 | 1,219 | 948 | 14,115 |
| | Building specialised Actual \$ '000 | Other structures Actual \$ '000 | Roads, bridges, footpaths Actual \$ '000 | Stormwater drainage Actual \$ '000 | Pools and Open Space Actual \$ '000 |
| 2018 | | | | | |
| Opening balance | 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 |
| Closing balance | 89,410 | 7,150 | 404,594 | 138,475 | 21,609 |
| 2019 | | | | | |
| Opening balance | 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 |
| Closing balance | 87,077 | 6,878 | 414,314 | 141,934 | 22,410 |

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 |
|---|-----------------------------------|----------------------------|
| 2018 | | |
| Opening balance | 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 |
| Closing balance | 109,853 | 881,258 |
| 2019 | | |
| Opening balance | 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 | 56,112 | 56,112 |
| Closing balance | 173,126 | 960,528 |

(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 |
|--|-----------------|-----------------|
| Compensation: | | |
| 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 |
| Total | 2,056 | 2,427 |

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service (eg. access to library, or Council pool) will not be disclosed.

| | 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 |
|---|--|---|----------------------------|--|--|
| 2019 | | | | | |
| 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 | — | — |
| 2018 | | | | | |
| 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 | — |
| S7.11 contributions – under a plan | 9,607 | 360 | 496 | 268 | (627) | 517 | 10,125 | — |
| S7.12 levies – under a plan | 2,735 | 866 | 43 | 95 | (488) | — | 3,208 | — |
| Total S7.11 and S7.12 revenue under plans | 12,342 | 1,226 | 539 | 363 | (1,115) | 517 | 13,333 | — |
| S7.4 planning agreements | 28 | 29 | 17,541 | 2 | — | — | 59 | — |
| S64 contributions | 2,507 | 1,951 | 73 | 78 | (1,111) | — | 3,425 | — |
| Total contributions | 14,877 | 3,206 | 18,153 | 443 | (2,226) | 517 | 16,817 | — |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

| | as at 30/6/2018 | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | as at 30/6/2019 | Cumulative internal borrowings due/(payable) |
|--|-------------------------------|---|---------------------|-------------------------------|-------------------------------|------------------------------------|---|---|
| | Opening Balance \$ '000 | Cash \$ '000 | Non-cash \$ '000 | \$ '000 | \$ '000 | \$ '000 | Held as restricted asset \$ '000 | \$ '000 |
| S7.11 Contributions – under a plan | | | | | | | | |
| CONTRIBUTION PLAN – HAWKESBURY CITY | | | | | | | | |
| 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 | – |
| Total | 9,607 | 360 | 496 | 268 | (627) | 517 | 10,125 | – |

S7.12 Levies – under a plan

| | | | | | | | | |
|--|--------------|------------|-----------|-----------|--------------|----------|--------------|----------|
| CONTRIBUTION PLAN – HAWKESBURY CITY | | | | | | | | |
| Other | 2,735 | 866 | 43 | 95 | (488) | – | 3,208 | – |
| Total | 2,735 | 866 | 43 | 95 | (488) | – | 3,208 | – |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund

| | General ¹ 2019 \$ '000 | Sewer 2019 \$ '000 |
|--|---|--------------------------|
| Income Statement by fund | | |
| Income from continuing operations | | |
| 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 |
| Other income | | |
| Fair value increment on investment property | 2,264 | – |
| Share of interests in joint ventures and associates using the equity method | 262 | – |
| Total income from continuing operations | 97,358 | 10,264 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 27,162 | 1,787 |
| Borrowing costs | 305 | – |
| Materials and contracts | 17,251 | 2,061 |
| Depreciation and amortisation | 16,504 | 2,136 |
| Other expenses | 10,629 | 1,205 |
| Net losses from the disposal of assets | 283 | 17 |
| Total expenses from continuing operations | 72,134 | 7,206 |
| Operating result from continuing operations | 25,224 | 3,058 |
| Net operating result for the year | 25,224 | 3,058 |
| Net operating result attributable to each council fund | 25,224 | 3,058 |
| Net operating result for the year before grants and contributions provided for capital purposes | 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 ¹ 2019 \$ '000 | Sewer 2019 \$ '000 |
|---|---|--------------------------|
| Statement of Financial Position by fund | | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 9,589 | 4,474 |
| Investments | 47,625 | 3,375 |
| Receivables | 6,589 | 423 |
| Inventories | 271 | — |
| Other | 815 | — |
| Total current assets | 64,889 | 8,272 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 905,401 | 140,204 |
| Investments accounted for using the equity method | 3,491 | — |
| Investment property | 49,630 | — |
| Intangible assets | 338 | — |
| Total non-current assets | 958,860 | 140,204 |
| TOTAL ASSETS | 1,023,749 | 148,476 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 10,470 | — |
| Borrowings | 491 | 376 |
| Provisions | 9,374 | 366 |
| Total current liabilities | 20,335 | 742 |
| Non-current liabilities | | |
| Borrowings | 1,979 | — |
| Provisions | 11,147 | 79 |
| Total non-current liabilities | 13,126 | 79 |
| TOTAL LIABILITIES | 33,461 | 821 |
| Net assets | 990,288 | 145,655 |
| EQUITY | | |
| Accumulated surplus | 428,473 | 41,641 |
| Revaluation reserves | 561,815 | 106,014 |
| Council equity interest | 990,288 | 147,655 |
| Total equity | 990,288 | 147,655 |

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 |
|---|-----------------|-----------------------|-------------------------|-----------------------|
| 1. Operating performance ratio | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2} | 3,093 | 3.77% | (3.97)% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 82,133 | | | |
| 2. Own source operating revenue ratio | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 70,554 | 67.13% | 70.96% | >60.00% |
| Total continuing operating revenue ¹ | 105,096 | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions | 37,819 | 3.21x | 3.02x | >1.5x |
| Current liabilities less specific purpose liabilities | 11,781 | | | |
| 4. Debt service cover ratio | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 22,038 | 17.79x | 13.37x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 1,239 | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | |
| Rates, annual and extra charges outstanding | 4,129 | 6.81% | 5.92% | <5.00% |
| Rates, annual and extra charges collectible | 60,644 | | | |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents plus all term deposits | 65,063 | 12.70 mths | 12.44 mths | >3 mths |
| Monthly payments from cash flow of operating and financing activities | 5,124 | | | |

(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 ³ | | Sewer Indicators | | Benchmark |
|--|---------------------------------|---------|------------------|--------|-----------|
| | 2019 | 2018 | 2019 | 2018 | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 2.44% | (5.22)% | 15.20% | 6.43% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 65.44% | 68.64% | 82.75% | 94.54% | >60.00% |
| Total continuing operating revenue ¹ | | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 3.21x | 3.02x | 7.75x | 7.39x | >1.5x |
| Current liabilities less specific purpose liabilities | | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 22.25x | 16.57x | 8.43x | 6.41x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 6.94% | 6.02% | 5.83% | 5.18% | <5.00% |
| Rates, annual and extra charges collectible | | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 12.25 | 12.44 | 17.27 | 12.53 | >3 |
| Payments from cash flow of operating and financing activities | mths | mths | mths | mths | mths |

Footnotes

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

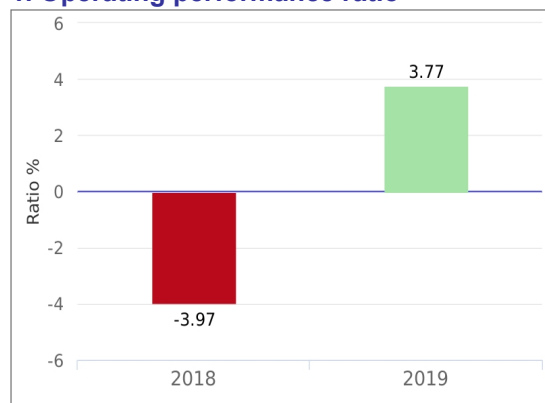
(3) General fund refers to all of Council's activities except for its sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28(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 of 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.

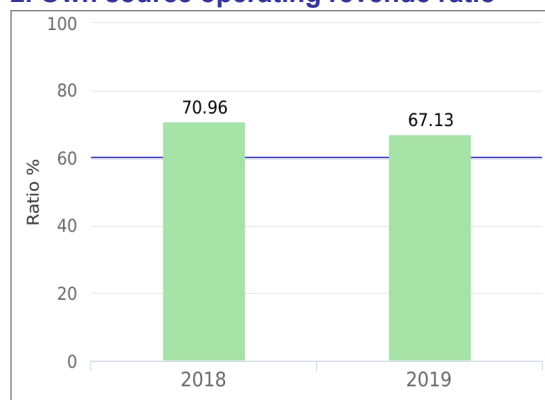
Benchmark: — > 0.00%

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.

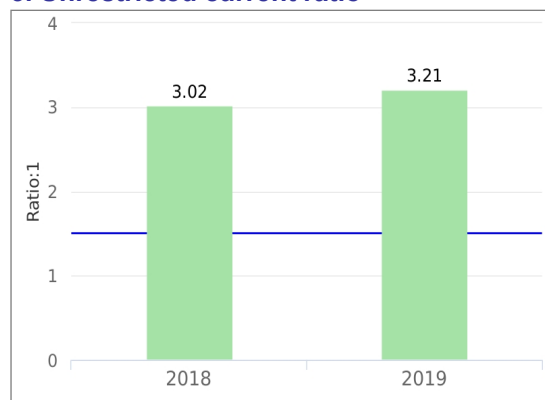
Benchmark: — > 60.00%

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 3.21x

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: — > 1.50x

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

Ratio achieves benchmark

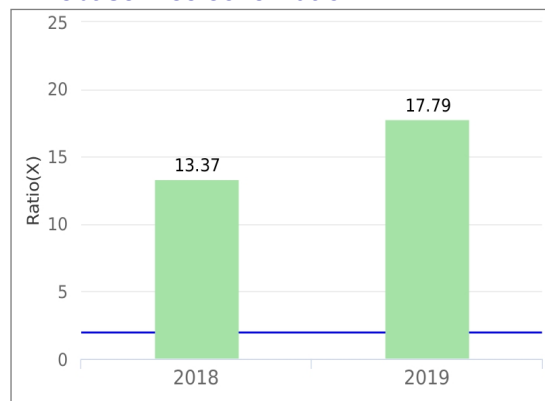
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28(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.

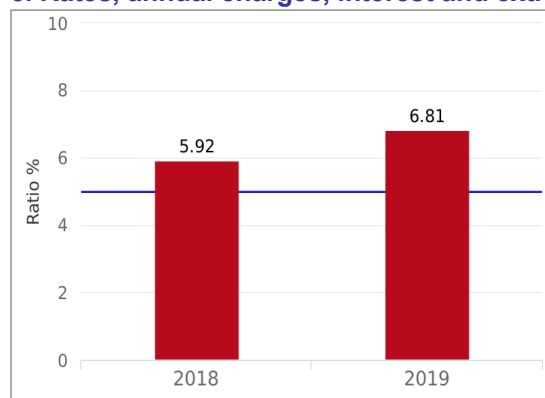
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 6.81%

The ratio declined as a result of 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.

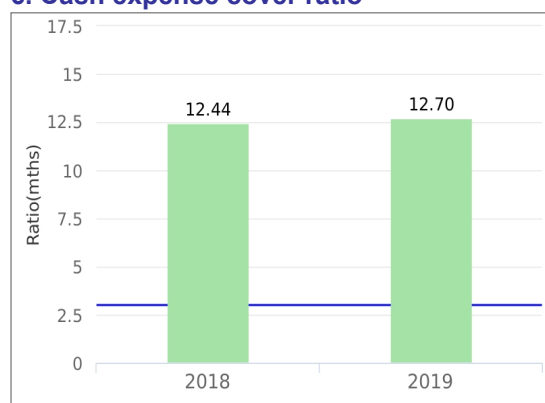
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 12.70 mths

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

The ratio is better than the benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hawkesbury City Council

To the Councillors of the Hawkesbury City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY



Cr Barry Calvert
Mayor
Hawkesbury City Council
366 George Street
WINDSOR NSW 2756

Contact: Somaiya Ahmed
Phone no: 02 9275 7424
Our ref: D1925488/1737

24 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Hawkesbury City Council**

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

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

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

INCOME STATEMENT

Operating result

| | 2019 \$m | 2018 \$m | Variance % |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue | 57.5 | 52.9 | 8.7 |
| Grants and contributions revenue | 34.1 | 26.3 | 29.7 |
| Operating result for the year | 28.3 | 18.3 | 54.6 |
| Net operating result before capital grants and contributions | 5.3 | (0.8) | 762 |

Council's operating result of \$28.3 million (including the effect of depreciation and amortisation expense of \$18.6 million) was \$10.0 million higher than the 2017–18 result, due to significant increases in rates and annual charges, and grants and contributions revenue.

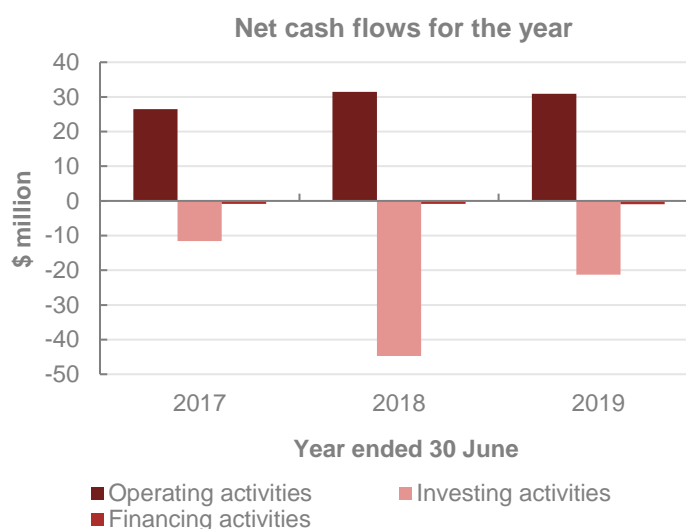
The net operating result before capital grants and contributions (\$5.3 million) was \$6.1 million higher than the 2017–18 result. This was in line with the 8.7 percent increase in rates and annual charges together with increased grants and contributions for operating purposes received in the current year compared to 2017–18.

Rates and annual charges revenue (\$57.5 million) increased by \$4.6 million (8.7 per cent) in 2018–2019. This was largely due to the special rate variation of 9.5 per cent effective for 2018–19.

Grants and contributions revenue (\$34.1 million) increased by \$7.8 million (29.7 per cent) in 2018–2019 primarily due to increase in non-cash capital contributions received in the current year.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities in 2018–19 were mostly consistent with the prior year.
- Cash outflows from investing activities decreased due to reduced purchases of investment securities.
- Cash flows from financing activities remained relative stable compared to last year.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2019 | 2018 | Commentary |
|-----------------------------|-------------|-------------|---|
| | \$m | \$m | |
| External restrictions | 33.6 | 26.8 | <ul style="list-style-type: none"> • Overall cash and investments increased by \$6.3 million due to increased rates and annual charges of \$4.6 million and investment and interest income of \$1.8 million. |
| Internal restrictions | 17.2 | 20.3 | |
| Unrestricted | 14.3 | 11.7 | |
| Cash and investments | 65.1 | 58.8 | <ul style="list-style-type: none"> • Significant externally restricted funds include \$14.3 million in general developer contributions and \$7.2 million in specific purpose unexpended grants. • Significant internally restricted funds include \$8.7 million for unspent work reserve / property, and \$4.5 million for tip remediation and sullage. |

Debt

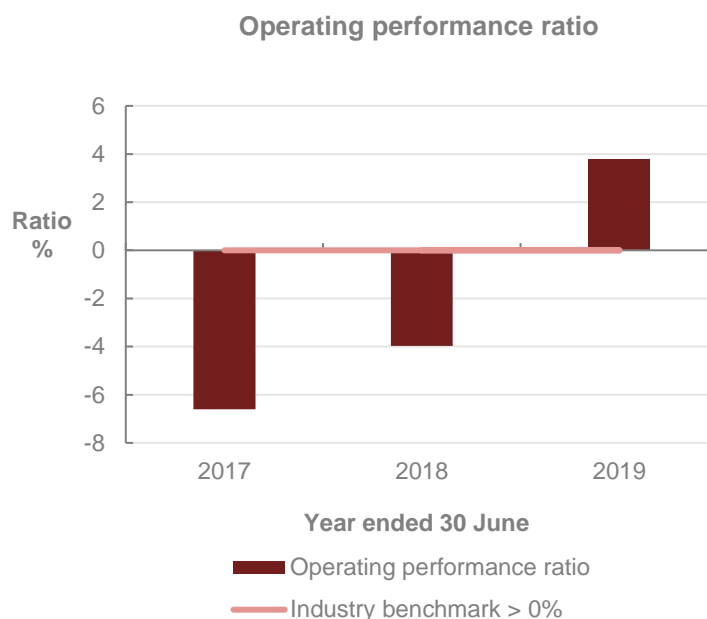
Council has an overdraft facility in place as at 30 June 2019, with a drawdown limit of \$0.8 million. There was no drawdown as at 30 June 2019. During the current and prior year, there were no defaults or breaches on loans.

PERFORMANCE

Operating performance ratio

- Council's ratio exceeded the industry benchmark in 2018–19.
- The ratio improved from prior year as a result of increased rates revenue achieved through the special rate variation, and a \$3.9 million increase in operating grants and contributions.

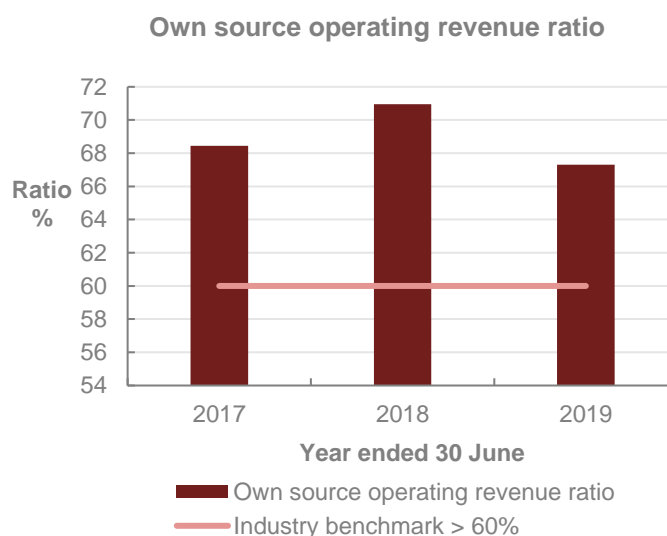
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council continued to exceed the benchmark of greater than 60 percent.
- The ratio declined as a result of increased capital grants and contributions over the reporting period.

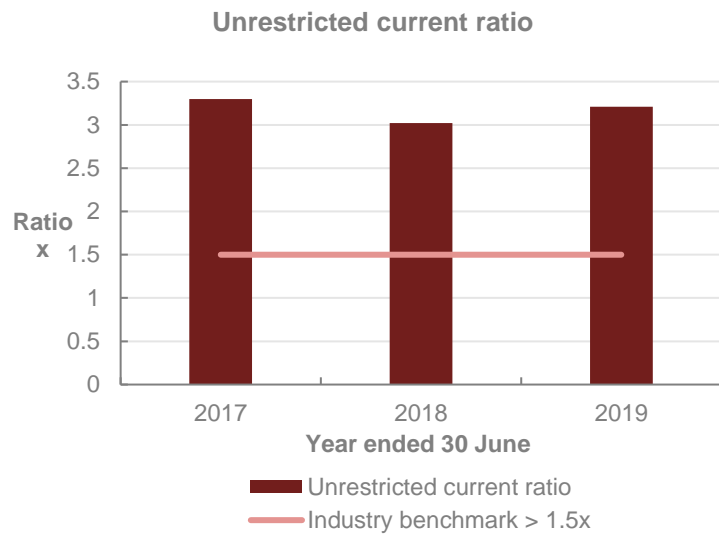
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council has exceeded the benchmark over the past three years.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.
- The ratio has increased in 2018–19 as a result of increases in unrestricted cash and cash investments by \$2.6 million.

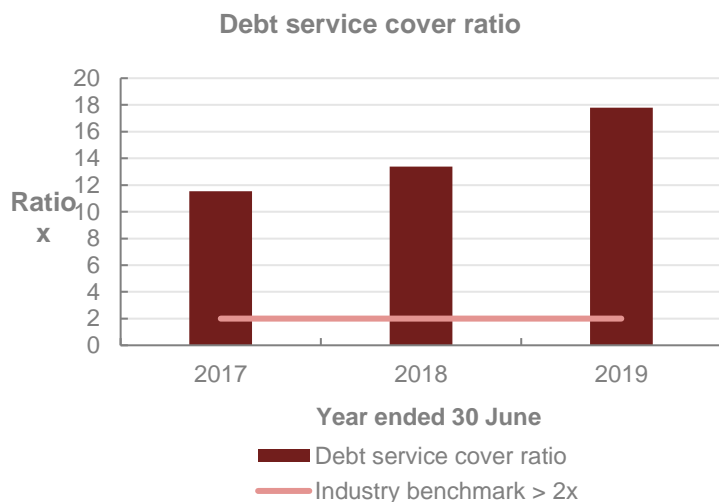
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council continued to exceed the industry benchmark over the past three years.
- The ratio increased due to an increase in cash balances, together with a reduction in debt costs from 2017–18.

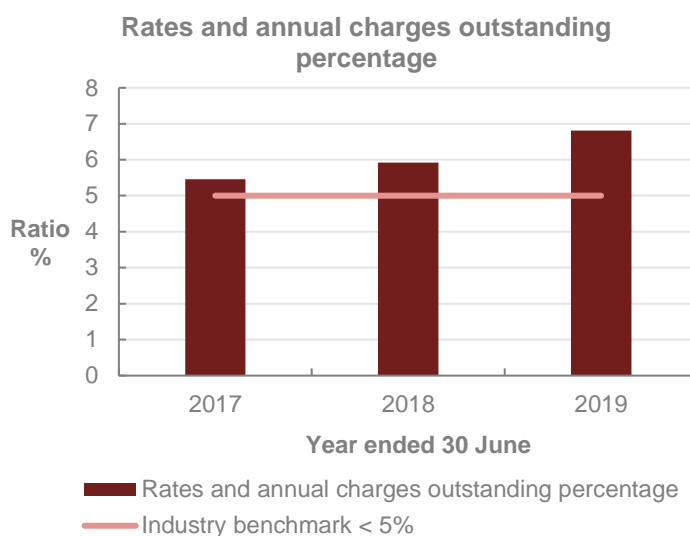
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council has not met the industry benchmark of less than 5 percent for metropolitan councils.
- The ratio has increased in 2018–19, reflecting increased delays in recovering outstanding rates debtors than previous years.

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



Cash expense cover ratio

Council exceeded the industry benchmark for the past three years.

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



Infrastructure, property, plant and equipment renewals

Council's asset renewals have increased from \$10.3 million in the 2017–18 financial year to \$11.6 million in the 2018–19 financial year. Renewals have increased due to enhanced funding in the 2019 financial year. Asset renewals in 2019 primarily related to roads, which totalled \$9.1 million.

OTHER MATTERS

New accounting standards implemented

| Application period | Overview |
|---|--|
| AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures' | |
| For the year ended 30 June 2019 | <p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14 (c).</p> |

Legislative compliance

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

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Hawkesbury City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

*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

| Contents | Page |
|---|----------|
| Statement by Councillors & Management | 3 |
| Special Purpose Financial Statements | |
| Income Statement – Sewerage Business Activity | 4 |
| Statement of Financial Position – Sewerage Business Activity | 5 |
| Significant Accounting Policies | 6 |
| Auditor's Report on Special Purpose Financial Statements | 9 |

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

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 financial statements:

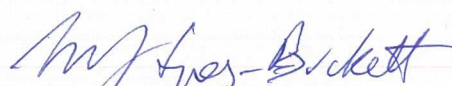
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
 - accord with Council's accounting and other records.
- present overhead reallocation charges to the sewerage business as fair and reasonable.

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 2018.



Councillor Barry Calvert
MAYOR
24 September 2019



Councillor Mary Lyons-Buckett
DEPUTY MAYOR
24 September 2019



Ms Linda Perrine
ACTING GENERAL MANAGER
24 September 2019



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 |
|--|---------------------------|---------------------------|
| Income from continuing operations | | |
| 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 |
| Total income from continuing operations | 8,533 | 7,825 |
| Expenses from continuing operations | | |
| 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 |
| Total expenses from continuing operations | 7,313 | 7,383 |
| Surplus (deficit) from continuing operations before capital amounts | 1,220 | 442 |
| Grants and contributions provided for capital purposes | 1,731 | 434 |
| Surplus (deficit) from continuing operations after capital amounts | 2,951 | 876 |
| Surplus (deficit) from all operations before tax | 2,951 | 876 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (336) | (133) |
| SURPLUS (DEFICIT) AFTER TAX | 2,615 | 743 |
| Plus accumulated surplus | 38,665 | 37,757 |
| – Taxation equivalent payments | 60 | 61 |
| – Corporate taxation equivalent | 336 | 133 |
| – Less Tax equivalent dividend paid | (35) | (29) |
| Closing accumulated surplus | 41,641 | 38,665 |
| Return on capital % | 1.4% | 0.5% |
| Subsidy from Council | – | 1,891 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 2,615 | 743 |
| Less: capital grants and contributions (excluding developer contributions) | – | – |
| Surplus for dividend calculation purposes | 2,615 | 743 |
| Potential dividend calculated from surplus | 1,308 | 372 |

Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 4,474 | 3,275 |
| Investments | 3,375 | 2,471 |
| Receivables | 423 | 413 |
| Total current assets | 8,272 | 6,159 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 140,204 | 83,621 |
| Investment property | – | 75 |
| Total non-current assets | 140,204 | 83,696 |
| TOTAL ASSETS | 148,476 | 89,855 |
| LIABILITIES | | |
| Current liabilities | | |
| Borrowings | 376 | 400 |
| Provisions | 366 | 330 |
| Total current liabilities | 742 | 730 |
| Non-current liabilities | | |
| Borrowings | – | 328 |
| Provisions | 79 | 40 |
| Total non-current liabilities | 79 | 368 |
| TOTAL LIABILITIES | 821 | 1,098 |
| NET ASSETS | 147,655 | 88,757 |
| EQUITY | | |
| Accumulated surplus | 41,641 | 38,665 |
| Revaluation reserves | 106,014 | 50,092 |
| TOTAL EQUITY | 147,655 | 88,757 |

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

Note 1. Significant Accounting Policies

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)

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.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Hawkesbury City Council

To the Councillors of the Hawkesbury City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Hawkesbury City Council's (the Council) Declared Business Activity, which comprise the Income Statement of the Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of the Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activity declared by Council, and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', with a stylized flourish at the end.

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Hawkesbury City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*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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| Special Schedules | |
| Permissible income for general rates | 3 |
| Auditors' Report | 4 |
| Report on Infrastructure Assets | 7 |

Permissible income for general rates

for the year ended 30 June 2019

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

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Hawkesbury City Council

To the Councillors of Hawkesbury City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', with a stylized flourish at the end.

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

| Asset Class | Asset Category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2018/19 Required maintenance ^a | 2018/19 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--|---|---|---|---|----------------------------|---------------------|------------------------------|---|--------|-------|-------|------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| (a) Report on Infrastructure Assets - Values | | | | | | | | | | | | |
| Buildings | 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% | — |
| | Sub-total | 1,354 | — | 3,061 | 3,305 | 101,192 | 165,779 | 22.3% | 59.1% | 16.9% | 1.7% | 0.0% |
| Other structures | Other structures | — | — | 8 | 7 | 6,878 | 13,574 | 15.0% | 23.0% | 62.0% | — | — |
| | Sub-total | — | — | 8 | 7 | 6,878 | 13,574 | 15.0% | 23.0% | 62.0% | — | — |
| Roads | 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% | — |
| | Sub-total | 7,305 | — | 7,917 | 6,885 | 414,314 | 630,948 | 27.3% | 47.2% | 21.7% | 2.0% | 1.9% |
| Water supply network | Recycle Water Network – Treatment Plant | — | — | — | — | 3,040 | 3,763 | — | 100.0% | — | — | — |
| | Recycle Water Network – Reticulation | — | — | — | — | 2,439 | 4,053 | — | 100.0% | — | — | — |
| | Sub-total | — | — | — | — | 5,479 | 7,816 | — | 100.0% | — | — | — |

Report on Infrastructure Assets (continued)

as at 30 June 2019

| Asset Class | Asset Category | Estimated cost | | 2018/19 Required maintenance ^a | 2018/19 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--|-------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|-------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| Sewerage network | Mains | – | – | 108 | 102 | 13,098 | 17,533 | 47.0% | 18.0% | 35.0% | – | – |
| | Manholes | 44 | – | 73 | 63 | 15,281 | 20,666 | 15.0% | 38.0% | 46.0% | 1.0% | – |
| | Reticulation | 727 | – | 298 | 290 | 47,471 | 64,113 | 23.0% | 4.0% | 68.0% | 5.0% | – |
| | Pump Stations | – | – | 520 | 529 | 17,090 | 21,132 | 27.0% | 72.0% | 1.0% | – | – |
| | Treatment Works | 300 | – | 2,545 | 2,779 | 36,955 | 48,909 | 43.0% | 38.0% | 18.0% | – | 1.0% |
| | Sub-total | 1,071 | – | 3,544 | 3,763 | 129,895 | 172,353 | 30.8% | 26.3% | 40.6% | 2.0% | 0.3% |
| Stormwater drainage | 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% | – | – | – |
| | Sub-total | – | – | 107 | 120 | 141,934 | 209,410 | 59.2% | 40.0% | 0.9% | – | – |
| Open space / recreational assets | 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% | – |
| | Sub-total | 610 | – | 3,598 | 3,931 | 22,410 | 41,298 | 12.4% | 59.6% | 25.4% | 2.6% | – |
| TOTAL - ALL ASSETS | | 10,340 | – | 18,235 | 18,011 | 822,102 | 1,241,178 | 31.6% | 45.3% | 20.4% | 1.6% | 1.0% |

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

| | Amounts | Indicator | Prior period | Benchmark |
|--|---------|-----------|--------------|-----------|
| \$ '000 | 2019 | 2019 | 2018 | |
| Infrastructure asset performance indicators (consolidated) * | | | | |
| Buildings and infrastructure renewals ratio ¹ | | | | |
| Asset renewals ² | 11,632 | 72.85% | 59.60% | >=100.00% |
| Depreciation, amortisation and impairment | 15,968 | | | |
| Infrastructure backlog ratio ¹ | | | | |
| Estimated cost to bring assets to a satisfactory standard | 10,340 | 1.26% | 2.27% | <2.00% |
| Net carrying amount of infrastructure assets | 822,102 | | | |
| Asset maintenance ratio | | | | |
| Actual asset maintenance | 18,011 | 98.77% | 88.76% | >100.00% |
| Required asset maintenance | 18,235 | | | |

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

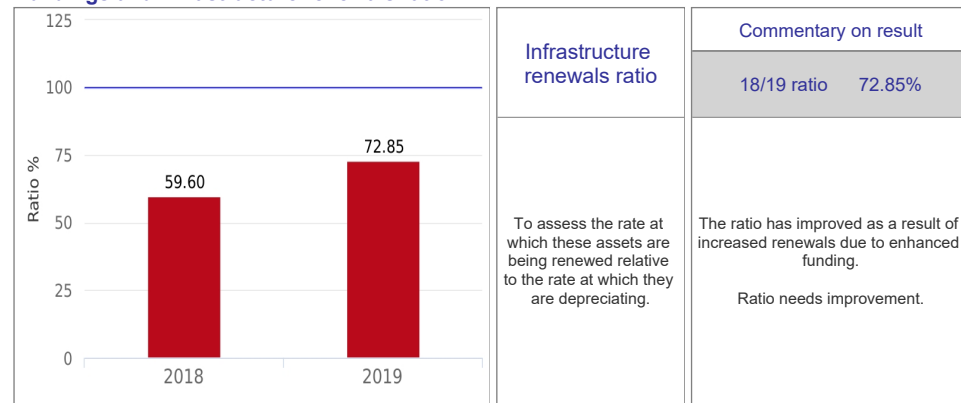
(1) Excludes Work In Progress (WIP)

(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

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



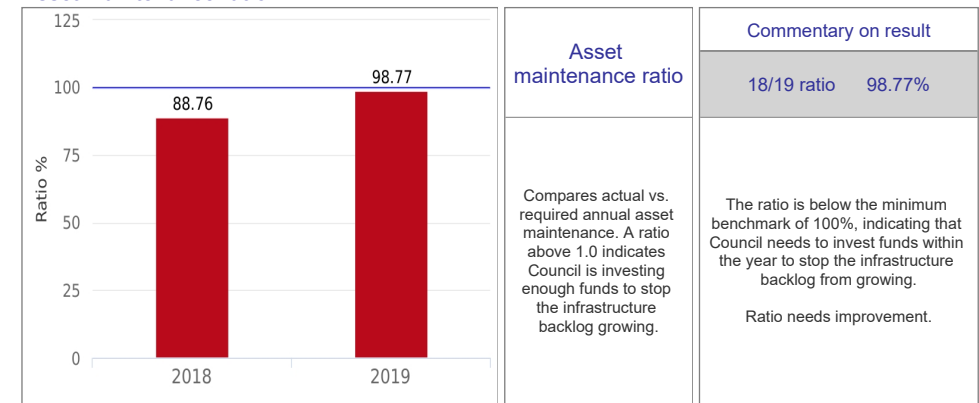
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



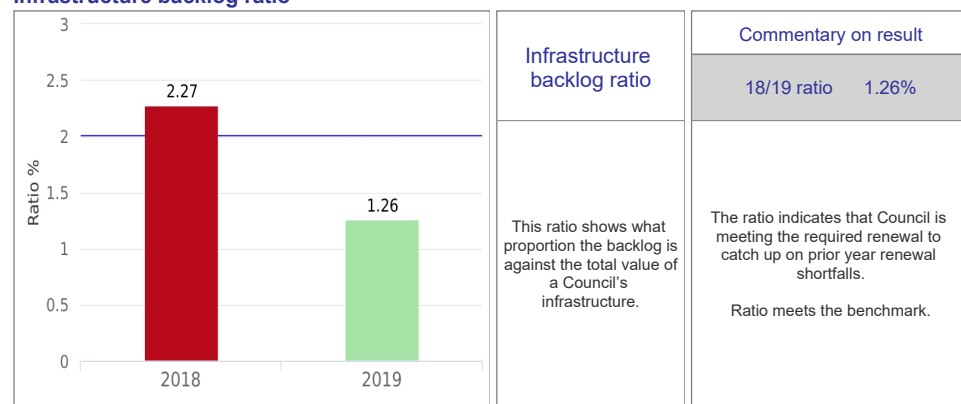
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



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 | |
| Infrastructure asset performance indicators (by fund) | | | | | |
| Buildings and infrastructure renewals ratio ¹ | | | | | |
| Asset renewals ² | 80.39% | 51.24% | 20.96% | 124.61% | >=100.00% |
| Depreciation, amortisation and impairment | | | | | |
| Infrastructure backlog ratio ¹ | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 1.35% | 1.77% | 0.79% | 6.44% | <2.00% |
| Net carrying amount of infrastructure assets | | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 96.98% | 84.19% | 106.18% | 110.28% | >100.00% |
| Required asset maintenance | | | | | |

(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.

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

*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

*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.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment (IPP&E).

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 financial year ended 30 June 2019

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

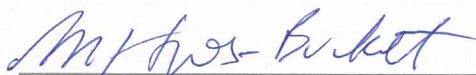
- The Local Government Act 1993 (NSW) (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- present fairly the Council's operating result and financial position for the year, and
- accords 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.



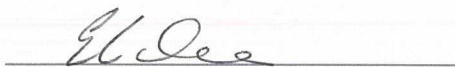
Councillor Mary Lyons-Buckett
DEPUTY MAYOR
24 September 2019



Councillor Barry Calvert
MAYOR
24 September 2019



Ms Linda Perrine
ACTING GENERAL MANAGER
24 September 2019



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 \$ '000 |
|--|--|--------|---------------------------|---------------------------|
| Income from continuing operations | | | | |
| <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 |
| 82,940 | Total income from continuing operations | | 107,622 | 94,503 |
| Expenses from continuing operations | | | | |
| 28,431 | Employee benefits and on-costs | 4a | 28,949 | 26,798 |
| 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 | 11,834 | 11,605 |
| – | Net losses from the disposal of assets | 5 | 300 | 97 |
| – | Revaluation decrement / impairment of IPP&E | 4d | – | 178 |
| 79,987 | Total expenses from continuing operations | | 79,340 | 76,217 |
| 2,953 | Operating result from continuing operations | | 28,282 | 18,286 |
| 2,953 | Net operating result for the year | | 28,282 | 18,286 |
| 2,953 | Net operating result attributable to council | | 28,282 | 18,286 |
| (3,282) | Net operating result for the year before grants and contributions provided for capital purposes | | 5,319 | (766) |

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

Hawkesbury City Council

Statement of Comprehensive Income

for the year ended 30 June 2019

| | | Actual 2019 \$ '000 | Actual 2018 ¹ \$ '000 |
|--|-------|---------------------------|--|
| | Notes | | |
| Net operating result for the year (as per Income Statement) | | 28,282 | 18,286 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of IPP&E | 10(a) | 56,112 | 47,466 |
| Other movements - net movement in Hawkesbury Sports Council Equity | | 184 | — |
| Total items which will not be reclassified subsequently to the operating result | | 56,296 | 47,466 |
| Total other comprehensive income for the year | | 56,296 | 47,466 |
| Total comprehensive income for the year | | 84,578 | 65,752 |
| Total comprehensive income attributable to Council | | 84,578 | 65,752 |

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

Hawkesbury City Council

Statement of Financial Position

as at 30 June 2019

| | Notes | Actual 2019 \$ '000 | Restated Actual 2018 ¹ \$ '000 | Restated Actual 1 July 2017 \$ '000 |
|---|-------|---------------------------|--|--|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalent assets | 6(a) | 14,063 | 5,341 | 19,400 |
| Investments | 6(b) | 51,000 | 53,500 | 25,211 |
| Receivables | 7 | 7,012 | 7,182 | 7,141 |
| Inventories | 8a | 271 | 216 | 164 |
| Other | 8b | 815 | 1,004 | 773 |
| Total current assets | | 73,161 | 67,041 | 52,689 |
| Non-current assets | | | | |
| Receivables | 7 | — | — | — |
| Infrastructure, property, plant and equipment | 10(a) | 1,045,605 | 966,149 | 913,012 |
| Investment property | 11a | 49,630 | 47,271 | 45,312 |
| Intangible assets | 12 | 338 | 242 | 242 |
| Investments accounted for using the equity method | 17 | 3,491 | 3,229 | 2,925 |
| Total non-current assets | | 1,099,064 | 1,016,992 | 961,491 |
| TOTAL ASSETS | | 1,172,225 | 1,084,134 | 1,014,180 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 13 | 10,470 | 10,192 | 7,842 |
| Borrowings | 13 | 867 | 751 | 910 |
| Provisions | 14 | 9,740 | 10,367 | 10,134 |
| Total current liabilities | | 21,077 | 21,310 | 18,886 |
| Non-current liabilities | | | | |
| Borrowings | 13 | 1,979 | 2,982 | 3,658 |
| Provisions | 14 | 11,226 | 6,477 | 4,023 |
| Total non-current liabilities | | 13,205 | 9,459 | 7,681 |
| TOTAL LIABILITIES | | 34,282 | 30,769 | 26,567 |
| Net assets | | 1,137,943 | 1,053,365 | 987,613 |
| EQUITY | | | | |
| Accumulated surplus | 15a | 470,114 | 441,648 | 423,362 |
| Revaluation reserves | 15a | 667,829 | 611,717 | 564,251 |
| Council equity interest | | 1,137,943 | 1,053,365 | 987,613 |
| Total equity | | 1,137,943 | 1,053,365 | 987,613 |

(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 Financial Position should be read in conjunction with the accompanying notes.

Hawkesbury City Council

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

| | Notes | 2019 | | | 2018 ¹ | | |
|--|-------|---------------------|---------------------------|------------------|---------------------|---------------------------|------------------|
| | | 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 | | 441,648 | 611,717 | 1,053,365 | 414,587 | 564,251 | 978,838 |
| Correction of prior period errors | 15b | – | – | – | 8,775 | – | 8,775 |
| Restated opening balance | | 441,648 | 611,717 | 1,053,365 | 423,362 | 564,251 | 987,613 |
| Net operating result for the year | | 28,282 | – | 28,282 | 18,286 | – | 18,286 |
| Restated net operating result for the period | | 28,282 | – | 28,282 | 18,286 | – | 18,286 |
| Other comprehensive income | | | | | | | |
| – Gain (loss) on revaluation of IPP&E | 10(a) | – | 56,112 | 56,112 | – | 47,466 | 47,466 |
| - Other movements - net movement in Hawkesbury Sports Council Equity | | 184 | – | 184 | – | – | – |
| Other comprehensive income | | 184 | 56,112 | 56,296 | – | 47,466 | 47,466 |
| Total comprehensive income | | 28,466 | 56,112 | 84,578 | 18,286 | 47,466 | 65,752 |
| Equity – balance at end of the reporting period | | 470,114 | 667,829 | 1,137,943 | 441,648 | 611,717 | 1,053,365 |

(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 Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

| Original unaudited budget 2019 \$ '000 | | Notes | Actual 2019 \$ '000 | Actual 2018 \$ '000 |
|--|--|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| | <u>Receipts</u> | | | |
| 53,992 | Rates and annual charges | | 56,642 | 52,168 |
| 7,082 | User charges and fees | | 7,619 | 7,390 |
| 1,569 | Investment and interest revenue received | | 1,855 | 1,394 |
| 11,258 | Grants and contributions | | 16,438 | 18,031 |
| – | Bonds, deposits and retention amounts received | | 107 | 261 |
| 4,352 | Other | | 8,889 | 8,114 |
| | <u>Payments</u> | | | |
| (27,578) | Employee benefits and on-costs | | (28,689) | (26,773) |
| (18,299) | Materials and contracts | | (20,967) | (18,812) |
| (251) | Borrowing costs | | (161) | (191) |
| (13,419) | Other | | (10,737) | (10,059) |
| 18,706 | Net cash provided (or used in) operating activities | 15b | 30,996 | 31,523 |
| Cash flows from investing activities | | | | |
| | <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) | Net cash provided (or used in) investing activities | | (21,340) | (44,678) |
| Cash flows from financing activities | | | | |
| | <u>Receipts</u> | | | |
| 2,990 | Proceeds from borrowings and advances | | – | – |
| | <u>Payments</u> | | | |
| (1,107) | Repayment of borrowings and advances | | (934) | (904) |
| 1,883 | Net cash flow provided (used in) financing activities | | (934) | (904) |
| (1,492) | Net increase/(decrease) in cash and cash equivalents | | 8,722 | (14,059) |
| 5,341 | Plus: cash and cash equivalents – beginning of year | 15a | 5,341 | 19,400 |
| 3,849 | Cash and cash equivalents – end of the year | 15a | 14,063 | 5,341 |
| Additional Information: | | | | |
| – | plus: Investments on hand – end of year | 6(b) | 51,000 | 53,500 |
| 3,849 | Total cash, cash equivalents and investments | | 65,063 | 58,841 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 September 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)

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. The Consolidated Fund has been included in the Council's financial statements.

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

- General purpose operations
- 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

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 has assessed each revenue stream, and 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)

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.

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

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

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

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 | 73,823 |
| 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 | 1,044,765 | 990,524 |
| Our Future | 4,232 | 525 | 2,320 | 2,387 | 1,912 | (1,862) | 3,999 | 28 | 7,143 | 236 |
| Total functions and activities | 107,622 | 94,503 | 79,340 | 76,217 | 28,282 | 18,286 | 11,399 | 9,738 | 1,172,225 | 1,084,134 |

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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 |
|--|---------------------------|---------------------------|
| (a) Rates and annual charges | | |
| Ordinary rates | | |
| Residential | 29,838 | 26,694 |
| Farmland | 1,459 | 1,377 |
| Business | 3,559 | 3,304 |
| Less: pensioner rebates (mandatory) | (558) | (547) |
| Rates levied to ratepayers | 34,298 | 30,828 |
| Pensioner rate subsidies received | 309 | 297 |
| Total ordinary rates | 34,607 | 31,125 |
| Annual charges | | |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | |
| 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 |
| Annual charges levied | 22,669 | 21,601 |
| Pensioner subsidies received: | | |
| – Sewerage | 40 | 41 |
| – Domestic waste management | 137 | 139 |
| Total annual charges | 22,846 | 21,781 |
| TOTAL RATES AND ANNUAL CHARGES | 57,453 | 52,906 |

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) User charges and fees | | |
| Specific user charges | | |
| (per s.502 - specific 'actual use' charges) | | |
| Sewerage services | 1,077 | 953 |
| Waste management services (non-domestic) | 14 | 4 |
| Sullage | 330 | 337 |
| Total specific user charges | 1,421 | 1,294 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Inspection services | 18 | 23 |
| Planning and building regulation | 1,353 | 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 |
| Total fees and charges – statutory/regulatory | 2,380 | 2,835 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| 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 |
| Total fees and charges – other | 3,111 | 2,892 |
| TOTAL USER CHARGES AND FEES | 6,912 | 7,021 |

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 |
|--|---------------------------|---------------------------|
| (c) Interest and investment revenue (including losses) | | |
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 261 | 217 |
| – Cash and investments | 1,507 | 1,303 |
| <u>TOTAL INTEREST AND INVESTMENT REVENUE</u> | <u>1,768</u> | <u>1,520</u> |

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 |
|---|-------|---------------------------|---------------------------|
| (d) Other revenues | | | |
| 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 |
| <u>TOTAL OTHER REVENUE</u> | | <u>4,907</u> | <u>4,379</u> |

Accounting policy for other revenue

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

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

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.

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 |
|--|--|--|--------------------------------------|--------------------------------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance – general component | 1,326 | 1,359 | – | – |
| Financial assistance – local roads component | 848 | 845 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance – general component | 1,397 | 1,402 | – | – |
| Financial assistance – local roads component | 856 | 872 | – | – |
| Total general purpose | 4,427 | 4,478 | – | – |
| Specific purpose | | | | |
| 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 | – | – |
| Priority 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 |
| Total specific purpose | 6,087 | 1,882 | 885 | 3,378 |
| Total grants | 10,514 | 6,360 | 885 | 3,378 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 4,554 | 4,517 | – | 1,629 |
| – State funding | 5,960 | 1,823 | 885 | 1,741 |
| – Other funding | – | 20 | – | 8 |
| | 10,514 | 6,360 | 885 | 3,378 |

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 | | | | |
| (f) Contributions | | | | |
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | |
| Cash contributions | | | | |
| 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 |
| Total developer contributions – cash | 29 | 5 | 3,175 | 6,438 |
| Non-cash contributions | | | | |
| 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 | – |
| Total developer contributions non-cash | – | – | 18,451 | 8,897 |
| Total developer contributions | 29 | 5 | 21,626 | 15,335 |
| 23 | | | | |
| Other contributions: | | | | |
| Cash contributions | | | | |
| 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 | – | – |
| Total other contributions – cash | 550 | 852 | 452 | 339 |
| Total other contributions | 550 | 852 | 452 | 339 |
| Total contributions | 579 | 857 | 22,078 | 15,674 |
| TOTAL GRANTS AND CONTRIBUTIONS | 11,093 | 7,217 | 22,963 | 19,052 |

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 below.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
| (a) Employee benefits and on-costs | | |
| Salaries and wages | 20,896 | 19,730 |
| Employee termination costs (where material – other than vested leave paid) | – | 156 |
| 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 |
| Protective clothing | 61 | 62 |
| Other | 14 | 16 |
| Total employee costs | 29,124 | 27,099 |
| Less: capitalised costs | (175) | (301) |
| TOTAL EMPLOYEE COSTS EXPENSED | 28,949 | 26,798 |
| 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) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 159 | 189 |
| Total interest bearing liability costs expensed | | 159 | 189 |
| (ii) Other borrowing costs | | | |
| Amortisation of discounts and premiums | | | |
| – Remediation liabilities | 13 | 97 | 106 |
| Interest applicable on interest free (and favourable) loans to Council | | 47 | 69 |
| Other Borrowing Costs | | 2 | – |
| Total other borrowing costs | | 146 | 175 |
| <u>TOTAL BORROWING COSTS EXPENSED</u> | | <u>305</u> | <u>364</u> |

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
| (c) Materials and contracts | | |
| 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 ² | 46 | 91 |
| Legal expenses: | | |
| – Legal expenses: planning and development | 463 | 175 |
| – Legal expenses: debt recovery | 119 | 138 |
| – Legal expenses: other | 212 | 136 |
| Operating leases: | | |
| – Operating lease rentals: contingent rentals ¹ | 637 | 615 |
| Other | 262 | 240 |
| TOTAL MATERIALS AND CONTRACTS | 19,312 | 17,690 |

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 |
| | 637 | 615 |

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 |
| Remuneration for audit and other assurance services | 33 | 80 |
| Total Auditor-General remuneration * | 33 | 80 |

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 |
|--|---------------------------|---------------------------|
| Non NSW Auditor-General audit firms | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements (Hawkesbury Sports Council) | 13 | 11 |
| Remuneration for audit and other assurance services | 13 | 11 |
| Total remuneration of non NSW Auditor-General audit firms | 13 | 11 |
| Total Auditor remuneration | 46 | 91 |

(*) 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 \$85,400.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

| | Notes | 2019 Actual \$ '000 | 2018 Restated \$ '000 |
|---|----------|---------------------------|-----------------------------|
| (d) Depreciation, amortisation and impairment of intangible assets and IPP&E | | | |
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,816 | 1,207 |
| Office equipment | | 107 | 121 |
| Furniture and fittings | | 40 | 48 |
| Land improvements (depreciable) | | 22 | 20 |
| Infrastructure: | | | |
| – 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 |
| Other assets: | | | |
| – Library books | | 261 | 259 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | 9(a), 13 | 217 | 218 |
| Intangible assets | 11 | 209 | 207 |
| Total depreciation and amortisation costs | | 18,640 | 19,485 |
| Impairment / revaluation decrement of IPP&E | | | |
| Land under roads (post 30/06/08) | | – | 178 |
| Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement | | – | 178 |
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u> | | | |
| | | 18,640 | 19,663 |

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 |
|--|---------------------------|---------------------------|
| (e) Other expenses | | |
| 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 |
| Staff Training Costs | 263 | 201 |
| Stormwater – environmental | 49 | 31 |
| Street lighting | 756 | 633 |
| Telephone and communications | 104 | 112 |
| Valuation fees (rates) | 162 | 156 |
| Water | 171 | 296 |
| Other | 171 | |
| <u>TOTAL OTHER EXPENSES</u> | <u>11,834</u> | <u>11,605</u> |

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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 |
|--|---------------------------|---------------------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 960 | 1,786 |
| Cash-equivalent assets | | |
| – Deposits at call | 13,103 | 3,555 |
| Total cash and cash equivalents | 14,063 | 5,341 |

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- 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)

(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 | – |
| attributable to: | | | | |
| 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 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

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 |

Total external restrictions

| | |
|--------|--------|
| 33,551 | 26,808 |
|--------|--------|

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 |
|--------|--------|

TOTAL RESTRICTIONS

| | |
|--------|--------|
| 50,743 | 47,104 |
|--------|--------|

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 |
|---|--------------------------------------|--|--------------------------------------|--|
| Purpose | | | | |
| Rates and annual charges | 3,911 | – | 3,100 | – |
| 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 | – |
| Total | 7,368 | – | 7,437 | 101 |
| Less: provision of impairment | | | | |
| User charges and fees | (519) | – | (356) | – |
| Total provision for impairment – receivables | (519) | – | (356) | – |
| <u>TOTAL NET RECEIVABLES</u> | <u>7,012</u> | <u>–</u> | <u>7,081</u> | <u>101</u> |

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 60 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 |
|----------------------------------|--------------------------------------|--|--------------------------------------|--|
| (a) Inventories | | | | |
| (i) Inventories at cost | | | | |
| Stores and materials | 271 | — | 216 | — |
| Total inventories at cost | 271 | — | 216 | — |
| <u>TOTAL INVENTORIES</u> | <u>271</u> | <u>—</u> | <u>216</u> | <u>—</u> |
| (b) Other assets | | | | |
| Prepayments | 815 | — | 1,004 | — |
| <u>TOTAL OTHER ASSETS</u> | <u>815</u> | <u>—</u> | <u>1,004</u> | <u>—</u> |

(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 | — |
| | 135 | — |

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

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

Inventory held for distribution

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

| | as at 30/6/2018(Restated) | | | Asset movements during the reporting period | | | | | | as at 30/6/2019 | | |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|--------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
| | Gross carrying amount \$ '000 | Accumulated depreciation \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '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 |
| Land: | | | | | | | | | | | | |
| – 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 |
| Infrastructure: | | | | | | | | | | | | |
| – 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 | 55,922 | 179,609 | (44,235) | 135,374 |
| – 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 |
| Other assets: | | | | | | | | | | | | |
| – 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 |
| Reinstatement, rehabilitation and restoration assets (refer Note 14): | | | | | | | | | | | | |
| – Tip assets | 1,929 | (806) | 1,123 | – | – | – | (217) | 7,211 | – | 9,141 | (1,024) | 8,117 |
| Total Infrastructure, property, plant and equipment | 1,435,348 | (469,199) | 966,149 | 11,636 | 31,441 | (1,302) | (18,431) | – | 56,112 | 1,485,593 | (439,988) | 1,045,605 |

(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 (Restated) | | | Asset movements during the reporting period | | | | | | | as at 30/6/2018 | | |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|---|--------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
| | Gross carrying amount \$ '000 | Accumulated depreciation \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '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 |
| Land: | | | | | | | | | | | | | |
| – 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 |
| Infrastructure: | | | | | | | | | | | | | |
| – 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 |
| Other assets: | | | | | | | | | | | | | |
| – Heritage collections | 957 | – | 957 | – | – | – | – | – | – | 50 | 1,007 | – | 1,007 |
| – Library books | 3,693 | (2,954) | 739 | – | 292 | – | (259) | – | – | – | 3,140 | (2,368) | 772 |
| Reinstatement, rehabilitation and restoration assets (refer Note 14): | | | | | | | | | | | | | |
| – Tip assets | 1,929 | (588) | 1,341 | – | – | – | (218) | – | – | – | 1,929 | (806) | 1,123 |
| Total Infrastructure, property, plant and equipment | 1,376,012 | (463,000) | 913,012 | 10,400 | 15,965 | (1,238) | (19,278) | (178) | – | 47,466 | 1,435,348 | (469,199) | 966,149 |

(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:

| Plant and equipment | Years | Other equipment | 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 | Buildings | |
| 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 |
| Water and sewer assets | | Stormwater assets | |
| Dams and reservoirs | 100 to 200 | Drains | 80 to 100 |
| Bores | 20 to 40 | Culverts | 50 to 80 |
| Reticulation pipes | 100 to 110 | Flood control | 80 to 100 |
| Pumps and telemetry | 20 to 50 | | |
| Transportation assets | | Other infrastructure assets | |
| 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 | 20-200 |
| Road pavements | 60 | | |
| Kerb, gutter and footpaths | 40 to 100 | | |

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)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

| | 2019 \$ '000 | 2018 \$ '000 |
|---|-----------------|-----------------|
| (a) Investment property at fair value | | |
| Investment property on hand | 49,630 | 47,271 |
| Reconciliation of annual movement: | | |
| Opening balance | 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 |
| CLOSING BALANCE – INVESTMENT PROPERTY | 49,630 | 47,271 |

(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 17 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 |
| Total minimum lease payments receivable | 1,373 | 920 |

(e) Investment property income and expenditure – summary

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

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 |
| Total income attributable to investment property | 3,497 | 3,413 |

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 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

Intangible assets are as follows:

Opening values at 1 July

| | | |
|---|------------|------------|
| Gross book value | 3,263 | 3,112 |
| Accumulated amortisation | (3,021) | (2,870) |
| Net book value – opening balance | 242 | 242 |

Movements for the year

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

Closing values at 30 June

| | | |
|--------------------------|---------|---------|
| Gross book value | 3,569 | 3,263 |
| Accumulated amortisation | (3,230) | (3,021) |

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

| | | |
|--|------------|------------|
| | 339 | 242 |
|--|------------|------------|

The net book value of intangible assets represents:

| | | |
|------------|------------|------------|
| – Software | 339 | 242 |
| | 339 | 242 |

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 |
|---|--------------------------------------|--|--------------------------------------|--|
| Payables | | | | |
| 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 | – |
| Total payables | 10,470 | – | 10,192 | – |
| Borrowings | | | | |
| Loan – Sewer | 376 | – | 400 | 328 |
| Loan – LIRS | 491 | 1,979 | 351 | 2,654 |
| Total borrowings | 867 | 1,979 | 751 | 2,982 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>11,337</u> | <u>1,979</u> | <u>10,943</u> | <u>2,982</u> |

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
| Current payables and borrowings not anticipated to be settled within the next twelve months | | |
| The following liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Payables – security bonds, deposits and retentions | 638 | 620 |
| Total payables and borrowings | 638 | 620 |

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

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

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

(d) Financing arrangements

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

| | | |
|--|--------------|--------------|
| Bank overdraft facilities ¹ | 800 | 800 |
| Credit cards/purchase cards | 500 | 500 |
| Total financing arrangements | 1,300 | 1,300 |

Drawn facilities as at balance date:

| | | |
|---|----------|-----------|
| – Credit cards/purchase cards | – | 12 |
| Total drawn financing arrangements | – | 12 |

Undrawn facilities as at balance date:

| | | |
|---|--------------|--------------|
| – Bank overdraft facilities | 800 | 800 |
| – Credit cards/purchase cards | 500 | 488 |
| Total undrawn financing arrangements | 1,300 | 1,288 |

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

Breaches and Defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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)

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 |
|--|--------------------------------------|--|--------------------------------------|--|
| Provisions | | | | |
| Employee benefits | | | | |
| 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 | — |
| Sub-total – aggregate employee benefits | 9,429 | 1,184 | 9,439 | 552 |
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | 183 | 9,571 | 820 | 5,535 |
| Sub-total – asset remediation/restoration | 183 | 9,571 | 820 | 5,535 |
| Other provisions | | | | |
| Self insurance – workers compensation | 115 | 445 | 94 | 354 |
| PPE Lease Liability | 13 | 26 | 14 | 36 |
| Sub-total – other provisions | 128 | 471 | 108 | 390 |
| <u>TOTAL PROVISIONS</u> | <u>9,740</u> | <u>11,226</u> | <u>10,367</u> | <u>6,477</u> |

| | Actual \$ '000 | 2018 Actual \$ '000 |
|--|---------------------|---------------------------|
| Current provisions not anticipated to be settled within the next twelve months | | |
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 6,224 | 6,216 |
| | <u>6,224</u> | <u>6,216</u> |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

(c) Description of and movements in provisions

| | PPE Lease Liability | Self insurance | Asset remediation | Total Actual |
|--|------------------------|-------------------|----------------------|-----------------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| 2019 | | | | |
| At beginning of year | 50 | 448 | 6,355 | 6,853 |
| Additional provisions | — | 112 | 6,335 | 6,447 |
| Amounts used (payments) Unwinding of discount | (11) | — | — | (11) |
| | — | — | 97 | 97 |
| Other | — | — | (3,033) | (3,033) |
| Total other provisions at end of period | 39 | 560 | 9,754 | 10,353 |
| 2018 | | | | |
| 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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).

Hawkesbury City Council

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 Council did not previously recognise a range of vehicles and firefighting equipment associated with the Rural Fire Service as Council assets. The impact of recognising these assets is a net increase of \$8.6million to Property, Plant and Equipment within the Statement of Financial Position.

A prior year error was uncovered by Council in relation to Postponed Rates. An adjustment of \$163K has been included to align the General Ledger with the Property and Rating System.

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 | 904,400 | 8,612 | 913,012 |
| Receivables | 6,978 | 163 | 7,141 |
| Total Assets | 1,005,405 | 8,775 | 1,014,180 |
| Total Liabilities | 26,567 | — | 26,567 |
| Retained Earnings | 414,587 | 8,775 | 423,362 |
| Total Equity | 978,838 | 8,775 | 987,613 |

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 | 957,537 | 8,612 | 966,149 |
| Receivables | 6,918 | 163 | 7,081 |
| Total Assets | 1,075,359 | 8,775 | 1,084,134 |
| Total Liabilities | 30,769 | — | 30,769 |

continued on next page ...

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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)

| | Original Balance 30 June, 2018 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2018 \$ '000 |
|---------------------|---|--|---|
| Retained Earnings | 432,873 | 8,775 | 441,648 |
| Total Equity | 1,044,590 | 8,775 | 1,053,365 |

| | Original Balance 30 June, 2018 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2018 \$ '000 |
|--|---|--|---|
| Total income from continuing operations | 94,503 | – | 94,503 |
| Total expenses from continuing operations | 76,217 | – | 76,217 |
| Net operating result for the year | 18,286 | – | 18,286 |

| | Original Balance 30 June, 2018 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2018 \$ '000 |
|--|---|--|---|
| Net operating result for the year | 18,286 | – | 18,286 |
| Other comprehensive income | 47,466 | – | – |
| Total comprehensive income for the year | 65,752 | – | 18,286 |

(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 2018. 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.

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)

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).

Transition adjustments

Application of the Expected Credit Loss model to impairment of trade receivables under AASB 9 did not result in a materially different amount of bad debt provision for trade receivables on transition date 1 July 2018. Council, therefore, decided not to recognise extra amounts of bad debt provision on transition.

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 |
|--|---------------------------------------|-------------------------------------|---|-----------------------|---------------------|---------------------------------------|
| Financial assets | | | | | | |
| 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 |
| Total financial assets under AASB 9 at 1 July 2018 | | | 65,427 | – | – | 65,427 |
| Financial liabilities | | | | | | |
| Payables | Amortised Cost | Amortised Cost | 10,192 | – | – | 10,192 |
| Borrowings | Amortised Cost | Amortised Cost | 3,733 | – | – | 3,733 |
| Total financial liabilities under AASB 9 at 1 July 2018 | | | 13,925 | – | – | 13,925 |

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 |
|---|-------|---------------------------|---------------------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6(a) | 14,063 | 5,341 |
| Balance as per the Statement of Cash Flows | | 14,063 | 5,341 |

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

| | | |
|---|---------------|---------------|
| Net operating result from Income Statement | 28,282 | 18,286 |
| Adjust for non-cash items: | | |
| 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) |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| 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 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | 30,996 | 31,523 |

(c) Non-cash investing and financing activities

| | | |
|--|---------------|--------------|
| Developer contributions 'in kind' | 18,451 | 8,897 |
| Total non-cash investing and financing activities | 18,451 | 8,897 |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

(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 |
|---------------------------|--|--------|
| Hawkesbury Sports Council | 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 |
|---|----------------|----------------|
| Summarised statement of comprehensive income | | |
| Revenue | 969 | 941 |
| Expenses | (1,051) | (1,053) |
| Profit for the period | (82) | (112) |
| Total comprehensive income (1) | (82) | (112) |
| Summarised statement of financial position | | |
| Current assets | 625 | 521 |
| Non-current assets | 134 | 128 |
| Total assets | 759 | 649 |
| Current liabilities | 93 | 81 |
| Total liabilities | 93 | 81 |
| Net assets (2) | 666 | 568 |

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.

| | 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 |
| Total | 262 | 304 | 3,491 | 3,229 |

(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 |
| Total carrying amounts – material joint ventures | | | 3,491 | 3,229 |

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) Details | | |
| 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 |
| Statement of financial position | | | | |
| Current assets | | | | |
| Cash and cash equivalents | — | 3,022 | — | 1,158 |
| Other current assets | 30,380 | 19,442 | 9,029 | 5,759 |
| Non-current assets | 36,521 | 41,740 | 5,368 | 5,989 |
| Current liabilities | | | | |
| Current financial liabilities (excluding trade and other payables and provisions) | — | 6,111 | — | 2,690 |
| Other current liabilities | 7,397 | 720 | 5,173 | 299 |
| Non-current liabilities | | | | |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 12,116 | 15,612 | 2,279 | 1,448 |
| Net assets | 47,388 | 41,761 | 6,945 | 8,469 |
| Reconciliation of the carrying amount | | | | |
| 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) | — | — |
| Closing net assets | 47,388 | 41,761 | 6,945 | 8,469 |
| Council's share of net assets (%) | 6.7% | 6.6% | 4.6% | 5.4% |
| Council's share of net assets (\$) | 3,169 | 2,769 | 322 | 461 |
| Statement of comprehensive income | | | | |
| 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) |
| Profit/(loss) from continuing operations | 5,627 | 5,912 | (1,524) | 1,979 |
| Profit/(loss) for the period | 5,627 | 5,912 | (1,524) | 1,979 |

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

(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 priority 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 Regional 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 |
|--|---------------------------|---------------------------|
| (a) Capital commitments (exclusive of GST) | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Buildings | 1,737 | 429 |
| Plant and equipment | 339 | 474 |
| Total commitments | 2,076 | 903 |
| These expenditures are payable as follows: | | |
| Within the next year | 2,076 | 903 |
| Total payable | 2,076 | 903 |

(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 |
| Total non-cancellable operating lease commitments | 1,129 | 524 |

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)

ASSETS NOT RECOGNISED

(i) 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

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 |
| 2019 | | | | |
| Possible impact of a 1% movement in interest rates | 651 | 651 | (651) | (651) |
| 2018 | | | | |
| 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 |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|-------|
| 2019 | | | | | | |
| Gross carrying amount | – | 3,093 | 251 | 263 | 304 | 3,911 |
| 2018 | | | | | | |
| Gross carrying amount | – | 2,459 | 197 | 206 | 238 | 3,100 |

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 |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|------------|
| 2019 | | | | | | |
| 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% |
| ECL provision | 250 | 19 | 27 | 13 | 210 | 519 |
| 2018 | | | | | | |
| 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% |
| ECL provision | 27 | 23 | 32 | 15 | 259 | 356 |

(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 | ≤ 1 Year \$ '000 | payable in: 1 - 5 Years \$ '000 | > 5 Years \$ '000 | Total cash outflows \$ '000 | Actual carrying values \$ '000 |
|------------------------------------|--|---|---------------------|--|----------------------|-----------------------------------|---|
| 2019 | | | | | | | |
| Trade/other payables | – | 2,175 | 8,295 | – | – | 10,470 | 10,470 |
| Loans and advances | 5.82% | – | 1,101 | 1,770 | – | 2,871 | 2,846 |
| Total financial liabilities | | 2,175 | 9,396 | 1,770 | – | 13,341 | 13,316 |
| 2018 | | | | | | | |
| Trade/other payables | – | 2,068 | 8,124 | – | – | 10,192 | 10,192 |
| Loans and advances | 5.82% | – | 1,102 | 3,016 | – | 4,118 | 3,733 |
| Total financial liabilities | | 2,068 | 9,226 | 3,016 | – | 14,310 | 13,925 |

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* ----- | |
|--|----------------|----------------|-------------------------------|---------------|
| REVENUES | | | | |
| Rates and annual charges | 56,834 | 57,453 | 619 | 1% F |
| User charges and fees | 7,154 | 6,912 | (242) | (3)% U |
| Interest and investment revenue | 1,569 | 1,768 | 199 | 13% F |
| 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% F |
| 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% F |
| 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% F |
| 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 | ∞ F |
| 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)% U |

EXPENSES

| | | | | |
|--------------------------------|--------|--------|-------|---------------|
| Employee benefits and on-costs | 28,431 | 28,949 | (518) | (2)% U |
| Borrowing costs | 303 | 305 | (2) | (1)% U |
| Materials and contracts | 18,484 | 19,312 | (828) | (4)% U |
| Depreciation and amortisation | 19,214 | 18,640 | 574 | 3% F |
| Other expenses | 13,555 | 11,834 | 1,721 | 13% F |

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 |
|--|--------|--------|--------|-----|---|

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 | |
| Recurring fair value measurements | | | | | |
| Investment property | | | | | |
| Investment Properties | 30/06/19 | – | 49,630 | – | 49,630 |
| Total investment property | | – | 49,630 | – | 49,630 |
| Infrastructure, property, plant and equipment | | | | | |
| 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 Specialised | 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 | 30/06/19 | – | – | 135,374 | 135,374 |
| Other Open Space | 30/06/17 | – | – | 20,242 | 20,242 |
| Library books, Heritage & Tip | 30/06/18 | – | – | 37,752 | 37,752 |
| Total infrastructure, property, plant and equipment | | – | 85,077 | 960,528 | 1,045,605 |

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 | |
| Recurring fair value measurements | | | | | |
| Investment property | | | | | |
| Investment Properties | 30/06/18 | — | 47,271 | — | 47,271 |
| Total investment property | | — | 47,271 | — | 47,271 |
| Infrastructure, property, plant and equipment | | | | | |
| 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 Specialsied | 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 |
| Total infrastructure, property, plant and equipment | | — | 84,891 | 881,258 | 966,149 |

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.

Financial liabilities

Council does not have any liabilities which are fair valued.

Investment property

Council conducts indexation each year and a full revaluation is conducted every three years, 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.

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)

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 previously revalued the land under road every 5 years. Now, in line with the Valuer General's revaluation schedule, revaluations will occur every three years, commencing in 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 previously revalued the community land every 5 years. Now, in line with the Valuer General's revaluation schedule, revaluations will occur every three years, commencing in 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 revalued in 2018/2019 financial year by APV Pty Ltd, as a result of the annual assessment of fair value indicating a material variance. The revaluations was conducted a year earlier than scheduled. The fair value was determined based on asset replacement cost and condition of the assets. In between full revaluations, Council applies the construction cost index rate, which is issued by NSW Office of Water.

The next full revaluation is due for 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 was 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.

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 |
|---|--|--|--|---|--|
| 2018 | | | | | |
| Opening balance | 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 |
| Closing balance | 81,990 | 12,069 | 1,068 | 601 | 14,439 |
| 2019 | | | | | |
| Opening balance | 81,990 | 12,069 | 1,068 | 601 | 14,439 |
| Purchases (GBV) | 4 | 4,457 | 151 | 242 | 179 |
| Disposals (WDV) | (14) | — | — | (22) | (504) |
| Depreciation and impairment | — | — | — | — | — |
| PY Capitalisation | — | 1 | — | 127 | 1 |
| Closing balance | 81,980 | 16,527 | 1,219 | 948 | 14,115 |
| | Building specialised Actual \$ '000 | Other structures Actual \$ '000 | Roads, bridges, footpaths Actual \$ '000 | Stormwater drainage Actual \$ '000 | Pools and Open Space Actual \$ '000 |
| 2018 | | | | | |
| Opening balance | 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 |
| Closing balance | 89,410 | 7,150 | 404,594 | 138,475 | 21,609 |
| 2019 | | | | | |
| Opening balance | 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 |
| Closing balance | 87,077 | 6,878 | 414,314 | 141,934 | 22,410 |

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 |
|---|-----------------------------------|----------------------------|
| 2018 | | |
| Opening balance | 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 |
| Closing balance | 109,853 | 881,258 |
| 2019 | | |
| Opening balance | 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 | 56,112 | 56,112 |
| Closing balance | 173,126 | 960,528 |

(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 |
|--|-----------------|-----------------|
| Compensation: | | |
| 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 |
| Total | 2,056 | 2,427 |

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service (eg. access to library, or Council pool) will not be disclosed.

| | 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 |
|---|--|---|----------------------------|--|--|
| 2019 | | | | | |
| 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 | — | — |
| 2018 | | | | | |
| 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 | — |
| S7.11 contributions – under a plan | 9,607 | 360 | 496 | 268 | (627) | 517 | 10,125 | — |
| S7.12 levies – under a plan | 2,735 | 866 | 43 | 95 | (488) | — | 3,208 | — |
| Total S7.11 and S7.12 revenue under plans | 12,342 | 1,226 | 539 | 363 | (1,115) | 517 | 13,333 | — |
| S7.4 planning agreements | 28 | 29 | 17,541 | 2 | — | — | 59 | — |
| S64 contributions | 2,507 | 1,951 | 73 | 78 | (1,111) | — | 3,425 | — |
| Total contributions | 14,877 | 3,206 | 18,153 | 443 | (2,226) | 517 | 16,817 | — |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

| | as at 30/6/2018 | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | as at 30/6/2019 | Cumulative internal borrowings due/(payable) |
|--|-------------------------------|---|---------------------|-------------------------------|-------------------------------|------------------------------------|---|---|
| | Opening Balance \$ '000 | Cash \$ '000 | Non-cash \$ '000 | \$ '000 | \$ '000 | \$ '000 | Held as restricted asset \$ '000 | \$ '000 |
| S7.11 Contributions – under a plan | | | | | | | | |
| CONTRIBUTION PLAN – HAWKESBURY CITY | | | | | | | | |
| 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 | – |
| Total | 9,607 | 360 | 496 | 268 | (627) | 517 | 10,125 | – |

S7.12 Levies – under a plan

| | | | | | | | | |
|--|--------------|------------|-----------|-----------|--------------|----------|--------------|----------|
| CONTRIBUTION PLAN – HAWKESBURY CITY | | | | | | | | |
| Other | 2,735 | 866 | 43 | 95 | (488) | – | 3,208 | – |
| Total | 2,735 | 866 | 43 | 95 | (488) | – | 3,208 | – |

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund

| | General ¹ 2019 \$ '000 | Sewer 2019 \$ '000 |
|--|---|--------------------------|
| Income Statement by fund | | |
| Income from continuing operations | | |
| 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 |
| Other income | | |
| Fair value increment on investment property | 2,264 | – |
| Share of interests in joint ventures and associates using the equity method | 262 | – |
| Total income from continuing operations | 97,358 | 10,264 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 27,162 | 1,787 |
| Borrowing costs | 305 | – |
| Materials and contracts | 17,251 | 2,061 |
| Depreciation and amortisation | 16,504 | 2,136 |
| Other expenses | 10,629 | 1,205 |
| Net losses from the disposal of assets | 283 | 17 |
| Total expenses from continuing operations | 72,134 | 7,206 |
| Operating result from continuing operations | 25,224 | 3,058 |
| Net operating result for the year | 25,224 | 3,058 |
| Net operating result attributable to each council fund | 25,224 | 3,058 |
| Net operating result for the year before grants and contributions provided for capital purposes | 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 ¹ 2019 \$ '000 | Sewer 2019 \$ '000 |
|---|---|--------------------------|
| Statement of Financial Position by fund | | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 9,589 | 4,474 |
| Investments | 47,625 | 3,375 |
| Receivables | 6,589 | 423 |
| Inventories | 271 | — |
| Other | 815 | — |
| Total current assets | 64,889 | 8,272 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 905,401 | 140,204 |
| Investments accounted for using the equity method | 3,491 | — |
| Investment property | 49,630 | — |
| Intangible assets | 338 | — |
| Total non-current assets | 958,860 | 140,204 |
| TOTAL ASSETS | 1,023,749 | 148,476 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 10,470 | — |
| Borrowings | 491 | 376 |
| Provisions | 9,374 | 366 |
| Total current liabilities | 20,335 | 742 |
| Non-current liabilities | | |
| Borrowings | 1,979 | — |
| Provisions | 11,147 | 79 |
| Total non-current liabilities | 13,126 | 79 |
| TOTAL LIABILITIES | 33,461 | 821 |
| Net assets | 990,288 | 145,655 |
| EQUITY | | |
| Accumulated surplus | 428,473 | 41,641 |
| Revaluation reserves | 561,815 | 106,014 |
| Council equity interest | 990,288 | 147,655 |
| Total equity | 990,288 | 147,655 |

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 |
|---|-----------------|-----------------------|-------------------------|-----------------------|
| 1. Operating performance ratio | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2} | 3,093 | 3.77% | (3.97)% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 82,133 | | | |
| 2. Own source operating revenue ratio | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 70,554 | 67.13% | 70.96% | >60.00% |
| Total continuing operating revenue ¹ | 105,096 | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions | 37,819 | 3.21x | 3.02x | >1.5x |
| Current liabilities less specific purpose liabilities | 11,781 | | | |
| 4. Debt service cover ratio | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 22,038 | 17.79x | 13.37x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 1,239 | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | |
| Rates, annual and extra charges outstanding | 4,129 | 6.81% | 5.92% | <5.00% |
| Rates, annual and extra charges collectible | 60,644 | | | |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents plus all term deposits | 65,063 | 12.70 mths | 12.44 mths | >3 mths |
| Monthly payments from cash flow of operating and financing activities | 5,124 | | | |

(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 ³ | | Sewer Indicators | | Benchmark |
|--|---------------------------------|---------|------------------|--------|-----------|
| | 2019 | 2018 | 2019 | 2018 | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 2.44% | (5.22)% | 15.20% | 6.43% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 65.44% | 68.64% | 82.75% | 94.54% | >60.00% |
| Total continuing operating revenue ¹ | | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 3.21x | 3.02x | 7.75x | 7.39x | >1.5x |
| Current liabilities less specific purpose liabilities | | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 22.25x | 16.57x | 8.43x | 6.41x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 6.94% | 6.02% | 5.83% | 5.18% | <5.00% |
| Rates, annual and extra charges collectible | | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 12.25 | 12.44 | 17.27 | 12.53 | >3 |
| Payments from cash flow of operating and financing activities | mths | mths | mths | mths | mths |

Footnotes

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

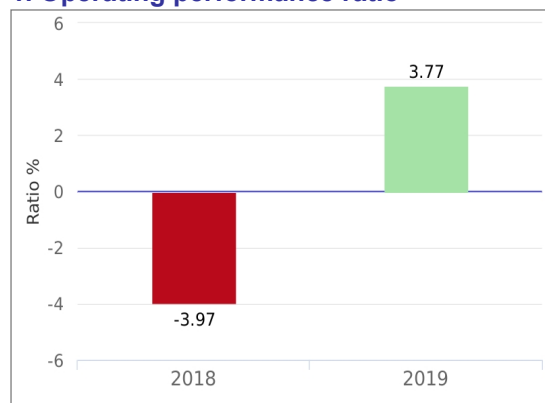
(3) General fund refers to all of Council's activities except for its sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28(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 of 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.

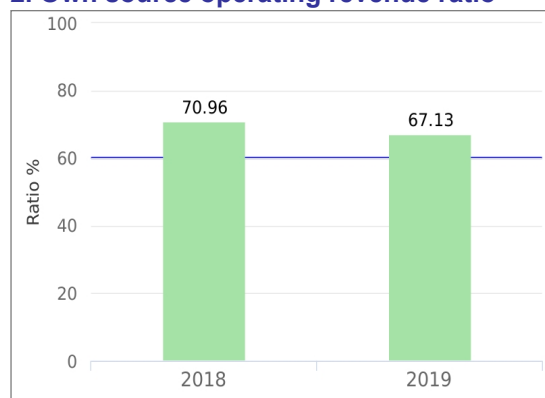
Benchmark: — > 0.00%

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.

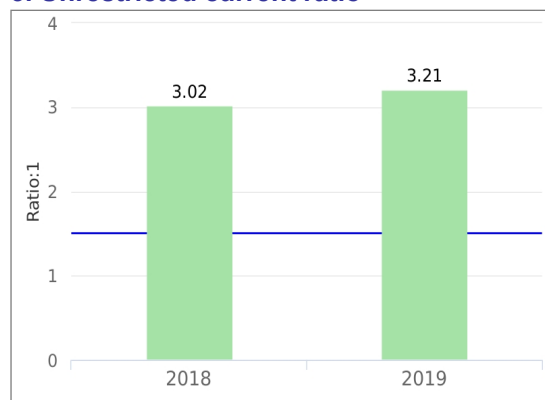
Benchmark: — > 60.00%

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 3.21x

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: — > 1.50x

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

Ratio achieves benchmark

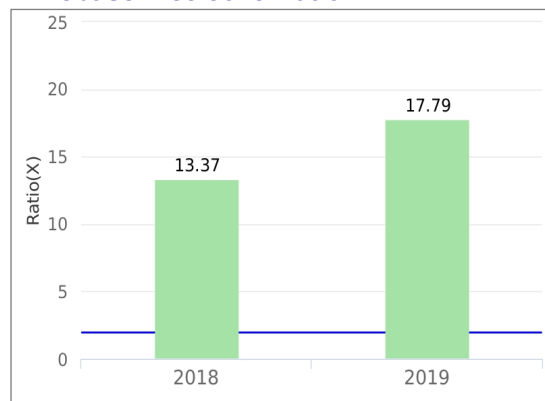
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28(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.

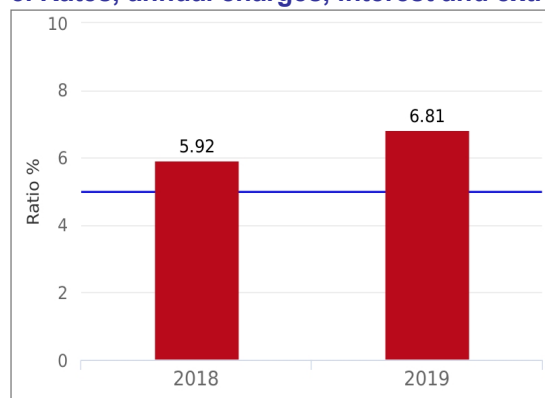
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 6.81%

The ratio declined as a result of 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.

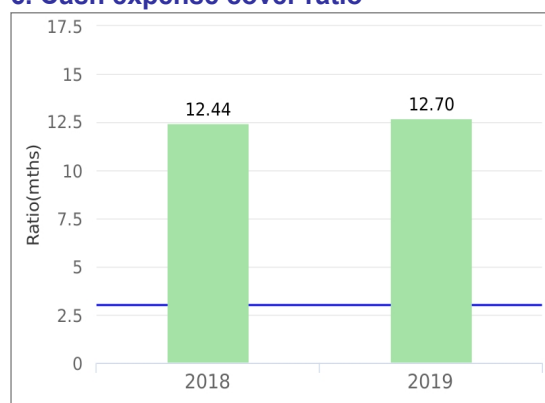
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 12.70 mths

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

The ratio is better than the benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hawkesbury City Council

To the Councillors of the Hawkesbury City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY



Cr Barry Calvert
Mayor
Hawkesbury City Council
366 George Street
WINDSOR NSW 2756

Contact: Somaiya Ahmed
Phone no: 02 9275 7424
Our ref: D1925488/1737

24 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Hawkesbury City Council**

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

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

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

INCOME STATEMENT

Operating result

| | 2019 | 2018 | Variance |
|--|-------------|-------------|-----------------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 57.5 | 52.9 | ↑ 8.7 |
| Grants and contributions revenue | 34.1 | 26.3 | ↑ 29.7 |
| Operating result for the year | 28.3 | 18.3 | ↑ 54.6 |
| Net operating result before capital grants and contributions | 5.3 | (0.8) | ↑ 762 |

Council's operating result of \$28.3 million (including the effect of depreciation and amortisation expense of \$18.6 million) was \$10.0 million higher than the 2017–18 result, due to significant increases in rates and annual charges, and grants and contributions revenue.

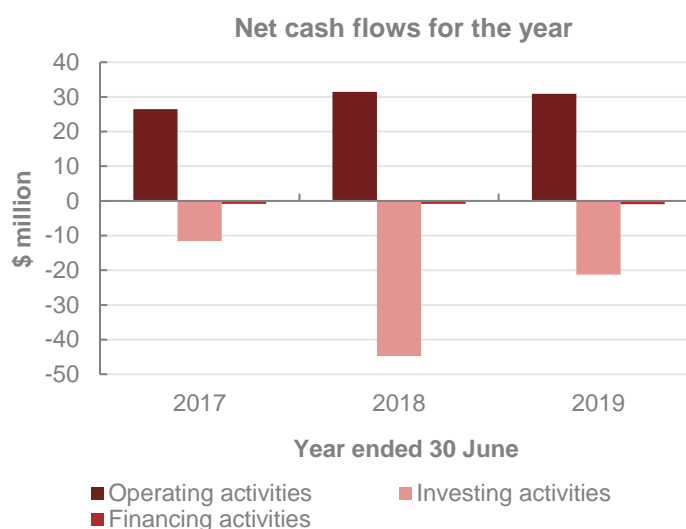
The net operating result before capital grants and contributions (\$5.3 million) was \$6.1 million higher than the 2017–18 result. This was in line with the 8.7 percent increase in rates and annual charges together with increased grants and contributions for operating purposes received in the current year compared to 2017–18.

Rates and annual charges revenue (\$57.5 million) increased by \$4.6 million (8.7 per cent) in 2018–2019. This was largely due to the special rate variation of 9.5 per cent effective for 2018–19.

Grants and contributions revenue (\$34.1 million) increased by \$7.8 million (29.7 per cent) in 2018–2019 primarily due to increase in non-cash capital contributions received in the current year.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities in 2018–19 were mostly consistent with the prior year.
- Cash outflows from investing activities decreased due to reduced purchases of investment securities.
- Cash flows from financing activities remained relative stable compared to last year.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2019 | 2018 | Commentary |
|-----------------------------|-------------|-------------|---|
| | \$m | \$m | |
| External restrictions | 33.6 | 26.8 | <ul style="list-style-type: none"> Overall cash and investments increased by \$6.3 million due to increased rates and annual charges of \$4.6 million and investment and interest income of \$1.8 million. |
| Internal restrictions | 17.2 | 20.3 | |
| Unrestricted | 14.3 | 11.7 | |
| Cash and investments | 65.1 | 58.8 | <ul style="list-style-type: none"> Significant externally restricted funds include \$14.3 million in general developer contributions and \$7.2 million in specific purpose unexpended grants. Significant internally restricted funds include \$8.7 million for unspent work reserve / property, and \$4.5 million for tip remediation and sillage. |

Debt

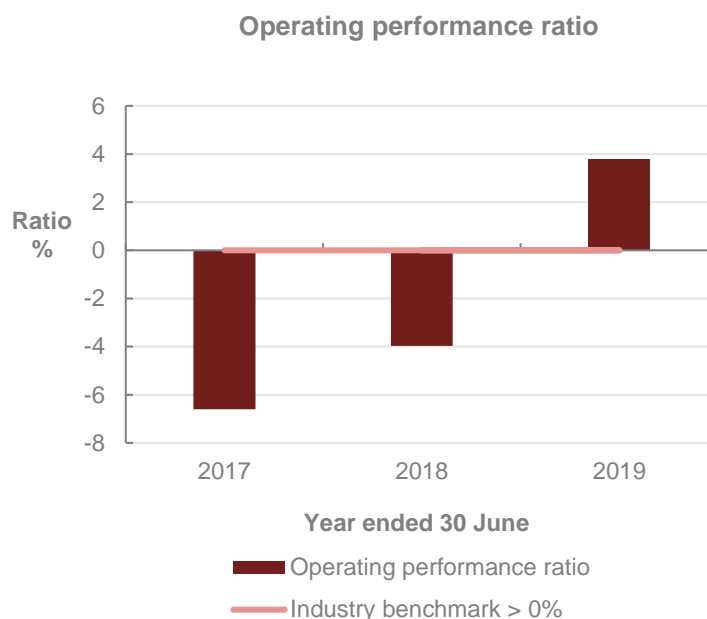
Council has an overdraft facility in place as at 30 June 2019, with a drawdown limit of \$0.8 million. There was no drawdown as at 30 June 2019. During the current and prior year, there were no defaults or breaches on loans.

PERFORMANCE

Operating performance ratio

- Council's ratio exceeded the industry benchmark in 2018–19.
- The ratio improved from prior year as a result of increased rates revenue achieved through the special rate variation, and a \$3.9 million increase in operating grants and contributions.

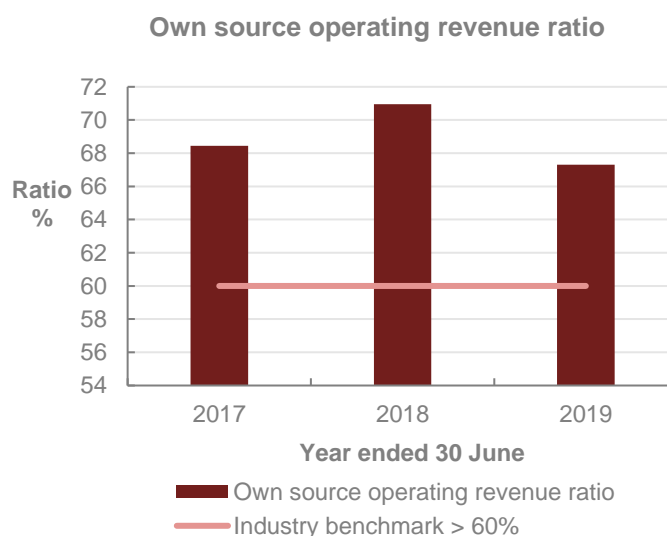
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council continued to exceed the benchmark of greater than 60 percent.
- The ratio declined as a result of increased capital grants and contributions over the reporting period.

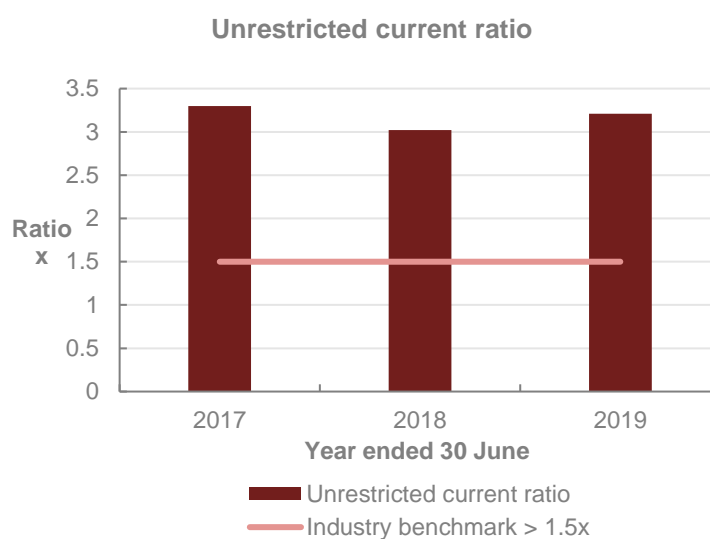
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council has exceeded the benchmark over the past three years.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.
- The ratio has increased in 2018–19 as a result of increases in unrestricted cash and cash investments by \$2.6 million.

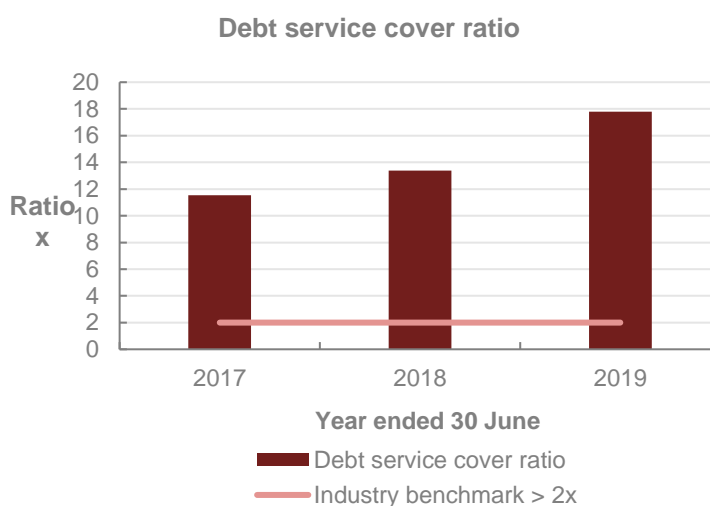
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council continued to exceed the industry benchmark over the past three years.
- The ratio increased due to an increase in cash balances, together with a reduction in debt costs from 2017–18.

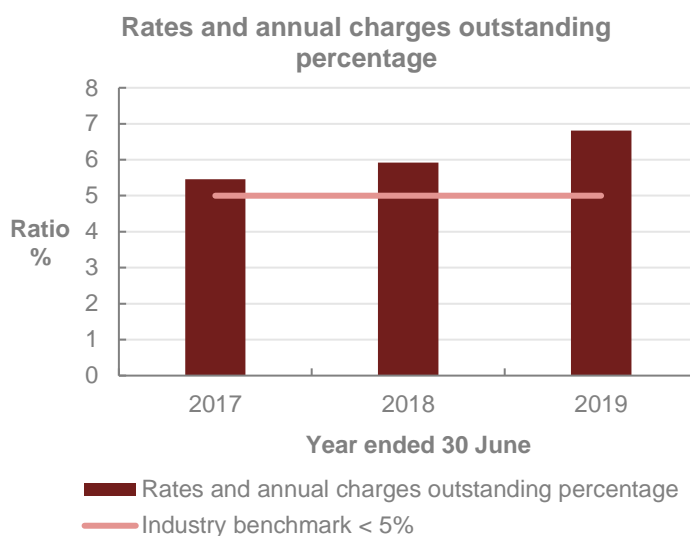
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council has not met the industry benchmark of less than 5 percent for metropolitan councils.
- The ratio has increased in 2018–19, reflecting increased delays in recovering outstanding rates debtors than previous years.

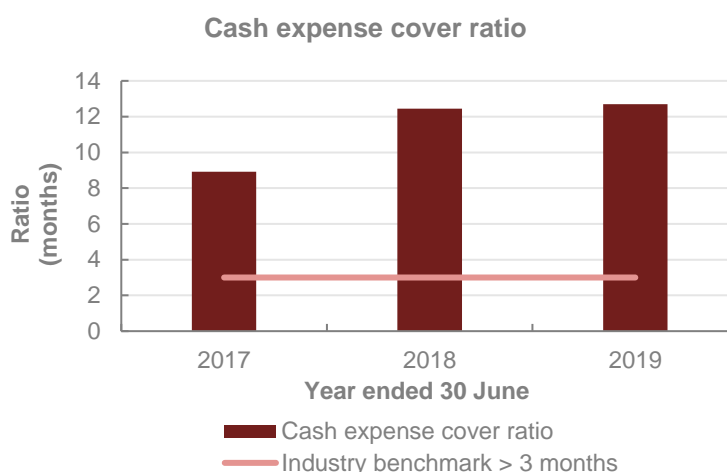
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council exceeded the industry benchmark for the past three years.

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



Infrastructure, property, plant and equipment renewals

Council's asset renewals have increased from \$10.3 million in the 2017–18 financial year to \$11.6 million in the 2018–19 financial year. Renewals have increased due to enhanced funding in the 2019 financial year. Asset renewals in 2019 primarily related to roads, which totalled \$9.1 million.

OTHER MATTERS

New accounting standards implemented

| Application period | Overview |
|---|--|
| AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures' | |
| For the year ended 30 June 2019 | <p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14 (c).</p> |

Legislative compliance

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

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Hawkesbury City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

*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

| Contents | Page |
|---|----------|
| Statement by Councillors & Management | 3 |
| Special Purpose Financial Statements | |
| Income Statement – Sewerage Business Activity | 4 |
| Statement of Financial Position – Sewerage Business Activity | 5 |
| Significant Accounting Policies | 6 |
| Auditor's Report on Special Purpose Financial Statements | 9 |

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

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 financial statements:

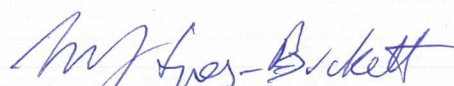
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
 - accord with Council's accounting and other records.
- present overhead reallocation charges to the sewerage business as fair and reasonable.

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 2018.



Councillor Barry Calvert
MAYOR
24 September 2019



Councillor Mary Lyons-Buckett
DEPUTY MAYOR
24 September 2019



Ms Linda Perrine
ACTING GENERAL MANAGER
24 September 2019



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 |
|--|---------------------------|---------------------------|
| Income from continuing operations | | |
| 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 |
| Total income from continuing operations | 8,533 | 7,825 |
| Expenses from continuing operations | | |
| 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 |
| Total expenses from continuing operations | 7,313 | 7,383 |
| Surplus (deficit) from continuing operations before capital amounts | 1,220 | 442 |
| Grants and contributions provided for capital purposes | 1,731 | 434 |
| Surplus (deficit) from continuing operations after capital amounts | 2,951 | 876 |
| Surplus (deficit) from all operations before tax | 2,951 | 876 |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (336) | (133) |
| SURPLUS (DEFICIT) AFTER TAX | 2,615 | 743 |
| Plus accumulated surplus | 38,665 | 37,757 |
| – Taxation equivalent payments | 60 | 61 |
| – Corporate taxation equivalent | 336 | 133 |
| – Less Tax equivalent dividend paid | (35) | (29) |
| Closing accumulated surplus | 41,641 | 38,665 |
| Return on capital % | 1.4% | 0.5% |
| Subsidy from Council | – | 1,891 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 2,615 | 743 |
| Less: capital grants and contributions (excluding developer contributions) | – | – |
| Surplus for dividend calculation purposes | 2,615 | 743 |
| Potential dividend calculated from surplus | 1,308 | 372 |

Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

| | 2019 Actual \$ '000 | 2018 Actual \$ '000 |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 4,474 | 3,275 |
| Investments | 3,375 | 2,471 |
| Receivables | 423 | 413 |
| Total current assets | 8,272 | 6,159 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 140,204 | 83,621 |
| Investment property | – | 75 |
| Total non-current assets | 140,204 | 83,696 |
| TOTAL ASSETS | 148,476 | 89,855 |
| LIABILITIES | | |
| Current liabilities | | |
| Borrowings | 376 | 400 |
| Provisions | 366 | 330 |
| Total current liabilities | 742 | 730 |
| Non-current liabilities | | |
| Borrowings | – | 328 |
| Provisions | 79 | 40 |
| Total non-current liabilities | 79 | 368 |
| TOTAL LIABILITIES | 821 | 1,098 |
| NET ASSETS | 147,655 | 88,757 |
| EQUITY | | |
| Accumulated surplus | 41,641 | 38,665 |
| Revaluation reserves | 106,014 | 50,092 |
| TOTAL EQUITY | 147,655 | 88,757 |

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

Note 1. Significant Accounting Policies

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)

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.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Hawkesbury City Council

To the Councillors of the Hawkesbury City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Hawkesbury City Council's (the Council) Declared Business Activity, which comprise the Income Statement of the Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of the Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activity declared by Council, and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', with a stylized flourish at the end.

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Hawkesbury City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*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

| Contents | Page |
|--------------------------------------|------|
| Special Schedules | |
| Permissible income for general rates | 3 |
| Auditors' Report | 4 |
| Report on Infrastructure Assets | 7 |

Permissible income for general rates

for the year ended 30 June 2019

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

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Hawkesbury City Council

To the Councillors of Hawkesbury City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', with a stylized flourish at the end.

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

| Asset Class | Asset Category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2018/19 Required maintenance ^a | 2018/19 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--|---|---|---|---|----------------------------|---------------------|------------------------------|---|--------|-------|-------|------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| (a) Report on Infrastructure Assets - Values | | | | | | | | | | | | |
| Buildings | 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% | — |
| | Sub-total | 1,354 | — | 3,061 | 3,305 | 101,192 | 165,779 | 22.3% | 59.1% | 16.9% | 1.7% | 0.0% |
| Other structures | Other structures | — | — | 8 | 7 | 6,878 | 13,574 | 15.0% | 23.0% | 62.0% | — | — |
| | Sub-total | — | — | 8 | 7 | 6,878 | 13,574 | 15.0% | 23.0% | 62.0% | — | — |
| Roads | 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% | — |
| | | Sub-total | 7,305 | — | 7,917 | 6,885 | 414,314 | 630,948 | 27.3% | 47.2% | 21.7% | 2.0% |
| Water supply network | Recycle Water Network – Treatment Plant | — | — | — | — | 3,040 | 3,763 | — | 100.0% | — | — | — |
| | Recycle Water Network – Reticulation | — | — | — | — | 2,439 | 4,053 | — | 100.0% | — | — | — |
| | Sub-total | — | — | — | — | 5,479 | 7,816 | — | 100.0% | — | — | — |

Report on Infrastructure Assets (continued)

as at 30 June 2019

| Asset Class | Asset Category | Estimated cost | | 2018/19 Required maintenance ^a | 2018/19 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--|-------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|-------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| Sewerage network | Mains | – | – | 108 | 102 | 13,098 | 17,533 | 47.0% | 18.0% | 35.0% | – | – |
| | Manholes | 44 | – | 73 | 63 | 15,281 | 20,666 | 15.0% | 38.0% | 46.0% | 1.0% | – |
| | Reticulation | 727 | – | 298 | 290 | 47,471 | 64,113 | 23.0% | 4.0% | 68.0% | 5.0% | – |
| | Pump Stations | – | – | 520 | 529 | 17,090 | 21,132 | 27.0% | 72.0% | 1.0% | – | – |
| | Treatment Works | 300 | – | 2,545 | 2,779 | 36,955 | 48,909 | 43.0% | 38.0% | 18.0% | – | 1.0% |
| | Sub-total | 1,071 | – | 3,544 | 3,763 | 129,895 | 172,353 | 30.8% | 26.3% | 40.6% | 2.0% | 0.3% |
| Stormwater drainage | 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% | – | – | – |
| | Sub-total | – | – | 107 | 120 | 141,934 | 209,410 | 59.2% | 40.0% | 0.9% | – | – |
| Open space / recreational assets | 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% | – |
| | Sub-total | 610 | – | 3,598 | 3,931 | 22,410 | 41,298 | 12.4% | 59.6% | 25.4% | 2.6% | – |
| TOTAL - ALL ASSETS | | 10,340 | – | 18,235 | 18,011 | 822,102 | 1,241,178 | 31.6% | 45.3% | 20.4% | 1.6% | 1.0% |

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

| | Amounts | Indicator | Prior period | Benchmark |
|--|---------|-----------|--------------|-----------|
| \$ '000 | 2019 | 2019 | 2018 | |
| Infrastructure asset performance indicators (consolidated) * | | | | |
| Buildings and infrastructure renewals ratio ¹ | | | | |
| Asset renewals ² | 11,632 | 72.85% | 59.60% | >=100.00% |
| Depreciation, amortisation and impairment | 15,968 | | | |
| Infrastructure backlog ratio ¹ | | | | |
| Estimated cost to bring assets to a satisfactory standard | 10,340 | 1.26% | 2.27% | <2.00% |
| Net carrying amount of infrastructure assets | 822,102 | | | |
| Asset maintenance ratio | | | | |
| Actual asset maintenance | 18,011 | 98.77% | 88.76% | >100.00% |
| Required asset maintenance | 18,235 | | | |

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

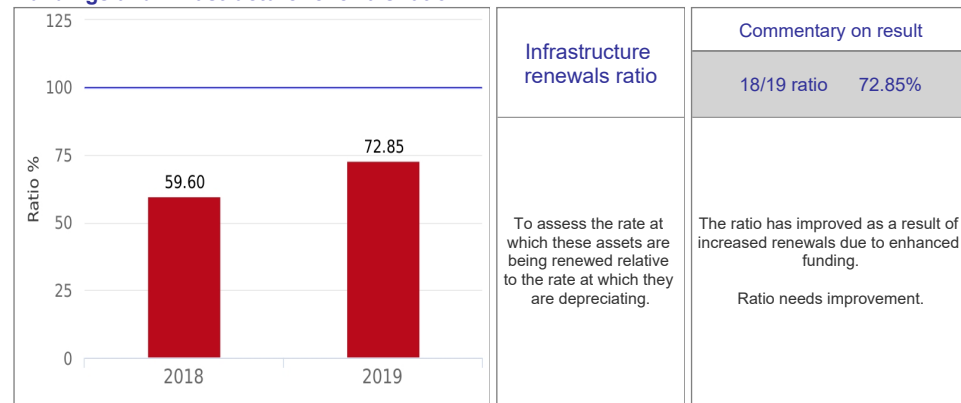
(1) Excludes Work In Progress (WIP)

(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

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



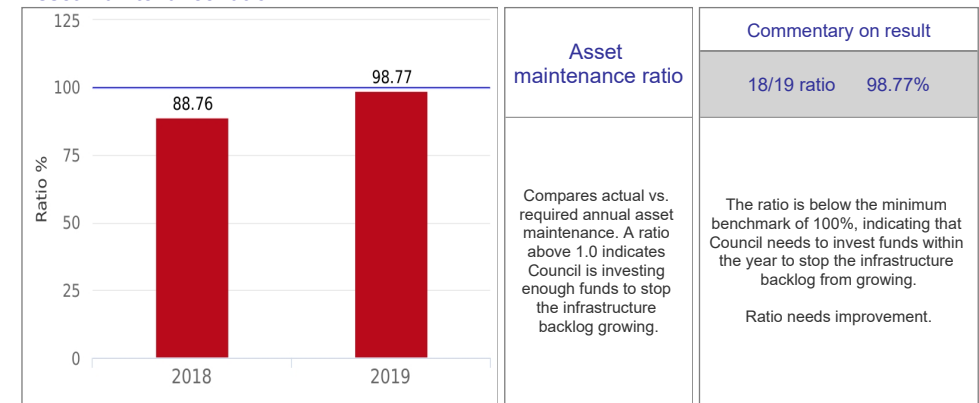
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



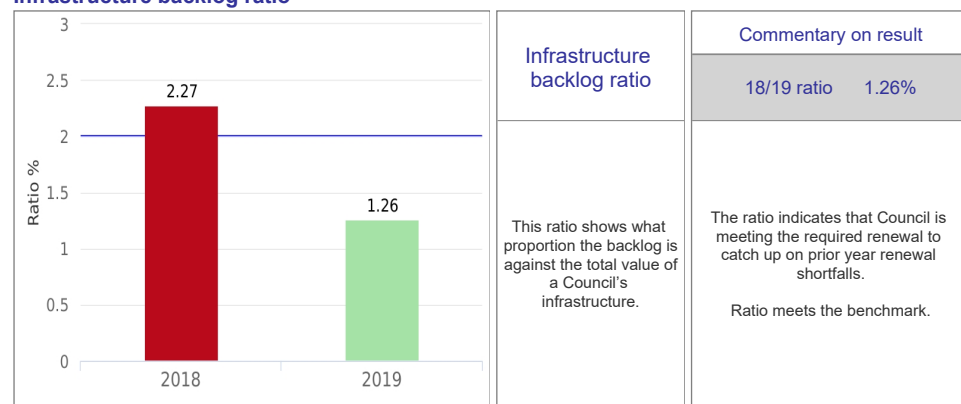
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



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 | |
| Infrastructure asset performance indicators (by fund) | | | | | |
| Buildings and infrastructure renewals ratio ¹ | | | | | |
| Asset renewals ² | 80.39% | 51.24% | 20.96% | 124.61% | >=100.00% |
| Depreciation, amortisation and impairment | | | | | |
| Infrastructure backlog ratio ¹ | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 1.35% | 1.77% | 0.79% | 6.44% | <2.00% |
| Net carrying amount of infrastructure assets | | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 96.98% | 84.19% | 106.18% | 110.28% | >100.00% |
| Required asset maintenance | | | | | |

(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.