



Hawkesbury City Council

attachment 1  
to  
item 187

General Purpose Financial  
Statements and Special Purpose  
Financial Statements for the year  
ended 30 June 2020

date of meeting: 29 September 2020  
location: by audio-visual link  
time: 6:30 p.m.



# Hawkesbury City Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

---

*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 2020

---

*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 2020

---

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

---

#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

---

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 September 2020.

---

Patrick Conolly  
**Mayor**  
29 September 2020

---

Mary Lyons-Buckett  
**Deputy Mayor**  
29 September 2020

---

Peter Conroy  
**General Manager**  
29 September 2020

---

Emma Galea  
**Responsible Accounting Officer**  
29 September 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Income from continuing operations</b>				
61,801	Rates and annual charges	3a	62,129	57,453
7,227	User charges and fees	3b	5,944	6,912
4,513	Other revenues	3c	3,398	4,907
7,759	Grants and contributions provided for operating purposes	3d,3e	10,112	11,093
4,520	Grants and contributions provided for capital purposes	3d,3e	18,483	22,963
1,818	Interest and investment income	4	1,388	1,768
–	Fair value increment on investment properties		–	2,264
–	Rental income	14e	2,724	–
265	Net share of interests in joint ventures and associates using the equity method	19	221	262
<b>87,903</b>	<b>Total income from continuing operations</b>		<b>104,399</b>	<b>107,622</b>
<b>Expenses from continuing operations</b>				
30,030	Employee benefits and on-costs	5a	30,865	28,949
1,007	Borrowing costs	5b	282	305
19,248	Materials and contracts	5c	22,208	19,312
18,244	Depreciation and amortisation	5d	19,450	18,640
14,073	Other expenses	5e	11,872	11,834
–	Net losses from the disposal of assets	6	40	300
–	Fair value decrement on investment properties		1,682	–
–	Revaluation decrement / impairment of IPP&E	5d	2,574	–
<b>82,602</b>	<b>Total expenses from continuing operations</b>		<b>88,973</b>	<b>79,340</b>
<b>5,301</b>	<b>Operating result from continuing operations</b>		<b>15,426</b>	<b>28,282</b>
<b>5,301</b>	<b>Net operating result for the year</b>		<b>15,426</b>	<b>28,282</b>
5,301	Net operating result attributable to council		15,426	28,282
<b>781</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(3,057)</b>	<b>5,319</b>

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

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



## Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Net operating result for the year (as per Income Statement)</b>		<b>15,426</b>	<b>28,282</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	113,156	56,112
Other movements - net movement in Hawkesbury Sports Council Equity		—	184
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>113,156</b>	<b>56,296</b>
<b>Total other comprehensive income for the year</b>		<b>113,156</b>	<b>56,296</b>
<b>Total comprehensive income for the year</b>		<b>128,582</b>	<b>84,578</b>

Total comprehensive income attributable to Council	128,582	84,578
--	---------	--------

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

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

# Statement of Financial Position

as at 30 June 2020

	Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	10,893	14,063
Investments	7(b)	52,620	51,000
Receivables	8	7,998	7,012
Inventories	9a	227	271
Other	9b	1,083	815
<b>Total current assets</b>		<b>72,821</b>	<b>73,161</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	10(a)	1,176,153	1,045,567
Investment property	11	48,065	49,630
Intangible Assets	12	455	338
Right of use assets	14a	2,533	—
Investments accounted for using the equity method	19	3,247	3,491
<b>Total non-current assets</b>		<b>1,230,453</b>	<b>1,099,026</b>
<b>Total assets</b>		<b>1,303,274</b>	<b>1,172,187</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	11,524	10,470
Contract liabilities	13	124	—
Lease liabilities	14b	540	—
Borrowings	15	599	867
Provisions	16	9,541	9,740
<b>Total current liabilities</b>		<b>22,328</b>	<b>21,077</b>
<b>Non-current liabilities</b>			
Lease liabilities	14b	2,032	—
Borrowings	15	1,306	1,979
Provisions	16	11,498	11,226
<b>Total non-current liabilities</b>		<b>14,836</b>	<b>13,205</b>
<b>Total liabilities</b>		<b>37,164</b>	<b>34,282</b>
<b>Net assets</b>		<b>1,266,110</b>	<b>1,137,905</b>
<b>EQUITY</b>			
Accumulated surplus	17	485,125	470,076
Revaluation reserves	17	780,985	667,829
<b>Council equity interest</b>		<b>1,266,110</b>	<b>1,137,905</b>
<b>Total equity</b>		<b>1,266,110</b>	<b>1,137,905</b>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		470,076	667,829	1,137,905	441,648	611,717	1,053,365
Correction of prior period errors	17b	—	—	—	(38)	—	(38)
Changes due to AASB 1058 and AASB 15 adoption	17	(377)	—	(377)	—	—	—
Changes due to AASB 16 adoption	17	—	—	—	—	—	—
<b>Restated opening balance</b>		<b>469,699</b>	<b>667,829</b>	<b>1,137,528</b>	<b>441,610</b>	<b>611,717</b>	<b>1,053,327</b>
Net operating result for the year		15,426	—	15,426	28,282	—	28,282
<b>Restated net operating result for the period</b>		<b>15,426</b>	<b>—</b>	<b>15,426</b>	<b>28,282</b>	<b>—</b>	<b>28,282</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	—	113,156	113,156	—	56,112	56,112
- Other movements - net movement in Hawkesbury Sports Council Equity		—	—	—	184	—	184
<b>Other comprehensive income</b>		<b>—</b>	<b>113,156</b>	<b>113,156</b>	<b>184</b>	<b>56,112</b>	<b>56,296</b>
<b>Total comprehensive income</b>		<b>15,426</b>	<b>113,156</b>	<b>128,582</b>	<b>28,466</b>	<b>56,112</b>	<b>84,578</b>
<b>Equity – balance at end of the reporting period</b>		<b>485,125</b>	<b>780,985</b>	<b>1,266,110</b>	<b>470,076</b>	<b>667,829</b>	<b>1,137,905</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
58,710	Rates and annual charges		61,395	56,642
7,155	User charges and fees		6,600	7,619
1,818	Investment and interest revenue received		1,492	1,855
10,680	Grants and contributions		15,607	16,438
–	Bonds, deposits and retention amounts received		249	107
4,468	Other		10,899	8,889
<b>Payments:</b>				
(29,130)	Employee benefits and on-costs		(30,156)	(28,417)
(19,055)	Materials and contracts		(24,587)	(20,967)
(940)	Borrowing costs		(169)	(161)
(13,925)	Other		(15,111)	(11,009)
19,781	<b>Net cash provided (or used in) operating activities</b>	18b	26,219	30,996
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		19,380	23,700
1,568	Sale of infrastructure, property, plant and equipment		935	1,001
<b>Payments:</b>				
–	Purchase of investment securities		(21,000)	(21,200)
–	Purchase of investment property		(117)	(95)
(33,325)	Purchase of infrastructure, property, plant and equipment		(27,222)	(24,441)
(8)	Purchase of intangible assets		(372)	(305)
–	Contributions paid to joint ventures and associates		465	–
(31,765)	<b>Net cash provided (or used in) investing activities</b>		(27,931)	(21,340)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
23,500	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(2,538)	Repayment of borrowings and advances		(965)	(934)
–	Lease liabilities (principal repayments)		(493)	–
20,962	<b>Net cash flow provided (used in) financing activities</b>		(1,458)	(934)
8,978	<b>Net increase/(decrease) in cash and cash equivalents</b>		(3,170)	8,722
3,849	Plus: cash and cash equivalents – beginning of year	18a	14,063	5,341
12,827	<b>Cash and cash equivalents – end of the year</b>	18a	10,893	14,063
–	plus: Investments on hand – end of year	7(b)	52,620	51,000
12,827	<b>Total cash, cash equivalents and investments</b>		63,513	65,063

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	26
5	Expenses from continuing operations	27
6	Gain or loss from disposal of assets	34
7(a)	Cash and cash equivalents	35
7(b)	Investments	35
7(c)	Restricted cash, cash equivalents and investments	37
8	Receivables	38
9	Inventories and other assets	40
10(a)	Infrastructure, property, plant and equipment	41
10(b)	Externally restricted infrastructure, property, plant and equipment	45
11	Investment properties	46
12	Intangible assets	48
13	Contract assets and liabilities	49
14	Leases	51
15	Payables and borrowings	56
16	Provisions	59
17	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	63
18	Statement of cash flow information	70
19	Interests in other entities	71
20	Commitments	76
21	Contingencies	77
22	Financial risk management	80
23	Material budget variations	83
24	Fair Value Measurement	85
25	Related party disclosures	90
26	Statement of developer contributions	91
27	Result by fund	93
28(a)	Statement of performance measures – consolidated results	95
28(b)	Statement of performance measures – by fund	96
	<b>Additional Council disclosures (unaudited)</b>	
28(c)	Statement of performance measures – consolidated results (graphs)	97

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

---

These financial statements were authorised for issue by Council on 29 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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.

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 12
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (iii) estimated tip remediation provisions – refer Note 17
- (iv) employee benefit provisions – refer Note 17.

## Notes to the Financial Statements

for the year ended 30 June 2020

### 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 8.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

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.

#### Volunteer services

Council benefits from the input of volunteers, in relation to the operation of the Hawkesbury Regional Gallery, Hawkesbury Regional Museum, the Hawkesbury Regional Library, the Richmond Library and the Hawkesbury Companion Animal Shelter. While these services are highly valued by Council, the enhanced service level provided by the volunteers, would not be provided without their donated time. Due to this, Council has not placed a financial value of volunteer services and are not included within the Income Statement.

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

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

#### **New accounting standards adopted during the year**

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 18.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	12	6	321	614	(309)	(608)	—	—	732	904
Our Leadership	49,471	48,307	11,305	7,905	38,166	40,402	2,703	2,723	88,761	89,635
Our Community	4,246	1,919	10,826	7,970	(6,580)	(6,051)	1,076	843	29,087	26,094
Our Environment	824	835	2,144	2,084	(1,320)	(1,249)	89	172	3,537	3,646
Our Assets	49,483	52,323	61,904	58,447	(12,421)	(6,124)	6,085	3,662	1,174,598	1,044,765
Our Future	363	4,232	2,473	2,320	(2,110)	1,912	2	3,999	6,559	7,143
<b>Total functions and activities</b>	<b>104,399</b>	<b>107,622</b>	<b>88,973</b>	<b>79,340</b>	<b>15,426</b>	<b>28,282</b>	<b>9,955</b>	<b>11,399</b>	<b>1,303,274</b>	<b>1,172,187</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

#### **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 2020

## Note 3. Revenue from continuing operations

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	32,860	29,838
Farmland	1058 (1)	1,607	1,459
Business	1058 (1)	3,916	3,559
Less: pensioner rebates (mandatory)	1058 (1)	(574)	(558)
<b>Rates levied to ratepayers</b>		<b>37,809</b>	<b>34,298</b>
Pensioner rate subsidies received	1058 (1)	317	309
<b>Total ordinary rates</b>		<b>38,126</b>	<b>34,607</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	13,164	12,687
Stormwater management services	1058 (1)	549	535
Sewerage services	1058 (1)	7,629	7,139
Waste management services (non-domestic)	1058 (1)	1,333	1,275
Section 611 charges	1058 (1)	20	22
Less: pensioner rebates (mandatory)	1058 (1)	(310)	(322)
Less: pensioner rebates (Council policy)	1058 (1)	(393)	(376)
Sullage	1058 (1)	1,837	1,709
<b>Annual charges levied</b>		<b>23,829</b>	<b>22,669</b>
Pensioner subsidies received:			
– Sewerage	1058 (1)	43	40
– Domestic waste management	1058 (1)	131	137
<b>Total annual charges</b>		<b>24,003</b>	<b>22,846</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>62,129</b>	<b>57,453</b>

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

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

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

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

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

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### **2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Sewerage services	15 (2)	969	1,077
Waste management services (non-domestic)	15 (2)	—	14
Sullage	15 (2)	316	330
<b>Total specific user charges</b>		<b>1,285</b>	<b>1,421</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	15 (2)	20	18
Planning and building regulation	15 (2)	1,160	1,353
Regulatory/ statutory fees	15 (2)	289	440
Registration fees	15 (2)	—	1
Section 10.7 certificates (EP&A Act)	15 (2)	223	225
Section 603 certificates	15 (2)	101	84
SMF inspection fees	15 (2)	326	259
<b>Total fees and charges – statutory/regulatory</b>		<b>2,119</b>	<b>2,380</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park	15 (2)	8	7
Cemeteries	15 (2)	310	262
Leaseback fees – Council vehicles	15 (2)	—	355
Park rents	15 (2)	82	147
Restoration charges	15 (2)	241	335
Swimming centre	15 (2)	201	213
Animal shelter income	15 (2)	606	722
Library, museum and gallery income	15 (2)	56	67
Waste management facility	15 (2)	867	903
Other	15 (2)	169	100
<b>Total fees and charges – other</b>		<b>2,540</b>	<b>3,111</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>5,944</b>	<b>6,912</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### **2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
<b>(c) Other revenues</b>			
Rental income – investment property	15 (2)	–	2,033
Rental income – other council properties (2019 only)	15 (2)	–	454
Fines – parking	1058 (1)	701	604
Fines – other	1058 (1)	227	159
Legal fees recovery – rates and charges (extra charges)	1058 (1)	38	119
Legal fees recovery – other	1058 (1)	13	1
Insurance claims recoveries	1058 (1)	25	444
Recycling income (non-domestic)	15 (2)	151	117
Sales – general	15 (2)	2	2
Agricultural income	15 (2)	22	13
External income	15 (2)	821	77
GST fuel rebates	1058 (1)	148	133
NSW rural fire reimbursement	15 (2)	846	136
Nursery income	15 (2)	46	43
Private works printing income	15 (2)	5	9
Other	1058 (1)	269	561
Vary LEP applications	15 (2)	84	2
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,398</u></b>	<b><u>4,907</u></b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	AASB	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,303	1,326	–	–
Financial assistance – local roads component	1058 (1)	879	848	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,400	1,397	–	–
Financial assistance – local roads component	1058 (1)	914	856	–	–
<b>Total general purpose</b>		<b>4,496</b>	<b>4,427</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Aged care	1058 (1)	40	39	–	–
Community care	1058 (1)	43	42	–	–
Economic development	1058 (1)	–	3,922	–	–
Environmental programs	1058 (1)	64	129	–	2
Heritage and cultural	15 (2)	277	408	–	–
Library – per capita	1058 (1)	209	150	18	–
LIRS subsidy	1058 (1)	83	104	–	–
Priority weeds	15 (2)	–	19	–	–
Recreation and culture	1058	97	176	315	302
Street lighting	1058 (1)	172	168	–	–
Traffic route subsidy	1058 (1)	13	17	–	–
Transport (other roads and bridges funding)	1058	1,817	839	602	581
Public order and safety	1058	1,708	74	1	–
<b>Total specific purpose</b>		<b>4,523</b>	<b>6,087</b>	<b>936</b>	<b>885</b>
<b>Total grants</b>		<b>9,019</b>	<b>10,514</b>	<b>936</b>	<b>885</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		5,664	4,554	–	–
– State funding		3,355	5,960	936	885
		<b>9,019</b>	<b>10,514</b>	<b>936</b>	<b>885</b>

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

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

	AASB	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
Notes					
<b>(e) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements	1058 (1)	9	29	1,853	–
S 7.11 – contributions towards amenities/services	1058 (1)	–	–	1,207	358
S 7.12 – fixed development consent levies	1058 (1)	–	–	988	866
S 64 – sewerage service contributions	1058 (1)	–	–	183	1,731
S 64 – stormwater contributions	1058 (1)	–	–	483	220
<b>Total developer contributions – cash</b>		<b>9</b>	<b>29</b>	<b>4,714</b>	<b>3,175</b>
<b>Non-cash contributions</b>					
S 7.4 – contributions using planning agreements	1058 (1)	–	–	4,788	17,540
S 7.11 – contributions towards amenities/services	1058 (1)	–	–	2,995	496
S 7.12 – fixed development consent levies	1058 (1)	–	–	2,721	44
S 64 - Stormwater Contributions	1058 (1)	–	–	1,456	73
Other	1058 (1)	–	–	–	298
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>11,960</b>	<b>18,451</b>
<b>Total developer contributions</b>	26	<b>9</b>	<b>29</b>	<b>16,674</b>	<b>21,626</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services	1058 (1)	–	–	83	313
Business development	1058 (1)	–	28	–	–
Community services	1058 (1)	–	–	–	118
Other councils – joint works/services	1058 (1)	551	300	–	–
Roads and bridges	15 (2)	86	18	–	3
Other	1058 (1)	396	172	240	–
Parks contributions	1058 (1)	–	–	–	18
Hawkesbury Sports Council	1058 (1)	51	32	–	–
<b>Total other contributions – cash</b>		<b>1,084</b>	<b>550</b>	<b>323</b>	<b>452</b>
<b>Non-cash contributions</b>					
Bushfire services		–	–	384	–
Recreation and culture		–	–	66	–
Roads and bridges		–	–	100	–
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>550</b>	<b>–</b>
<b>Total other contributions</b>		<b>1,084</b>	<b>550</b>	<b>873</b>	<b>452</b>
<b>Total contributions</b>		<b>1,093</b>	<b>579</b>	<b>17,547</b>	<b>22,078</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>10,112</b>	<b>11,093</b>	<b>18,483</b>	<b>22,963</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

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

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

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

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

#### Accounting policy for grants and contributions

##### Accounting policy from 1 July 2019

##### Grant income under AASB 15

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

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

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

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

##### Grant income under AASB 1058

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

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

##### Capital grants

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

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

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

##### Contributions

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(f) Unspent grants and contributions – external restrictions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	6,786	2,602
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	6,742
<b>Add:</b> operating grants received for the provision of goods and services in a future period	3,413	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(2,558)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(2,805)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>7,394</b>	<b>6,786</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	369	735
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	216
<b>Add:</b> capital grants received for the provision of goods and services in a future period	2	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(582)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(117)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>254</b>	<b>369</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	16,101	14,756
<b>Add:</b> contributions recognised as income in the current period but not yet spent	5,281	3,574
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(4,864)	(2,229)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>16,518</b>	<b>16,101</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	296	261
– Cash and investments	1,092	1,507
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>1,388</b>	<b>1,768</b>

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

Overdue rates and annual charges (general fund)	265	233
General Council cash and investments	762	932

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	161	273
– Section 7.12	62	96
– Section 64	29	77
Sewerage fund operations	58	76
Domestic waste management operations	28	37
Stormwater management	23	44

<b>Total interest and investment revenue</b>	<b>1,388</b>	<b>1,768</b>
--	--------------	--------------

**Accounting policy for interest and investment revenue**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	22,841	20,896
Employee leave entitlements (ELE)	4,788	4,832
Superannuation	2,827	2,724
Workers' compensation insurance	631	487
Fringe benefit tax (FBT)	69	74
Payroll tax	27	36
Protective clothing	101	61
Other	16	14
<b>Total employee costs</b>	<b>31,300</b>	<b>29,124</b>
Less: capitalised costs	(435)	(175)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>30,865</u></b>	<b><u>28,949</u></b>
Number of 'full-time equivalent' employees (FTE) at year end	299	279
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	321	314

**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 22 for more information.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		42	–
Interest on loans		127	159
<b>Total interest bearing liability costs</b>		<b>169</b>	<b>159</b>
<b>Total interest bearing liability costs expensed</b>		<b>169</b>	<b>159</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	16	89	97
Interest applicable on interest free (and favourable) loans to Council		24	47
Other Borrowing Costs		–	2
<b>Total other borrowing costs</b>		<b>113</b>	<b>146</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>282</b>	<b>305</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,438	1,760
– Cemeteries	101	89
– Community services	158	68
– Ferry operational	530	540
– Informational technology	211	188
– Internal Audit	85	117
– Other contractors	1,552	1,720
– Roads, parks and buildings	7,929	5,886
– Waste collection and disposal	7,131	6,290
– Sewer services	774	915
Auditors remuneration <sup>2</sup>	100	46
<b>Legal expenses:</b>		
– Legal expenses: planning and development	359	463
– Legal expenses: debt recovery	39	119
– Legal expenses: other	280	212
Variable lease expense relating to usage (2020 only)	213	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: contingent rentals <sup>1</sup>	–	637
Other	308	262
<b>Total materials and contracts</b>	<b>22,208</b>	<b>19,312</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>22,208</b>	<b>19,312</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

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

Computers	–	573
Other	–	64
	<b>–</b>	<b>637</b>

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	86	33
<b>Remuneration for audit and other assurance services</b>	<b>86</b>	<b>33</b>
<b>Total Auditor-General remuneration *</b>	<b>86</b>	<b>33</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	14	13
<b>Remuneration for audit and other assurance services</b>	<b>14</b>	<b>13</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>14</b>	<b>13</b>
<b>Total Auditor remuneration</b>	<b>100</b>	<b>46</b>

(\*) In order to adhere to accounting standards, only the services performed in the year have been recognised. When adjusting for the timing discrepancy, an additional \$56,200 would have been recognised, totalling \$88,700 for year ended 30 June 2019.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,861	1,816
Office equipment		104	107
Furniture and fittings		42	40
Land improvements (depreciable)		40	22
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		513	504
– Buildings – specialised		2,745	2,722
– Other structures		307	380
– Roads		6,204	6,031
– Bridges		492	490
– Footpaths		364	328
– Stormwater drainage		2,000	1,945
– Sewerage network		1,973	2,028
– Swimming pools		119	138
– Other open space/recreational assets		1,424	1,402
<b>Right of use assets</b>	14	532	–
<b>Other assets:</b>			
– Library books		257	261
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	16, 10(a)	218	217
Intangible assets	12	255	209
<b>Total gross depreciation and amortisation costs</b>		<b>19,450</b>	<b>18,640</b>
<b>Total depreciation and amortisation costs</b>		<b>19,450</b>	<b>18,640</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10(a)		
– Roads		2,574	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>2,574</b>	<b>–</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>2,574</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b>22,024</b>	<b>18,640</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5. Expenses from continuing operations (continued)

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

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets and Note 14 for right of use assets.

##### Impairment of non-financial assets

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

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 2020

## Note 5. Expenses from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(e) Other expenses</b>		
Advertising	158	133
Training costs (other than salaries and wages)	–	–
Travel expenses	8	–
Bad and doubtful debts	155	166
Bank charges	191	194
Boundary road contribution	30	14
Computer software charges	884	779
Contributions/levies to other levels of government		
– Bushfire fighting fund	647	634
– Department of planning levy	86	88
– Emergency services levy (includes FRNSW, SES, and RFS levies)	104	90
– NSW fire brigade levy	163	148
– Waste S88 EPA contribution	2,987	3,250
– Other contributions/Regional Strategic Alliance	–	141
– Other contributions/levies	636	639
Councillor expenses – mayoral fee	42	42
Councillor expenses – councillors' fees	232	232
Councillors' expenses (incl. mayor) – other (excluding fees above)	16	39
Donations, contributions and assistance to other organisations (Section 356)	97	86
Electricity and heating	890	946
Fire control expenses	122	186
Gas	50	40
Insurance	1,072	1,039
Licences and subscriptions	249	205
Office expenses (including computer expenses)	47	35
Postage	190	189
Printing and stationery	91	89
Better Waste & Recycling Program	110	64
Sewerage treatment works operations	853	690
Stormwater – environmental	11	49
Street lighting	683	756
Telephone and communications	143	104
Valuation fees (rates)	145	162
Water	181	171
Staff Training Costs	191	263
Other	408	171
<b>Total other expenses</b>	<b>11,872</b>	<b>11,834</b>
<b>TOTAL OTHER EXPENSES</b>	<b>11,872</b>	<b>11,834</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		881	918
Less: carrying amount of plant and equipment assets sold/written off		(891)	(1,259)
<b>Net gain/(loss) on disposal</b>		<b>(10)</b>	<b>(341)</b>
<b>Infrastructure</b>	10(a)		
Proceeds from disposal – infrastructure		50	77
Less: carrying amount of infrastructure assets sold/written off		(84)	(42)
<b>Net gain/(loss) on disposal</b>		<b>(34)</b>	<b>35</b>
<b>Investments</b>	7(b)		
Proceeds from disposal/redemptions/maturities – investments		19,380	23,700
Less: carrying amount of investments sold/redeemed/matured		(19,380)	(23,700)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Library Books</b>			
Proceeds from disposal – Library Books		4	6
<b>Net gain/(loss) on disposal</b>		<b>4</b>	<b>6</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(40)</b>	<b>(300)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,266	960
Cash-equivalent assets		
– Deposits at call	9,627	13,103
<b>Total cash and cash equivalents</b>	<b>10,893</b>	<b>14,063</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	52,620	–	51,000	–
<b>Total Investments</b>	<b>52,620</b>	<b>–</b>	<b>51,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>63,513</b>	<b>–</b>	<b>65,063</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	52,620	–	51,000	–
<b>Total</b>	<b>52,620</b>	<b>–</b>	<b>51,000</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

---

#### Accounting policy for investments

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Total cash, cash equivalents and investments	63,513	–	65,063	–
<b>attributable to:</b>				
External restrictions	34,974	–	33,551	–
Internal restrictions	17,047	–	17,192	–
Unrestricted	11,492	–	14,320	–
	63,513	–	65,063	–

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

## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	124	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–

## External restrictions – included in liabilities

	124	–
--	-----	---

## External restrictions – other

Developer contributions – general	13,554	14,294
Developer contributions – sewer fund	2,738	2,523
Specific purpose unexpended grants (recognised as revenue) – general fund	7,648	7,155
Specific purpose unexpended contributions	426	619
Sewerage services	6,153	5,326
Domestic waste management	2,386	1,652
Stormwater management	1,945	1,982

## External restrictions – other

	34,850	33,551
--	--------	--------

## Total external restrictions

	34,974	33,551
--	--------	--------

## Internal restrictions

Employees leave entitlement	1,465	1,465
Contingency	485	421
Election	341	241
Heritage	77	80
Information technology	410	560
Infrastructure projects	2,884	267
Legal	200	175
Risk management	157	157
Tip remediation and sillage	4,775	4,507
Unexpended contributions	7	17
Unspent work reserve/property	5,746	8,728
Workers compensation	500	574

## Total internal restrictions

	17,047	17,192
--	--------	--------

## TOTAL RESTRICTIONS

	52,021	50,743
--	--------	--------



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Purpose</b>				
Rates and annual charges	4,645	—	3,911	—
Interest and extra charges	283	—	218	—
User charges and fees	1,568	—	1,664	—
Private works	2	—	(1)	—
Accrued revenues				
– Interest on investments	305	—	474	—
Net investment in finance lease	—	—	—	—
Government grants and subsidies	1,338	—	735	—
Net GST receivable	530	—	530	—
<b>Total</b>	<b>8,671</b>	<b>—</b>	<b>7,531</b>	<b>—</b>
<b>Less: provision of impairment</b>				
User charges and fees	(673)	—	(519)	—
<b>Total provision for impairment – receivables</b>	<b>(673)</b>	<b>—</b>	<b>(519)</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,998</b>	<b>—</b>	<b>7,012</b>	<b>—</b>

#### Externally restricted receivables

##### Sewerage services

– Rates and availability charges	484	—	417	—
– Other	243	—	428	—
<b>Domestic waste management</b>	<b>961</b>	<b>—</b>	<b>811</b>	<b>—</b>
<b>Total external restrictions</b>	<b>1,688</b>	<b>—</b>	<b>1,656</b>	<b>—</b>
<b>Unrestricted receivables</b>	<b>6,310</b>	<b>—</b>	<b>5,356</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,998</b>	<b>—</b>	<b>7,012</b>	<b>—</b>

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	519	356
+ new provisions recognised during the year	154	163
<b>Balance at the end of the year</b>	<b>673</b>	<b>519</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

---

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
(a) Inventories				
(i) Inventories at cost				
Stores and materials	227	—	271	—
<b>Total inventories at cost</b>	<b>227</b>	<b>—</b>	<b>271</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>227</u></b>	<b><u>—</u></b>	<b><u>271</u></b>	<b><u>—</u></b>

## (b) Other assets

Prepayments	1,083	—	815	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>1,083</u></b>	<b><u>—</u></b>	<b><u>815</u></b>	<b><u>—</u></b>

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Total externally restricted assets</b>	—	—	—	—
<b>Total internally restricted assets</b>	—	—	—	—
<b>Total unrestricted assets</b>	<b>1,310</b>	<b>—</b>	<b>1,086</b>	<b>—</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>1,310</u></b>	<b><u>—</u></b>	<b><u>1,086</u></b>	<b><u>—</u></b>

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

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

	2020 Actual \$ '000	2019 Actual \$ '000
Other	118	135
	<b><u>118</u></b>	<b><u>135</u></b>

## Accounting policy for inventories and other assets

## Raw materials and stores, work in progress and finished goods

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	8,487	–	8,487	1,824	3,176	–	–	–	(4,664)	–	–	8,823	–	8,823
Plant and equipment	28,507	(9,802)	18,705	712	–	(892)	(1,861)	–	1	–	–	27,303	(10,638)	16,665
Office equipment	2,720	(2,326)	394	25	301	–	(104)	–	–	–	–	3,046	(2,430)	616
Furniture and fittings	1,953	(1,715)	238	1	77	–	(42)	–	6	–	–	2,038	(1,757)	281
<b>Land:</b>														
– Operational land	85,077	–	85,077	–	2,896	–	–	–	60	–	–	88,033	–	88,033
– Community land	81,980	–	81,980	–	195	–	–	–	–	–	20,922	103,097	–	103,097
– Land under roads (post 30/6/08)	16,527	–	16,527	–	1,058	–	–	–	17	–	2,644	20,246	–	20,246
Land improvements – non-depreciable	1,219	–	1,219	21	34	–	–	–	64	–	–	1,337	–	1,337
Land improvements – depreciable	5,228	(4,280)	948	–	561	–	(40)	–	15	–	–	5,803	(4,320)	1,483
<b>Infrastructure:</b>														
– Buildings – non-specialised	27,996	(13,881)	14,115	195	–	–	(513)	–	313	(16)	–	28,543	(14,448)	14,095
– Buildings – specialised	137,783	(50,706)	87,077	1,225	360	–	(2,745)	–	962	16	–	140,291	(53,396)	86,895
– Other structures	13,574	(6,696)	6,878	54	4	(5)	(307)	–	–	–	–	13,627	(7,003)	6,624
– Roads	558,417	(189,438)	368,979	9,138	8,460	–	(6,204)	(2,574)	1,443	–	85,287	769,321	(304,792)	464,529
– Bridges	48,207	(16,564)	31,643	–	–	–	(492)	–	–	–	5,022	45,927	(9,754)	36,173
– Footpaths	24,324	(10,632)	13,692	26	1,199	–	(364)	–	23	–	(910)	20,581	(6,914)	13,667
– Stormwater drainage	209,411	(67,477)	141,934	340	5,928	–	(2,000)	–	554	–	(1,088)	218,853	(73,184)	145,669
– Sewerage network	179,609	(44,235)	135,374	807	55	(42)	(1,973)	–	1,158	–	1,279	183,282	(46,626)	136,656
– Swimming pools	5,026	(2,858)	2,168	271	–	–	(119)	–	–	–	–	5,297	(2,976)	2,321
– Other open space/recreational assets	36,272	(16,030)	20,242	198	227	(36)	(1,424)	–	37	–	–	36,668	(17,425)	19,243
<b>Other assets:</b>														
– Heritage collections	1,013	–	1,013	–	1	–	–	–	11	–	–	1,025	–	1,025
– Library books	3,084	(2,324)	760	–	273	–	(257)	–	–	–	–	3,114	(2,338)	776
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	9,141	(1,024)	8,117	–	–	–	(218)	–	–	–	–	9,141	(1,242)	7,899
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,485,555</b>	<b>(439,988)</b>	<b>1,045,567</b>	<b>14,837</b>	<b>24,805</b>	<b>(975)</b>	<b>(18,663)</b>	<b>(2,574)</b>	<b>–</b>	<b>–</b>	<b>113,156</b>	<b>1,735,396</b>	<b>(559,243)</b>	<b>1,176,153</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	8,070	–	8,070	–	9,576	–	–	(9,159)	–	8,487	–	8,487
Plant and equipment	24,332	(6,669)	17,663	–	3,926	(1,258)	(1,816)	–	190	28,507	(9,802)	18,705
Office equipment	2,626	(2,221)	405	–	75	(1)	(107)	22	–	2,720	(2,326)	394
Furniture and fittings	1,938	(1,678)	260	–	18	–	(40)	–	–	1,953	(1,715)	238
<b>Land:</b>												
– Operational land	84,891	–	84,891	–	186	–	–	–	–	85,077	–	85,077
– Community land	81,990	–	81,990	4	–	(14)	–	–	–	81,980	–	81,980
– Land under roads (post 30/6/08)	12,069	–	12,069	–	4,457	–	–	1	–	16,527	–	16,527
Land improvements – non-depreciable	1,068	–	1,068	–	151	–	–	–	–	1,219	–	1,219
Land improvements – depreciable	4,859	(4,258)	601	–	242	–	(22)	127	–	5,228	(4,280)	948
<b>Infrastructure:</b>												
– Buildings – non-specialised	27,680	(13,241)	14,439	179	–	–	(504)	1	–	27,996	(13,881)	14,115
– Buildings – specialised	137,530	(48,120)	89,410	58	27	–	(2,722)	304	–	137,783	(50,706)	87,077
– Other structures	13,487	(6,337)	7,150	45	27	(15)	(380)	51	–	13,574	(6,696)	6,878
– Roads	544,195	(183,408)	360,787	9,099	4,407	–	(6,031)	717	–	558,417	(189,438)	368,979
– Bridges	48,038	(16,074)	31,964	169	–	–	(490)	–	–	48,207	(16,564)	31,643
– Footpaths	22,148	(10,305)	11,843	191	1,957	–	(328)	29	–	24,324	(10,632)	13,692
– Stormwater drainage	204,005	(65,530)	138,475	6	5,398	–	(1,945)	–	–	209,411	(67,477)	141,934
– Sewerage network	171,371	(90,818)	80,553	836	39	(13)	(2,028)	65	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
<b>Other assets:</b>												
– Heritage collections	1,007	–	1,007	–	6	–	–	–	–	1,013	–	1,013
– Library books	3,140	(2,368)	772	–	249	–	(261)	–	–	3,084	(2,324)	760
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>												
– Tip assets	1,929	(806)	1,123	–	–	–	(217)	7,211	–	9,141	(1,024)	8,117
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,435,348</b>	<b>(469,199)</b>	<b>966,149</b>	<b>11,636</b>	<b>31,403</b>	<b>(1,302)</b>	<b>(18,431)</b>	<b>–</b>	<b>56,112</b>	<b>1,485,555</b>	<b>(439,988)</b>	<b>1,045,567</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 35	Playground equipment	5 to 15
Office furniture	10 to 25	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 12	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 100
Other plant and equipment	5 to 25	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
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 structures	80 to 100
Pumps and telemetry	20 to 50		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	20-35
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	5 to 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 2020

### Note 10(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 2020

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
<b>Water supply</b>						
Land						
<b>Sewerage services</b>						
WIP	509	—	509	1,345	—	1,345
Plant and equipment	1,036	330	706	926	336	590
Office equipment	276	136	140	263	124	139
Furniture and fittings	5	1	4	3	—	3
Land						
– Operational land	1,959	—	1,959	1,959	—	1,959
– Community land	7	—	7	7	—	7
Buildings	1,430	633	797	1,219	610	609
Other structures	361	208	153	362	193	169
Infrastructure	183,282	46,626	136,656	179,609	44,235	135,374
Other assets	41	1	40	9	—	9
<b>Total sewerage services</b>	<b>188,906</b>	<b>47,935</b>	<b>140,971</b>	<b>185,702</b>	<b>45,498</b>	<b>140,204</b>
<b>Domestic waste management</b>						
Plant and equipment	1,963	—	1,963	2,015	302	1,713
Land						
<b>Total DWM</b>	<b>1,963</b>	<b>—</b>	<b>1,963</b>	<b>2,015</b>	<b>302</b>	<b>1,713</b>
<b><u>TOTAL RESTRICTED IPP&amp;E</u></b>	<b>190,869</b>	<b>47,935</b>	<b>142,934</b>	<b>187,717</b>	<b>45,800</b>	<b>141,917</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties

	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	48,065	49,630
<b>Total owned investment property</b>	<b>48,065</b>	<b>49,630</b>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	49,630	47,271
– Capitalised expenditure – this year	117	95
– Net gain/(loss) from fair value adjustments	(1,682)	2,264
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>48,065</b>	<b>49,630</b>

## (b) Valuation basis (2019 only)

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 (2019 only)

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

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

## (d) Leasing arrangements – Council as lessor (2019 only)

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
Later than 1 year but less than 5 years	–	630
Later than 5 years	–	243
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>1,373</b>

## (e) Investment property income and expenditure – summary (2019 only)

**Rental income from investment property:**

– Minimum lease payments	–	1,356
– Other income	–	677

**Direct operating expenses on investment property:**

– that generated rental income	–	(449)
– that did not generate rental income	–	(351)
<b>Net revenue contribution from investment property</b>	<b>–</b>	<b>1,233</b>

plus:

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Investment properties (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
Fair value movement for year	–	2,264
<b>Total income attributable to investment property</b>	<b>–</b>	<b>3,497</b>

**Accounting policy for investment property**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Intangible assets

Intangible assets are as follows:

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	3,566	3,263
Accumulated amortisation	(3,228)	(3,021)
<b>Net book value – opening balance</b>	<b>338</b>	<b>242</b>
<b>Movements for the year</b>		
– Purchases	372	306
– Amortisation charges	(255)	(209)
<b>Closing values at 30 June</b>		
Gross book value	3,938	3,566
Accumulated amortisation	(3,483)	(3,228)
<b>Total software – net book value</b>	<b>455</b>	<b>338</b>
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>455</u></b>	<b><u>338</u></b>

## Accounting policy for intangible assets

## IT development and software

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Contract assets and liabilities

	Notes	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	100	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	24	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	—	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	—	—
<b>Total grants received in advance</b>		<b>124</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>124</b>	<b>—</b>

**Notes**

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

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Sewer	—	—
Unspent grants held as contract liabilities (excl. Water & Sewer)	124	—
<b>Contract liabilities relating to externally restricted assets</b>	<b>124</b>	<b>—</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>124</b>	<b>—</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>—</b>	<b>—</b>
<b>Total contract liabilities</b>	<b>124</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Contract assets and liabilities (continued)

	2020 Actual \$ '000
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	127
Operating grants (received prior to performance obligation being satisfied)	250
Capital contributions (to construct Council controlled assets)	–
Operating contributions (received prior to performance obligation being satisfied)	–
<b>User Fees and Charges received in advance:</b>	
Upfront fees – leisure centre	–
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>377</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases

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

## (i) Council as a lessee

Council has leases over a range of assets relating to land for the Waste Management Facility and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

## Terms and conditions of leases

## Land

Council leases land for the Waste Management Facility; the lease payments are fixed during the lease term for the period of 10 years.

## Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

	Plant & Equipment Actual \$ '000	Ready to use Actual \$ '000	Computer Equipment Actual \$ '000	Total Actual \$ '000
<b>Opening balance at 30 June 2019</b>	—	—	—	—
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	1,459	1,606	—	3,065
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 11(a)	—	—	—	—
Additions to right-of-use assets	—	—	—	—
Adjustments to right-of-use assets due to re-measurement of lease liability	—	—	—	—
Depreciation charge	(371)	(161)	—	(532)
Impairment of right-of-use assets	—	—	—	—
Other movement	—	—	—	—
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>1,088</u></b>	<b><u>1,445</u></b>	<b><u>—</u></b>	<b><u>2,533</u></b>

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Lease liabilities	540	2,032
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>540</u></b>	<b><u>2,032</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

## (i) The maturity analysis

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

	< 1 year Actual \$ '000	1 – 5 years Actual \$ '000	> 5 years Actual \$ '000	Total Actual \$ '000	Total per Statement of Financial Position Actual \$ '000
Cash flows	610	1,761	201	2,572	2,572

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
--	--------------------------------------	--

## (ii) Lease liabilities relating to restricted assets

## Externally restricted assets

Sewer	—	—
<b>Lease liabilities relating to externally restricted assets</b>	<b>—</b>	<b>—</b>

## Internally restricted assets

Waste Management Facility	134	1,282
<b>Lease liabilities relating to internally restricted assets</b>	<b>134</b>	<b>1,282</b>

<b>Total lease liabilities relating to restricted assets</b>	<b>134</b>	<b>1,282</b>
--	------------	--------------

<b>Total lease liabilities relating to unrestricted assets</b>	<b>406</b>	<b>750</b>
--	------------	------------

<b>Total lease liabilities</b>	<b>540</b>	<b>2,032</b>
--------------------------------	------------	--------------

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

## (c) Income Statement

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

Interest on lease liabilities	42
Variable lease payments based on usage not included in the measurement of lease liabilities	213
Income from sub-leasing right of use assets	—
Depreciation of right of use assets	532
Impairment of right of use assets	—
Expenses relating to short-term leases	—
Expenses relating to low-value leases	—
Expenses relating to Peppercorn leases	—
Other	—
	<b>787</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

	2020 Actual \$ '000
<b>(d) Statement of Cash Flows</b>	
Total cash outflow for leases	(518)
	<u>(518)</u>

**Leases at significantly below market value – concessionary / peppercorn leases**

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

- community facilities
- community services

The leases are generally between 3 and 20 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council endorses, these services are detailed in the leases.

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

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

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

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

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

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

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

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

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

**Exceptions to lease accounting**

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

**Leases at significantly below market value / concessionary leases**

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

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

Refer to Note 5c and Note 16.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

## (ii) Council as a lessor

## (e) Operating leases

Council leases out a number of properties and /or plant and equipment; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 12) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

	<b>2020 Actual \$ '000</b>
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	1,853
Lease income relating to variable lease payments not dependent on an index or a rate	476
<b>Other lease income</b>	
Room/Facility Hire	—
Leaseback fees - council vehicles	395
<b>Total income relating to operating leases</b>	<b>2,724</b>
<b>(ii) Operating lease expenses</b>	
<b>Investment properties</b>	
Direct operating expenses that generated rental income	(895)
Direct operating expenses that did not generate rental income	(348)
<b>Other leased assets</b>	
Other	(708)
<b>(iii) Repairs and maintenance: investment property</b>	
Contractual obligations for future repairs and maintenance	—
Other	—
<b>Total repairs and maintenance: investment property</b>	<b>—</b>
<b>(iv) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	153
1–2 years	135
2–3 years	135
3–4 years	135
4–5 years	134
> 5 years	245
<b>Total undiscounted contractual lease income receivable</b>	<b>937</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Leases (continued)

---

#### Accounting policy

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Payables and borrowings

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	7,589	–	7,136	–
Accrued expenses:				
– Other expenditure accruals	1,511	–	1,159	–
Prepaid rates	–	–	–	–
Security bonds, deposits and retentions	2,424	–	2,175	–
<b>Total payables</b>	<b>11,524</b>	<b>–</b>	<b>10,470</b>	<b>–</b>
<b>Borrowings</b>				
Loan – Sewer	–	–	376	–
Loan – LIRS	599	1,306	491	1,979
<b>Total borrowings</b>	<b>599</b>	<b>1,306</b>	<b>867</b>	<b>1,979</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>12,123</u></b>	<b><u>1,306</u></b>	<b><u>11,337</u></b>	<b><u>1,979</u></b>

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Sewer	–	–	752	–
Loan – LIRS	599	1,306	491	1,971
Payables and borrowings relating to externally restricted assets	599	1,306	1,243	1,971
<b>Total payables and borrowings relating to restricted assets</b>	<b>599</b>	<b>1,306</b>	<b>1,243</b>	<b>1,971</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>11,524</b>	<b>–</b>	<b>10,094</b>	<b>8</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>12,123</u></b>	<b><u>1,306</u></b>	<b><u>11,337</u></b>	<b><u>1,979</u></b>

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

**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	727	638
--	-----	-----

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Payables and borrowings (continued)

<b>Total payables and borrowings</b>	<b>727</b>	<b>638</b>
--------------------------------------	------------	------------

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

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loan – sewer	376	(400)	–	24	–	–	–
Loan – LIRS	2,470	(565)	–	–	–	–	1,905
Lease liabilities	–	(43)	–	–	2,615	–	2,572
<b>TOTAL</b>	<b>2,846</b>	<b>(1,008)</b>	<b>–</b>	<b>24</b>	<b>2,615</b>	<b>–</b>	<b>4,477</b>

	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance \$ '000	Repayments \$ '000	Acquisition \$ '000	Interest \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loan – sewer	728	(400)	–	48	–	376
Loan – LIRS	3,005	(535)	–	–	–	2,470
<b>TOTAL</b>	<b>3,733</b>	<b>(935)</b>	<b>–</b>	<b>48</b>	<b>–</b>	<b>2,846</b>

	<b>2020 Actual \$ '000</b>	<b>2019 Actual \$ '000</b>
--	------------------------------------	------------------------------------

## (d) Financing arrangements

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

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

## Undrawn facilities as at balance date:

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

## Additional financing arrangements information

## Breaches and defaults

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

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

## Accounting policy for payables and borrowings

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Payables and borrowings (continued)

---

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

#### **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 2020

## Note 16. Provisions

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	2,869	–	2,550	–
Sick leave	481	1	493	–
Long service leave	5,215	2,132	6,185	1,184
Leave in lieu	624	–	201	–
<b>Sub-total – aggregate employee benefits</b>	<b>9,189</b>	<b>2,133</b>	<b>9,429</b>	<b>1,184</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	182	8,855	183	9,571
<b>Sub-total – asset remediation/restoration</b>	<b>182</b>	<b>8,855</b>	<b>183</b>	<b>9,571</b>
<b>Other provisions</b>				
Self insurance – workers compensation	170	510	115	445
PPE Lease Liability	–	–	13	26
<b>Sub-total – other provisions</b>	<b>170</b>	<b>510</b>	<b>128</b>	<b>471</b>
<b>TOTAL PROVISIONS</b>	<b>9,541</b>	<b>11,498</b>	<b>9,740</b>	<b>11,226</b>

## (a) Provisions relating to restricted assets

## Externally restricted assets

Sewer	393	115	1,464	316
Domestic waste management	479	35	459	24
<b>Provisions relating to externally restricted assets</b>	<b>872</b>	<b>150</b>	<b>1,923</b>	<b>340</b>

## Internally restricted assets

Waste Management Facility	182	8,855	183	9,572
Self insurance	170	510	115	445
<b>Provisions relating to internally restricted assets</b>	<b>352</b>	<b>9,365</b>	<b>298</b>	<b>10,017</b>

## Total provisions relating to restricted assets

<b>Total provisions relating to restricted assets</b>	<b>1,224</b>	<b>9,515</b>	<b>2,221</b>	<b>10,357</b>
---	--------------	--------------	--------------	---------------

## Total provisions relating to unrestricted assets

<b>Total provisions relating to unrestricted assets</b>	<b>8,317</b>	<b>1,983</b>	<b>7,519</b>	<b>869</b>
<b>TOTAL PROVISIONS</b>	<b>9,541</b>	<b>11,498</b>	<b>9,740</b>	<b>11,226</b>

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

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

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

Provisions – employees benefits	6,178	6,224
	<b>6,178</b>	<b>6,224</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Provisions (continued)

## (c) Description of and movements in provisions

	ELE provisions					Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	Other employee benefits \$ '000	
<b>2020</b>						
At beginning of year	2,550	493	7,369	–	201	10,613
Other	319	(11)	(22)	–	423	709
Total ELE provisions at end of year	2,869	482	7,347	–	624	11,322
<b>2019</b>						
At beginning of year	2,499	558	6,506	57	371	9,991
Other	51	(65)	863	(57)	(170)	622
Total ELE provisions at end of year	2,550	493	7,369	–	201	10,613

	Other provisions			Total Actual \$ '000
	PPE Lease Actual \$ '000	Self insurance \$ '000	Asset remediation \$ '000	
<b>2020</b>				
At beginning of year	39	560	9,754	10,353
Additional provisions	–	120	–	120
Amounts used (payments)	–	–	(806)	(806)
Unwinding of discount	–	–	89	89
Other	(39)	–	–	(39)
Total other provisions at end of year	–	680	9,037	9,717
<b>2019</b>				
At beginning of year	50	448	6,355	6,853
Additional provisions	–	112	6,335	6,447
Amounts used (payments)	(11)	–	–	(11)
Unwinding of discount	–	–	97	97
Other	–	–	(3,033)	(3,033)
Total other provisions at end of year	39	560	9,754	10,353

## 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 sites.

## Self-insurance

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

## Accounting policy for provisions

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions (continued)

---

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions (continued)

---

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

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

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

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

#### Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 7(c).

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. 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**

A disposal of a park asset was erroneously picked up with a prior year revaluation adjustment processed during this financial year.

The above error had no impact (OR an immaterial impact) on the Statement of Financial Position at 1 July, 2018.

	Original Balance 1 July, 2018 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2018 \$ '000
--	--	--	--

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

## Statement of Financial Position

	Original Balance 30 June, 2019 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2019 \$ '000
Property, Plant and Equipment	18,743	(38)	18,705
<b>Total Assets</b>	1,172,225	(38)	1,172,187
<b>Total Liabilities</b>	34,282	—	34,282
Retained Earnings	470,114	(38)	470,076
<b>Total Equity</b>	1,137,943	(38)	1,137,905

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

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

**Adjustments to the current year figures for the year ended 30 June 2020****Statement of Financial Position****(ii) AASB 15 and AASB 1058**

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

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements

**Principal v agent**

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

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

**Licences**

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

**Grants – operating**

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

**Grants – capital**

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

**Changes in presentation**

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

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

	<b>Balance at 1 July 2019 Actual</b>
<b>\$ '000</b>	
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract assets</b>	
– Under AASB 15	–
– Under AASB 1058	–
<b>Total Contract assets</b>	<b>–</b>
<b>Contract liabilities</b>	
– Under AASB 15	(377)

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

	Balance at 1 July 2019 Actual
\$ '000	
– Under AASB 1058	–
<b>Total Contract liabilities</b>	<b>(377)</b>

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

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

## Statement of Financial Position

	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 Actual	Reclassific- ation Actual	Remeasur- ement Actual	Carrying amount under previous revenue standards Actual	Notes Actual
\$ '000					
<b>Current assets</b>					
Cash and cash equivalents	10,893	–	–	10,893	
Investments	52,620	–	–	52,620	
Receivables	7,998	–	–	7,998	
Inventories	227	–	–	227	
Other	1,083	–	–	1,083	
<b>Total current assets</b>	<b>72,821</b>	<b>–</b>	<b>–</b>	<b>72,821</b>	
<b>Current liabilities</b>					
Payables	11,524	–	–	11,524	
Contract liabilities	124	(124)	–	–	
Lease liabilities	540	–	–	540	
Borrowings	599	–	–	599	
Provisions	9,541	–	–	9,541	
<b>Total current liabilities</b>	<b>22,328</b>	<b>(124)</b>	<b>–</b>	<b>22,204</b>	
<b>Non-current assets</b>					
Infrastructure, property, plant and equipment	1,176,153	–	–	1,176,153	
Investment property	48,065	–	–	48,065	
Intangible assets	455	–	–	455	
Right of use assets	2,533	–	–	2,533	
Investments accounted for using equity method	3,247	–	–	3,247	
<b>Total non-current assets</b>	<b>1,230,453</b>	<b>–</b>	<b>–</b>	<b>1,230,453</b>	
<b>Non-current liabilities</b>					
Lease liabilities	2,032	–	–	2,032	
Borrowings	1,306	–	–	1,306	
Provisions	11,498	–	–	11,498	
<b>Total Non-current liabilities</b>	<b>14,836</b>	<b>–</b>	<b>–</b>	<b>14,836</b>	

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 Actual	Reclassific- ation Actual	Remeasur- ement Actual	Carrying amount under previous revenue standards Actual	Notes Actual
Net assets	1,266,110	124	—	1,266,234	
<b>Equity</b>					
Accumulated surplus	485,125	124	—	485,249	
Revaluation reserves	780,985	—	—	780,985	
<b>Total Equity</b>	<b>1,266,110</b>	<b>124</b>	<b>—</b>	<b>1,266,234</b>	

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058 Actual	Reclassific- ation Actual	Remeasur- ement Actual	Income Statement and comprehen- sive income under previous revenue standards Actual	Notes Actual
<u>Income from continuing operations</u>					
Rates and annual charges	62,129	—	—	62,129	
User charges and fees	5,944	—	—	5,944	
Other revenues	3,398	—	—	3,398	
Grants and contributions provided for operating purposes	10,112	24	—	10,136	
Grants and contributions provided for capital purposes	18,483	100	—	18,583	
Interest and investment income	1,388	—	—	1,388	
Rental income	2,724	—	—	2,724	
Net share of interests in joint ventures and associates using the equity method	221	—	—	221	
<b>Total Income from continuing operations</b>	<b>104,399</b>	<b>124</b>	<b>—</b>	<b>104,523</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	30,865	—	—	30,865	
Borrowing costs	282	—	—	282	
Materials and contracts	22,208	—	—	22,208	
Depreciation and amortisation	19,450	—	—	19,450	
Other expenses	11,872	—	—	11,872	
Net losses from the disposal of assets	40	—	—	40	
Fair value decrement on investment properties	1,682	—	—	1,682	
Revaluation decrement / impairment of IPP&E	2,574	—	—	2,574	
<b>Total Expenses from continuing operations</b>	<b>88,973</b>	<b>—</b>	<b>—</b>	<b>88,973</b>	

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058 Actual	Reclassification Actual	Remeasurement Actual	Income Statement and comprehensive income under previous revenue standards Actual	Notes Actual
<b>Total Operating result from continuing operations</b>	15,426	124	—	15,550	
<b>Net operating result for the year</b>	15,426	124	—	15,550	
<b>Total comprehensive income</b>	128,582	—	—	128,582	

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
<b>Total assets</b>	—	—	—
Contract liabilities	—	377	377
<b>Total liabilities</b>	—	377	377
Accumulated surplus	470,076	(377)	469,699
<b>Total equity</b>	—	(377)	(377)

## (iii) AASB 16 Leases

## Council as a lessee

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

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

## Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$2.6M at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.95%.

	<b>Balance at 1 July 2019 Actual</b>
<b>\$ '000</b>	
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	—
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	—
<b>Add:</b>	
Contracts not accounted for as operating lease commitments last year	—
Finance lease liabilities	(3,065)
Extension options reasonably certain to be exercised not included in the commitments note	—
Variable lease payments linked to an index	—
Other	—
<b>Less:</b>	
Short-term leases included in commitments note	—
Leases for low-value assets included in commitments note	—
Other	—
<b>Lease liabilities recognised at 1 July 2019</b>	<u><b>(3,065)</b></u>

**Council as a lessor**

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

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

	<b>Original Balance 1 July, 2019</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2019</b>
<b>\$ '000</b>			
Rights-of-use assets	—	3,065	3,065
<b>Total assets</b>	<u><b>—</b></u>	<u><b>3,065</b></u>	<u><b>3,065</b></u>
Payables – accrued interest on leases (30/6/2019)	—	—	—
Leases	—	(3,065)	(3,065)
<b>Total liabilities</b>	<u><b>—</b></u>	<u><b>(3,065)</b></u>	<u><b>(3,065)</b></u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Accumulated surplus	—	—	—
<b>Total equity</b>	<b>—</b>	<b>—</b>	<b>6,130</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Statement of cash flow information

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	10,893	14,063
<b>Balance as per the Statement of Cash Flows</b>		<b>10,893</b>	<b>14,063</b>

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

<b>Net operating result from Income Statement</b>	15,426	28,282
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	19,450	18,640
Net losses/(gains) on disposal of assets	40	300
Non-cash capital grants and contributions	(12,509)	(18,451)
Adoption of AASB 15/1058	(377)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	1,682	(2,264)
– Revaluation decrements / impairments of IPP&E direct to P&L	2,574	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	24	47
Unwinding of discount rates on reinstatement provisions	178	97
Share of net (profits)/losses of associates/joint ventures using the equity method	(221)	(262)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(1,140)	7
Increase/(decrease) in provision for impairment of receivables	154	163
Decrease/(increase) in inventories	44	(55)
Decrease/(increase) in other current assets	(268)	189
Increase/(decrease) in payables	453	293
Increase/(decrease) in other accrued expenses payable	352	(122)
Increase/(decrease) in other liabilities	249	107
Increase/(decrease) in contract liabilities	124	–
Increase/(decrease) in provision for employee benefits	709	622
Increase/(decrease) in other provisions	(725)	3,403
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>26,219</b>	<b>30,996</b>

**(c) Non-cash investing and financing activities**

Developer contributions 'in kind'	12,509	18,451
<b>Total non-cash investing and financing activities</b>	<b>12,509</b>	<b>18,451</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2020 \$ '000	2019 \$ '000	2020 \$ '000	2019 \$ '000
Joint ventures	221	262	3,247	3,491
<b>Total</b>	<b>221</b>	<b>262</b>	<b>3,247</b>	<b>3,491</b>

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

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

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

Interests in Subsidiary	Ownership 2020 %	Ownership 2019 %	Voting rights 2020 %	Voting rights 2019 %
Council's interest in Subsidiary	100%	100%	10%	10%
Non-controlling interest in Subsidiary	0%	0%	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 2019/2020, Council contributed \$827K for the operation of HSC and \$301K 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 2020

## Note 19. Interests in other entities (continued)

## Summarised financial information for the Subsidiary

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Summarised statement of comprehensive income</b>		
Revenue	936	969
Expenses	(1,037)	(1,051)
<b>Profit for the period</b>	<b>(101)</b>	<b>(82)</b>
<b>Total comprehensive income (1)</b>	<b>(101)</b>	<b>(82)</b>
<b>Summarised statement of financial position</b>		
Current assets	655	625
Non-current assets	123	134
<b>Total assets</b>	<b>778</b>	<b>759</b>
Current liabilities	127	93
<b>Total liabilities</b>	<b>127</b>	<b>93</b>
<b>Net assets (2)</b>	<b>651</b>	<b>666</b>

**Accounting policy for subsidiaries**

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

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

**(b) Joint arrangements****(i) Joint ventures**

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

**(a) Net carrying amounts – Council's share**

	Nature of relationship	Measurement method	2020 \$ '000	2019 \$ '000
Civic Risk West	Joint venture	Equity method	2,960	3,169
Civic Risk Mutual	Joint venture	Equity method	287	322
<b>Total carrying amounts – material joint ventures</b>			<b>3,247</b>	<b>3,491</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Interests in other entities (continued)

## (b) Details

	Principal activity	Place of business
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	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Civic Risk West	7.0%	7.0%	7.0%	7.0%	8.0%	9.0%
Civic Risk Mutual	4.0%	5.0%	4.0%	5.0%	5.0%	6.0%

## (d) Summarised financial information for joint ventures

	Civic Risk West		Civic Risk Mutual	
	2020 Actual \$ '000	2019 Actual \$ '000	2020 Actual \$ '000	2019 Actual \$ '000

## Statement of financial position

## Current assets

Other current assets	30,249	30,380	12,101	9,029
----------------------	--------	--------	--------	-------

## Non-current assets

	33,048	36,521	5,102	5,368
--	--------	--------	-------	-------

## Current liabilities

Other current liabilities	13,178	7,397	6,413	5,173
---------------------------	--------	-------	-------	-------

## Non-current liabilities

Non-current financial liabilities (excluding trade and other payables and provisions)	7,999	12,116	3,635	2,279
---	-------	--------	-------	-------

## Net assets

	42,120	47,388	7,155	6,945
--	--------	--------	-------	-------

## Reconciliation of the carrying amount

Opening net assets (1 July)	47,388	41,761	6,945	8,469
-----------------------------	--------	--------	-------	-------

Profit/(loss) for the period	3,181	5,627	211	(1,524)
------------------------------	-------	-------	-----	---------

Other adjustments to equity	(8,449)	—	—	—
-----------------------------	---------	---	---	---

Closing net assets	42,120	47,388	7,156	6,945
--------------------	--------	--------	-------	-------

## Council's share of net assets (%)

	7.0%	6.7%	4.0%	4.6%
--	------	------	------	------

Council's share of net assets (\$)	2,960	3,169	287	322
------------------------------------	-------	-------	-----	-----

## Statement of comprehensive income

Income	7,969	9,966	14,474	11,320
--------	-------	-------	--------	--------

Interest income	—	—	205	448
-----------------	---	---	-----	-----

Other expenses	(4,788)	(4,339)	(14,468)	(13,292)
----------------	---------	---------	----------	----------

Profit/(loss) from continuing operations	3,181	5,627	211	(1,524)
--	-------	-------	-----	---------

Profit/(loss) for the period	3,181	5,627	211	(1,524)
------------------------------	-------	-------	-----	---------

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Interests in other entities (continued)

	Civic Risk West		Civic Risk Mutual	
	2020	2019	2020	2019
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Total comprehensive income</b>	3,181	5,627	211	(1,524)
<b>Share of income – Council (%)</b>	8.0%	7.1%	(16.6)%	9.1%
<b>Profit/(loss) – Council (\$)</b>	256	401	(35)	(139)
<b>Total comprehensive income – Council (\$)</b>	256	401	(35)	(139)
<b>Dividends received by Council</b>	465	–	–	–

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

There are restrictions on Civic Risk Mutual and Civic Risk West 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 2020

### Note 19. 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 \$1.4M in 2019/2020 and holds \$2.5M of equity as at 30 June 2020.

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

Council contributed \$189,673 to HRCC in 2019/2020, which represented 13% of total revenue. The revenue is sourced by constituent Councils represents 51% of total income.

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

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

Council currently intends to continue providing financial contributions to HRCC.

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

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

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

Council contributed \$90,000 to WSROC in 2019/2020. 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 2020

## Note 20. Commitments

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Sewerage and water infrastructure	1,067	–
Buildings	1,394	1,737
Plant and equipment	985	339
Other	323	–
Road infrastructure	1,706	–
<b>Investment property</b>		
– Buildings	7	–
<b>Total commitments</b>	<b>5,482</b>	<b>2,076</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	5,018	2,076
Later than one year and not later than 5 years	185	–
Later than 5 years	279	–
<b>Total payable</b>	<b>5,482</b>	<b>2,076</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	2,406	1,286
Future grants and contributions	26	–
Section 7.11 and 64 funds/reserves	164	–
Unexpended grants	62	–
Externally restricted reserves	1,456	696
Internally restricted reserves	1,368	94
<b>Total sources of funding</b>	<b>5,482</b>	<b>2,076</b>

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

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

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

Refer to Note 15 for information relating to leases for 2020.

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 2020

### Note 21. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

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

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

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$558,703.70. The last valuation of the Scheme was performed by Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$315,851.14. Council's expected contribution to the plan for the next annual reporting period is \$544,907.92.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$306,100 as at 30 June 2020.

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

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

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

\* Plus promotional increases

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

#### (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 2020

### Note 21. Contingencies (continued)

---

#### **ASSETS NOT RECOGNISED**

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. 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.

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Lease liabilities	2,572	—	2,615	—
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 2020

## Note 22. Financial risk management (continued)

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2020</b>				
Possible impact of a 1% movement in interest rates	635	635	(635)	(635)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	651	651	(651)	(651)

## (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 \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
<b>2020</b>						
Gross carrying amount	–	3,673	298	312	362	4,645
<b>2019</b>						
Gross carrying amount	–	3,093	251	263	304	3,911

## Receivables - non-rates and annual charges

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Financial risk management (continued)

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2020</b>						
Gross carrying amount	2,859	321	121	104	621	4,026
Expected loss rate (%)	3.70%	10.00%	15.00%	50.00%	75.00%	16.74%
<b>ECL provision</b>	<b>106</b>	<b>32</b>	<b>18</b>	<b>52</b>	<b>466</b>	<b>674</b>
<b>2019</b>						
Gross carrying amount	2,950	188	177	25	280	3,620
Expected loss rate (%)	8.49%	10.00%	15.00%	50.00%	75.00%	14.32%
<b>ECL provision</b>	<b>250</b>	<b>19</b>	<b>27</b>	<b>13</b>	<b>210</b>	<b>519</b>

## (c) Liquidity risk

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

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

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

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

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

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

	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
<b>2020</b>							
Trade/other payables	0.00%	2,424	8,098	978	–	11,500	11,524
Loans and advances	5.82%	–	509	1,306	–	1,815	1,905
<b>Total financial liabilities</b>		<b>2,424</b>	<b>8,607</b>	<b>2,284</b>	<b>–</b>	<b>13,315</b>	<b>13,429</b>
<b>2019</b>							
Trade/other payables	0.00%	2,175	8,295	–	–	10,470	10,470
Loans and advances	5.82%	–	1,101	1,770	–	2,871	2,846
<b>Total financial liabilities</b>		<b>2,175</b>	<b>9,396</b>	<b>1,770</b>	<b>–</b>	<b>13,341</b>	<b>13,316</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 12/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>61,801</b>	<b>62,129</b>	<b>328</b>	<b>1% F</b>
<b>User charges and fees</b>	<b>7,227</b>	<b>5,944</b>	<b>(1,283)</b>	<b>(18)% U</b>
User charges and fees are lower than the original budget as a result of the contraction of the economy, natural disasters and the COVID-19 Pandemic. Development activity significantly reduced, some Council facilities were closed and regulatory activities were reduced during the lock-down period.				
<b>Other revenues</b>	<b>4,513</b>	<b>3,398</b>	<b>(1,115)</b>	<b>(25)% U</b>
Other revenues are less than the original budget as the actuals for Rental Income have been recorded on a separate line, in line with the implementation of accounting standard AASB 16 <i>Leases</i> .				
<b>Operating grants and contributions</b>	<b>7,759</b>	<b>10,112</b>	<b>2,353</b>	<b>30% F</b>
Only known grants and contributions are included in the Original Budget. Additional grants and contributions were received during the year. Unknown grants included \$1.6M in relation to bushfire recovery.				
<b>Capital grants and contributions</b>	<b>4,520</b>	<b>18,483</b>	<b>13,963</b>	<b>309% F</b>
Only known grants and contributions are included in the Original Budget. Non cash dedications were greater than forecasted in the Original Budget; and unbudgeted developer contribution for a community centre for \$1.9M was received. Both were a result of the difficulties associated with predicting the timing of development.				
<b>Interest and investment revenue</b>	<b>1,818</b>	<b>1,388</b>	<b>(430)</b>	<b>(24)% U</b>
Interest and investment revenue are lower than the Original Budget due to the significant, unpredicted fall in interest rates. While a reduction was built into the Original Budget, the reduction in rates exceeded this. The amount invested was less than projected, with the use of internal funds, as opposed to loan borrowings.				
<b>Fair value increment on investment property</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>∞ F</b>
<b>Rental income</b>	<b>–</b>	<b>2,724</b>	<b>2,724</b>	<b>∞ F</b>
Rental Income is greater than the original budget as the actuals for Rental Income have been recorded on a separate line, in line with the implementation of accounting standard AASB 16 <i>Leases</i> .				
<b>Joint ventures and associates – net profits</b>	<b>265</b>	<b>221</b>	<b>(44)</b>	<b>(17)% U</b>
The Original Budget for profits generated from Council's involvement in Civic Risk were based on past years. The actual net profit received was less, predominantly due to the increase in insurance costs and reduction in investment income over the past year.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	30,030	30,865	(835)	(3)% U
Borrowing costs	1,007	282	725	72% F
The Original Budget included the drawing down of additional loans, 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 loan funds will be required in 2020/2021.				
Materials and contracts	19,248	22,208	(2,960)	(15)% U
Materials and Contracts are greater than the Original Budget as a result of costs associated with natural disasters and the COVID-19 Pandemic.				
Depreciation and amortisation	18,244	19,450	(1,206)	(7)% U
Other expenses	14,073	11,872	2,201	16% F
Net losses from disposal of assets	–	40	(40)	∞ U
Net losses from the disposal of assets are not included in the Original Budget.				
Fair value decrement on investment property	–	1,682	(1,682)	∞ U
Fair value adjustments as a result of revaluation of Investment Properties are not included in the Original Budget.				
Revaluation decrement / impairment of IPP&E	–	2,574	(2,574)	∞ U
The impairment relates to damaged road and stormwater infrastructure that occurred during the February flood event.				
<b>STATEMENT OF CASH FLOWS</b>				
Cash flows from operating activities	19,781	26,219	6,438	33% F
The proportion of cash received for income was greater than projected. Only known grants and contributions are included in the Original Budget. The transfer of ownership of Southern Phone Company was not known at the time of developing the Original Budget. The impact of GST grossing up is not included in the Original Budget.				
Cash flows from investing activities	(31,765)	(27,931)	3,834	(12)% F
The proportion of cash spent on the purchase and construction of Infrastructure, Property, Plant and Equipment was less than projected in the Original Budget. The Original Budget included \$8.6M of works associated with the development of the Vineyard Precinct Release Area. This development has slowed, awaiting final approval of the Developer Contributions Plan, subsequently, deferring the need to delivery these works.				
Cash flows from financing activities	20,962	(1,458)	(22,420)	(107)% U
The Original Budget included the drawing down of additional loans, 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 loan funds will be required in 2020/2021.				

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. 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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Investment property					
Investment Properties	30/06/20	—	48,053	—	48,053
Total investment property		—	48,053	—	48,053
Infrastructure, property, plant and equipment					
Operational Land	30/06/18	—	88,033	—	88,033
Community Land	30/06/20	—	—	103,097	103,097
Land under road	30/06/20	—	—	20,246	20,246
Land Improvements – non depreciable	30/06/11	—	—	1,337	1,337
Land Improvements – depreciable	30/06/11	—	—	1,483	1,483
Buildings – Non Specialsied	30/06/18	—	—	14,095	14,095
Buildings – Specialised	30/06/18	—	—	86,895	86,895
Other Structure	30/06/17	—	—	6,624	6,624
Road, Bridges, Footpaths	30/06/20	—	—	514,369	514,369
Stormwater Drainage	30/06/20	—	—	145,669	145,669
Swimming Pools	30/06/17	—	—	2,321	2,321
Sewer Network	30/06/20	—	—	136,656	136,656
Other Open Space	30/06/17	—	—	19,243	19,243
Library books, Heritage & Tip	30/06/20	—	—	38,672	38,672
Total infrastructure, property, plant and equipment		—	88,033	1,090,707	1,178,740

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

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	
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	30/06/11	—	—	1,219	1,219
Land Improvements – depreciable	30/06/11	—	—	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

Note that capital WIP is not included above since it is carried at cost.

### (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 7(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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

---

#### 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 being the rate square metre which 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 on 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 analyses sales of land throughout the subject and surrounding council area and adopt 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 on 2022/2023 financial year.

##### **Land under road**

Council conducted the revaluation for the land under road on 30 June 2020. 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, performed for rating purposes, and is applied to the total square area.

Council revalues the land under road every 3 years in line with the Valuer General's revaluation schedule, which will be in the 2022/2023 financial year.

##### **Community Land**

Council conducted the revaluation for the community land on 30 June 2020. Council used the valuer general's value to determine the fair value of the community land.

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

Council revalues the community land every 3 years in line with the Valuer General's revaluation schedule, which will be in the 2022/2023 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. 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 during the 2023/2024 financial year.

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

Council conducts a full revaluation of the above assets every five years. The last revaluation was conducted during the 2019/2020 financial year, which was performed by council internal professional staff, consisting of qualified engineers.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Fair Value Measurement (continued)

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 meter and condition of the asset. Replacement costs was used to determine the fair value of bridges.

Next full revaluation is during the 2024/2025 financial year.

## (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-specialis ed Actual \$ '000
<b>2019</b>					
<b>Opening balance</b>	81,990	12,069	1,068	601	14,439
Purchases (GBV)	4	4,457	151	242	179
Disposals (WDV)	(14)	–	–	–	–
Depreciation and impairment	–	–	–	(22)	(504)
PY Capitalisation	–	1	–	127	1
<b>Closing balance</b>	<b>81,980</b>	<b>16,527</b>	<b>1,219</b>	<b>948</b>	<b>14,115</b>
<b>2020</b>					
<b>Opening balance</b>	81,980	16,527	1,219	948	14,115
Transfers from/(to) another asset class	–	–	–	–	(16)
Purchases (GBV)	195	1,058	55	561	195
Depreciation and impairment	–	–	–	(40)	(513)
PY Capitalisation	–	17	63	14	313
Revaluation	20,922	–	–	–	–
<b>Closing balance</b>	<b>103,097</b>	<b>17,602</b>	<b>1,337</b>	<b>1,483</b>	<b>14,094</b>

	Building specialised Actual \$ '000	Other structures Actual \$ '000	Roads, bridges, footpaths Actual \$ '000	Stormwater drainage Actual \$ '000	Swimming pools and O/S Actual \$ '000
<b>2019</b>					
<b>Opening balance</b>	89,410	7,150	404,594	138,475	21,609
Purchases (GBV)	85	72	15,824	5,404	1,712
Disposals (WDV)	–	(15)	–	–	(1)
Depreciation and impairment	(2,722)	(380)	(6,849)	(1,945)	(1,541)
PY Capitalisation	304	51	745	–	631
<b>Closing balance</b>	<b>87,077</b>	<b>6,878</b>	<b>414,314</b>	<b>141,934</b>	<b>22,410</b>
<b>2020</b>					
<b>Opening balance</b>	87,077	6,878	414,314	141,934	22,410
Transfers from/(to) another asset class	16	–	–	–	–
Purchases (GBV)	1,585	58	18,823	6,268	696
Disposals (WDV)	–	(5)	–	–	(36)

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Fair Value Measurement (continued)

	Building specialised Actual \$ '000	Other structures Actual \$ '000	Roads, bridges, footpaths Actual \$ '000	Stormwater drainage Actual \$ '000	Swimming pools and O/S Actual \$ '000
Depreciation and impairment	(2,745)	(307)	(7,059)	(2,000)	(1,543)
Impairment Loss	–	–	(2,574)	–	–
PY Capitalisation	962	–	1,466	554	37
Revaluation	–	–	89,399	(1,087)	–
<b>Closing balance</b>	<b>86,895</b>	<b>6,624</b>	<b>514,369</b>	<b>145,669</b>	<b>21,564</b>

	Other assets Actual \$ '000	Total Actual \$ '000
<b>2019</b>		
<b>Opening balance</b>	109,853	881,258
Purchases (GBV)	14,761	42,891
Disposals (WDV)	(1,272)	(1,302)
Depreciation and impairment	(4,468)	(18,431)
PY Capitalisation	(1,860)	–
Revaluation	56,112	56,112
<b>Closing balance</b>	<b>173,126</b>	<b>960,528</b>
<b>2020</b>		
<b>Opening balance</b>	173,126	960,528
Purchases (GBV)	7,951	37,445
Disposals (WDV)	(933)	(974)
Depreciation and impairment	(4,431)	(18,638)
Impairment Loss	–	(2,574)
PY Capitalisation	1,176	4,602
Revaluation	1,279	110,513
<b>Closing balance</b>	<b>178,168</b>	<b>1,090,902</b>

## (4) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Related party disclosures

#### (a) Key management personnel

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

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

	2020 \$ '000	2019 \$ '000
<b>Compensation:</b>		
Short-term benefits Other Short Term Payment	1,805	1,742
Annual Leave Entitlements	119	116
Post-employment benefits	152	149
Long Service Leave Entitlements	49	49
<b>Total</b>	<b>2,125</b>	<b>2,056</b>

#### (b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
<b>2020</b>					
Daughter of Director Jeff Organ provided design works for community consultation, sourced in accordance with Council's recruitment process for casual employees	—	—	Not applicable, as employment ended during 2018/2019	—	—
<b>2019</b>					
Daughter of Director Jeff Organ provided design works for community consultation, sourced in accordance with Council's recruitment process for casual employees	13	—	Normal employment terms	—	—

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions

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

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

### Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance \$ '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)	—	940	—	(2,874)	—	(2,934)	—
Roads	4,075	562	2,025	65	(211)	123	4,614	—
Parking	379	—	—	1	(283)	—	97	—
Open space	1,216	150	—	23	(27)	—	1,362	—
Community facilities	1,078	90	—	21	(39)	—	1,150	—
Recreational Facilities	1,004	57	—	13	(224)	—	850	—
Bushfire	1	—	—	—	—	—	1	—
Extractive Industries	239	9	—	2	(59)	—	191	—
Land Acquisition	2,156	337	30	35	—	—	2,528	—
Plan Administration Reserve	37	1	—	1	—	—	39	—
<b>S7.11 contributions – under a plan</b>	<b>10,125</b>	<b>1,206</b>	<b>2,995</b>	<b>161</b>	<b>(3,717)</b>	<b>123</b>	<b>7,898</b>	<b>—</b>
<b>S7.12 levies – under a plan</b>	<b>3,208</b>	<b>988</b>	<b>2,721</b>	<b>62</b>	<b>(235)</b>	<b>—</b>	<b>4,023</b>	<b>—</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>13,333</b>	<b>2,194</b>	<b>5,716</b>	<b>223</b>	<b>(3,952)</b>	<b>123</b>	<b>11,921</b>	<b>—</b>
S7.4 planning agreements	59	1,862	4,788	1	—	—	1,922	—
S64 contributions	3,425	667	1,456	29	(1,672)	—	2,449	—
<b>Total contributions</b>	<b>16,817</b>	<b>4,723</b>	<b>11,960</b>	<b>253</b>	<b>(5,624)</b>	<b>123</b>	<b>16,292</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN – HAWKESBURY CITY</b>								
Drainage	(60)	–	940	–	(2,874)	–	(2,934)	–
Roads	4,075	562	2,025	65	(211)	123	4,614	–
Parking	379	–	–	1	(283)	–	97	–
Open space	1,216	150	–	23	(27)	–	1,362	–
Community facilities	1,078	90	–	21	(39)	–	1,150	–
Recreational Facilities	1,004	57	–	13	(224)	–	850	–
Bushfire	1	–	–	–	–	–	1	–
Extractive Industries	239	9	–	2	(59)	–	191	–
Land Acquisition	2,156	337	30	35	–	–	2,528	–
Plan Administration Reserve	37	1	–	1	–	–	39	–
<b>Total</b>	<b>10,125</b>	<b>1,206</b>	<b>2,995</b>	<b>161</b>	<b>(3,717)</b>	<b>123</b>	<b>7,898</b>	<b>–</b>

### S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN – HAWKESBURY CITY</b>								
Other	3,208	988	2,721	62	(235)	–	4,023	–
<b>Total</b>	<b>3,208</b>	<b>988</b>	<b>2,721</b>	<b>62</b>	<b>(235)</b>	<b>–</b>	<b>4,023</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund

	General <sup>1</sup> 2020 \$ '000	Sewer 2020 \$ '000
<b>Income Statement by fund</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	54,869	7,260
User charges and fees	4,921	1,023
Interest and investment revenue	1,267	121
Other revenues	3,369	29
Grants and contributions provided for operating purposes	10,112	–
Grants and contributions provided for capital purposes	18,300	183
Rental income	2,724	–
Share of interests in joint ventures and associates using the equity method	221	–
<b>Total income from continuing operations</b>	<b>95,783</b>	<b>8,616</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	29,141	1,724
Borrowing costs	258	24
Materials and contracts	19,931	2,277
Depreciation and amortisation	17,355	2,095
Other expenses	10,591	1,281
Net losses from the disposal of assets	1	39
Fair value decrement on investment property	1,682	–
Revaluation decrement /impairment of IPPE	2,574	–
<b>Total expenses from continuing operations</b>	<b>81,533</b>	<b>7,440</b>
<b>Operating result from continuing operations</b>	<b>14,250</b>	<b>1,176</b>
<b>Net operating result for the year</b>	<b>14,250</b>	<b>1,176</b>
<b>Net operating result attributable to each council fund</b>	<b>14,250</b>	<b>1,176</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(4,050)</b>	<b>993</b>

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 water and sewer activities which are listed separately.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund (continued)

	General <sup>1</sup> 2020 \$ '000	Sewer 2020 \$ '000
<b>Statement of Financial Position by fund</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,756	3,137
Investments	46,866	5,754
Receivables	7,271	727
Inventories	227	—
Other	1,083	—
<b>Total current assets</b>	<b>63,203</b>	<b>9,618</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,035,182	140,971
Investments accounted for using the equity method	3,247	—
Investment property	48,065	—
Intangible assets	455	—
Right of use assets	2,533	—
<b>Total non-current assets</b>	<b>1,089,482</b>	<b>140,971</b>
<b>TOTAL ASSETS</b>	<b>1,152,685</b>	<b>150,589</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	11,524	—
Contract liabilities	124	—
Lease liabilities	540	—
Borrowings	599	—
Provisions	9,148	393
<b>Total current liabilities</b>	<b>21,935</b>	<b>393</b>
<b>Non-current liabilities</b>		
Lease liabilities	2,032	—
Borrowings	1,306	—
Provisions	11,383	115
<b>Total non-current liabilities</b>	<b>14,721</b>	<b>115</b>
<b>TOTAL LIABILITIES</b>	<b>36,656</b>	<b>508</b>
<b>Net assets</b>	<b>1,116,029</b>	<b>150,081</b>
<b>EQUITY</b>		
Accumulated surplus	442,337	42,788
Revaluation reserves	673,692	107,293
<b>Council equity interest</b>	<b>1,116,029</b>	<b>150,081</b>
<b>Total equity</b>	<b>1,116,029</b>	<b>150,081</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 28(a). Statement of performance measures – consolidated results

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2020	2020	2019	
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>2,700</b>	<b>3.15%</b>	<b>3.77%</b>	<b>&gt;0.00%</b>
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>85,695</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>75,583</b>	<b>72.55%</b>	<b>67.60%</b>	<b>&gt;60.00%</b>
Total continuing operating revenue <sup>1</sup>	<b>104,178</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>36,041</b>	<b>2.61x</b>	<b>3.42x</b>	<b>&gt;1.50x</b>
Current liabilities less specific purpose liabilities	<b>13,828</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>20,750</b>	<b>11.66x</b>	<b>17.79x</b>	<b>&gt;2.00x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,779</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>4,928</b>	<b>7.40%</b>	<b>6.75%</b>	<b>&lt;5.00%</b>
Rates, annual and extra charges collectible	<b>66,592</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>63,513</b>	<b>10.66 mths</b>	<b>12.70 mths</b>	<b>&gt;3.00 mths</b>
Monthly payments from cash flow of operating and financing activities	<b>5,960</b>			

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Sewer Indicators		Benchmark
	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>0.03%</b>	2.44%	<b>11.78%</b>	15.20%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>70.27%</b>	65.91%	<b>97.88%</b>	83.14%	>60.00%
Total continuing operating revenue <sup>1</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>2.61x</b>	3.42x	<b>17.51x</b>	7.75x	>1.50x
Current liabilities less specific purpose liabilities					
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>12.81x</b>	22.25x	<b>7.70x</b>	8.43x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>7.50%</b>	6.88%	<b>6.58%</b>	5.80%	<5.00%
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>9.96</b>	12.25	<b>18.65</b>	17.27	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	mths

(1) - (2) Refer to Notes at Note 31a above.

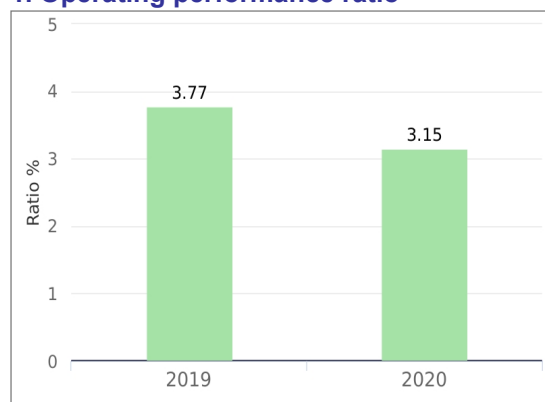
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2020

## 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 2019/20 result

2019/20 ratio 3.15%

The ratio declined from the previous year, as a result of the impacts of natural disasters and the COVID-19 Pandemic.

The ratio is better than the benchmark.

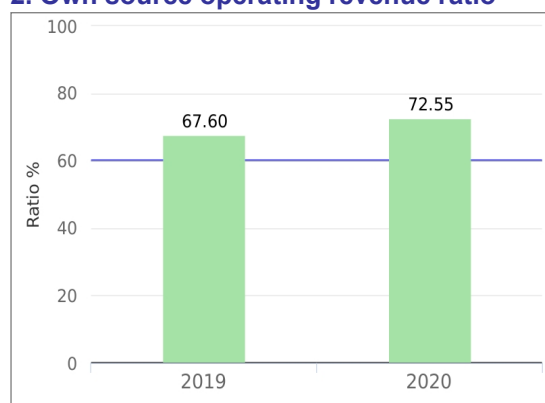
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

## 2. Own source operating revenue ratio



## Purpose of own source operating revenue ratio

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

## Commentary on 2019/20 result

2019/20 ratio 72.55%

The ratio improved as a result of the decline in capital grants and contributions over the previous reporting period.

The ratio is better than the benchmark.

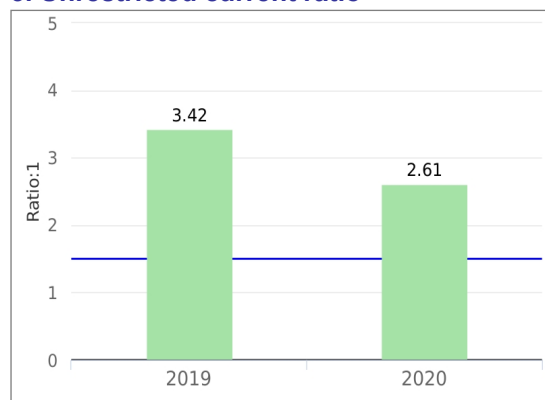
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

## 3. Unrestricted current ratio



## Purpose of unrestricted current ratio

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

## Commentary on 2019/20 result

2019/20 ratio 2.61x

The ratio declined as a result of the level of current liabilities less specific purpose liabilities increasing from the previous reporting period. This is mostly attributable to the change in accounting standards in relation to leasing.

The ratio is better than the benchmark.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

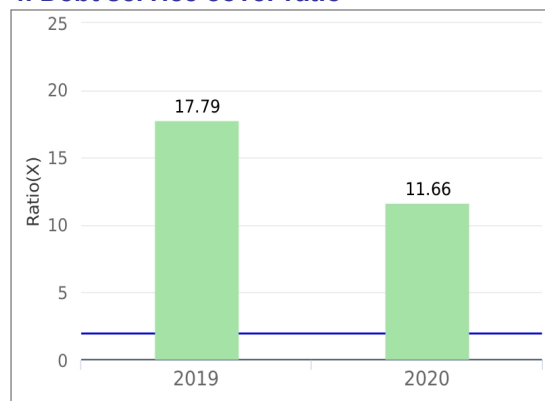
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 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 2019/20 result

2019/20 ratio 11.66x

The ratio declined due to an decrease in available cash to service debt costs, in conjunction with an increase in debt costs from the previous reporting period. This is mostly attributable to the change in accounting standards in relation to leasing.

The ratio is better than the benchmark.

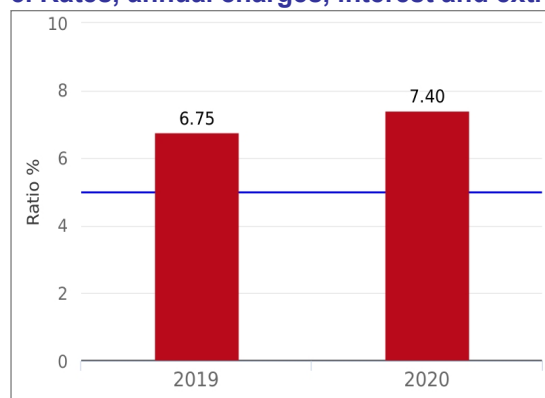
Benchmark: — > 2.00x

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

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 2019/20 result

2019/20 ratio 7.40%

The ratio declined as a result of an increase in the amount of outstanding rates and annual charges. In order to support the community during the economic impacts of the COVID-19 Pandemic, debt recovery action was significantly reduced.

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.

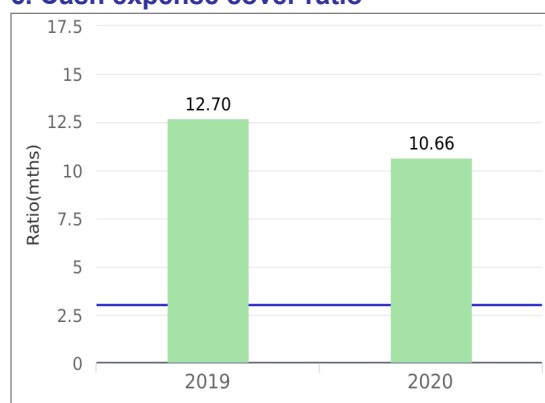
Benchmark: — < 5.00%

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

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 2019/20 result

2019/20 ratio 10.66 mths

The ratio declined as a result of an increase in the outflow of cash associated with payments for operating and financing activities. This increase is mostly attributable to the additional payments made in relation to natural disasters and the COVID-19 Pandemic. While most of this outflow of cash was covered by inflows of cash through grants and insurance, inflows are not captured within this ratio.

This ratio is better than the benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

# Hawkesbury City Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

---

*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 2020

---

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Sewerage Business Activity	5
<b>Note 1 – Significant Accounting Policies</b>	<b>6</b>

---

### 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 2020

---

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 29 September 2020.**

---

Patrick Conolly  
Mayor  
29 September 2020

---

Mary Lyons-Buckett  
Deputy Mayor  
29 September 2020

---

Peter Conroy  
General Manager  
29 September 2020

---

Emma Galea  
Responsible Accounting Officer  
29 September 2020



# Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Income from continuing operations</b>		
Access charges	7,260	6,831
User charges	1,023	1,165
Interest	121	133
Other income	29	404
<b>Total income from continuing operations</b>	<b>8,433</b>	<b>8,533</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,724	1,787
Materials and contracts	2,277	2,061
Depreciation, amortisation and impairment	2,095	2,136
Loss on sale of assets	39	17
Calculated taxation equivalents	47	60
Unwinding of interest free loan	24	47
Other expenses	1,281	1,205
<b>Total expenses from continuing operations</b>	<b>7,487</b>	<b>7,313</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>946</b>	<b>1,220</b>
Grants and contributions provided for capital purposes	183	1,731
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,129</b>	<b>2,951</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,129</b>	<b>2,951</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(260)	(336)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>869</b>	<b>2,615</b>
<b>Plus accumulated surplus</b>	<b>41,641</b>	<b>38,665</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	47	60
– Corporate taxation equivalent	260	336
<b>Less:</b>		
– Tax equivalent dividend paid	(29)	(35)
<b>Closing accumulated surplus</b>	<b>42,788</b>	<b>41,641</b>
<b>Return on capital %</b>	<b>0.7%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>295</b>	<b>631</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	869	2,616
<b>Surplus for dividend calculation purposes</b>	<b>869</b>	<b>2,616</b>
<b>Potential dividend calculated from surplus</b>	<b>434</b>	<b>1,308</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 Actual \$ '000	2019 Actual \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,137	4,474
Investments	5,754	3,375
Receivables	727	423
<b>Total current assets</b>	<b>9,618</b>	<b>8,272</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	140,971	140,204
<b>Total non-current assets</b>	<b>140,971</b>	<b>140,204</b>
<b>TOTAL ASSETS</b>	<b>150,589</b>	<b>148,476</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	–	376
Provisions	393	366
<b>Total current liabilities</b>	<b>393</b>	<b>742</b>
<b>Non-current liabilities</b>		
Provisions	115	79
<b>Total non-current liabilities</b>	<b>115</b>	<b>79</b>
<b>TOTAL LIABILITIES</b>	<b>508</b>	<b>821</b>
<b>NET ASSETS</b>	<b>150,081</b>	<b>147,655</b>
<b>EQUITY</b>		
Accumulated surplus	42,788	41,641
Revaluation reserves	107,293	106,014
<b>TOTAL EQUITY</b>	<b>150,081</b>	<b>147,655</b>

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

### 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 2093 (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 2020

### 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 \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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 2020

### 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 0.88% at 30/6/20.

#### (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 2020 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.