

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

The Hawkesbury 2036...It's Our Future

General Purpose
Special Purpose
Special Schedules



Hawkesbury City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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

Hawkesbury City Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

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

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

366 George Street
WINDSOR NSW 2756

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.hawkesbury.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the financial year ended 30 June 2019

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 September 2019.



Councillor Mary Lyons-Buckett

DEPUTY MAYOR

24 September 2019



Councillor Barry Calvert

MAYOR

24 September 2019



Ms Linda Perrine

ACTING GENERAL MANAGER

24 September 2019



Ms Emma Galea

RESPONSIBLE ACCOUNTING OFFICER

24 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Income from continuing operations				
<u>Revenue:</u>				
56,834	Rates and annual charges	3a	57,453	52,906
7,154	User charges and fees	3b	6,912	7,021
1,569	Interest and investment revenue	3c	1,768	1,520
4,396	Other revenues	3d	4,907	4,379
6,487	Grants and contributions provided for operating purposes	3e, 3f	11,093	7,217
6,235	Grants and contributions provided for capital purposes	3e, 3f	22,963	19,052
<u>Other income:</u>				
–	Fair value increment on investment properties		2,264	2,104
265	Net share of interests in joint ventures and associates using the equity method	16	262	304
82,940	Total income from continuing operations		107,622	94,503
Expenses from continuing operations				
28,431	Employee benefits and on-costs	4a	28,949	26,798
303	Borrowing costs	4b	305	364
18,484	Materials and contracts	4c	19,312	17,690
19,214	Depreciation and amortisation	4d	18,640	19,485
13,555	Other expenses	4e	11,834	11,605
–	Net losses from the disposal of assets	5	300	97
–	Revaluation decrement / impairment of IPP&E	4d	–	178
79,987	Total expenses from continuing operations		79,340	76,217
2,953	Operating result from continuing operations		28,282	18,286
2,953	Net operating result for the year		28,282	18,286
2,953	Net operating result attributable to council		28,282	18,286
(3,282)	Net operating result for the year before grants and contributions provided for capital purposes		5,319	(766)

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

Hawkesbury City Council

Statement of Comprehensive Income

for the year ended 30 June 2019

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

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

Hawkesbury City Council

Statement of Financial Position

as at 30 June 2019

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

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

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

Hawkesbury City Council

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

	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance		441,648	611,717	1,053,365	414,587	564,251	978,838
Correction of prior period errors	15b	–	–	–	8,775	–	8,775
Restated opening balance		441,648	611,717	1,053,365	423,362	564,251	987,613
Net operating result for the year		28,282	–	28,282	18,286	–	18,286
Restated net operating result for the period		28,282	–	28,282	18,286	–	18,286
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	56,112	56,112	–	47,466	47,466
- Other movements - net movement in Hawkesbury Sports Council Equity		184	–	184	–	–	–
Other comprehensive income		184	56,112	56,296	–	47,466	47,466
Total comprehensive income		28,466	56,112	84,578	18,286	47,466	65,752
Equity – balance at end of the reporting period		470,114	667,829	1,137,943	441,648	611,717	1,053,365

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities				
	<u>Receipts</u>			
53,992	Rates and annual charges		56,642	52,168
7,082	User charges and fees		7,619	7,390
1,569	Investment and interest revenue received		1,855	1,394
11,258	Grants and contributions		16,438	18,031
–	Bonds, deposits and retention amounts received		107	261
4,352	Other		8,889	8,114
	<u>Payments</u>			
(27,578)	Employee benefits and on-costs		(28,689)	(26,773)
(18,299)	Materials and contracts		(20,967)	(18,812)
(251)	Borrowing costs		(161)	(191)
(13,419)	Other		(10,737)	(10,059)
18,706	Net cash provided (or used in) operating activities	15b	30,996	31,523
Cash flows from investing activities				
	<u>Receipts</u>			
–	Sale of investment securities		23,700	15,500
–	Sale of investment property		–	303
1,496	Sale of infrastructure, property, plant and equipment		1,001	1,134
	<u>Payments</u>			
–	Purchase of investment securities		(21,200)	(43,789)
–	Purchase of investment property		(95)	(139)
(23,577)	Purchase of infrastructure, property, plant and equipment		(24,441)	(17,480)
–	Purchase of intangible assets		(305)	(207)
(22,081)	Net cash provided (or used in) investing activities		(21,340)	(44,678)
Cash flows from financing activities				
	<u>Receipts</u>			
2,990	Proceeds from borrowings and advances		–	–
	<u>Payments</u>			
(1,107)	Repayment of borrowings and advances		(934)	(904)
1,883	Net cash flow provided (used in) financing activities		(934)	(904)
(1,492)	Net increase/(decrease) in cash and cash equivalents		8,722	(14,059)
5,341	Plus: cash and cash equivalents – beginning of year	15a	5,341	19,400
3,849	Cash and cash equivalents – end of the year	15a	14,063	5,341
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	51,000	53,500
3,849	Total cash, cash equivalents and investments		65,063	58,841

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 September 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

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

Under the new standard, a financial liability (ie. a lease liability) and an asset (i.e. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset. The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council staff have reviewed all of Council's leasing arrangements over the last 12 months, taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019).

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

AASB 15 Revenue from Contracts with Customers and associated amending standards

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

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

Councils has assessed each revenue stream, and particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

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

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

AASB 1058 Income of Not For Profit Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

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

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

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

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	6	10	614	720	(608)	(710)	–	–	904	140
Our Leadership	48,307	44,648	7,905	8,268	40,402	36,380	2,723	2,761	89,635	73,823
Our Community	1,919	1,658	7,970	7,416	(6,051)	(5,758)	843	656	26,132	15,348
Our Environment	835	1,739	2,084	1,903	(1,249)	(164)	172	84	3,646	4,063
Our Assets	52,323	45,923	58,447	55,523	(6,124)	(9,600)	3,662	6,209	1,044,765	990,524
Our Future	4,232	525	2,320	2,387	1,912	(1,862)	3,999	28	7,143	236
Total functions and activities	107,622	94,503	79,340	76,217	28,282	18,286	11,399	9,738	1,172,225	1,084,134

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

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

Our Leadership

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

Our Community

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

Our Environment

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

Our Assets

Provide, upgrade and maintain assets to support our community.

Our Future

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

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

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Sewerage services	1,077	953
Waste management services (non-domestic)	14	4
Sullage	330	337
Total specific user charges	1,421	1,294
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	18	23
Planning and building regulation	1,353	1,829
Regulatory/ statutory fees	440	450
Registration fees	1	3
Section 10.7 certificates (EP&A Act)	225	257
Section 603 certificates	84	97
SMF inspection fees	259	176
Total fees and charges – statutory/regulatory	2,380	2,835
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	7	8
Cemeteries	262	327
Leaseback fees – Council vehicles	355	308
Park rents	147	151
Restoration charges	335	152
Swimming centre	213	218
Animal shelter income	722	696
Library, museum and gallery income	67	65
Vehicle inspection fees	–	2
Waste management facility	903	884
Other	100	81
Total fees and charges – other	3,111	2,892
TOTAL USER CHARGES AND FEES	6,912	7,021

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	261	217
– Cash and investments	1,507	1,303
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,768</u>	<u>1,520</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

	2019 Actual \$ '000	2018 Actual \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	20,896	19,730
Employee termination costs (where material – other than vested leave paid)	–	156
Employee leave entitlements (ELE)	4,832	4,177
Superannuation	2,724	2,552
Workers' compensation insurance	487	307
Fringe benefit tax (FBT)	74	69
Payroll tax	36	30
Protective clothing	61	62
Other	14	16
Total employee costs	29,124	27,099
Less: capitalised costs	(175)	(301)
TOTAL EMPLOYEE COSTS EXPENSED	28,949	26,798
Number of 'full-time equivalent' employees (FTE) at year end	279	272
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	314	291

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

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

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	573	551
Other	64	64
	637	615

2. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	33	80
Remuneration for audit and other assurance services	33	80
Total Auditor-General remuneration *	33	80

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

(*) In order to adhere to accounting standards, only the services performed in the year have been recognised. When adjusting for the timing discrepancy, an additional \$56,200 would have been recognised, totalling \$85,400.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
(e) Other expenses		
Advertising	133	139
Bad and doubtful debts	166	214
Bank charges	194	174
Boundary road contribution	14	5
Computer software charges	779	801
Contributions/levies to other levels of government		
– Bushfire fighting fund	634	653
– Department of planning levy	88	85
– Emergency services levy (includes FRNSW, SES, and RFS levies)	90	106
– NSW fire brigade levy	148	153
– Waste S88 EPA contribution	3,250	3,431
– Other contributions/Regional Strategic Alliance	141	95
– Other contributions/levies	639	648
Councillor expenses – mayoral fee	42	44
Councillor expenses – councillors' fees	232	268
Councillors' expenses (incl. mayor) – other (excluding fees above)	39	48
Donations, contributions and assistance to other organisations (Section 356)	86	102
Electricity and heating	946	646
Fire control expenses	186	141
Gas	40	37
Insurance	1,039	905
Licences and subscriptions	205	219
Office expenses (including computer expenses)	35	43
Postage	189	188
Printing and stationery	89	95
Better Waste & Recycling Program	64	104
Sewerage treatment works operations	690	627
Staff Training Costs	263	201
Stormwater – environmental	49	31
Street lighting	756	633
Telephone and communications	104	112
Valuation fees (rates)	162	156
Water	171	296
Other	171	
<u>TOTAL OTHER EXPENSES</u>	<u>11,834</u>	<u>11,605</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

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

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(c) Loans and receivables

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

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

(d) Available for sale financial assets

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

Recognition and de-recognition

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

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

Impairment of financial assets

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

Impairment of available for sale investments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

External restrictions – other

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

Total external restrictions

33,551	26,808
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Internal restrictions

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

Total internal restrictions

17,192	20,296
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TOTAL RESTRICTIONS

50,743	47,104
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
Purpose				
Rates and annual charges	3,911	–	3,100	–
Interest and extra charges	218	–	197	–
User charges and fees	1,664	–	1,618	101
Private works	(1)	–	(2)	–
Accrued revenues				
– Interest on investments	474	–	582	–
Government grants and subsidies	735	–	1,509	–
Net GST receivable	530	–	433	–
Total	7,368	–	7,437	101
Less: provision of impairment				
User charges and fees	(519)	–	(356)	–
Total provision for impairment – receivables	(519)	–	(356)	–
TOTAL NET RECEIVABLES	7,012	–	7,081	101

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 60 days past due.

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
(a) Inventories				
(i) Inventories at cost				
Stores and materials	271	–	216	–
Total inventories at cost	271	–	216	–
<u>TOTAL INVENTORIES</u>	<u>271</u>	<u>–</u>	<u>216</u>	<u>–</u>
(b) Other assets				
Prepayments	815	–	1,004	–
<u>TOTAL OTHER ASSETS</u>	<u>815</u>	<u>–</u>	<u>1,004</u>	<u>–</u>

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

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

	2019 Actual \$ '000	2018 Actual \$ '000
Other (Salaries prepayment)	135	–
	135	–

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

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

Inventory held for distribution

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018(Restated)			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	8,070	–	8,070	–	9,576	–	–	(9,159)	–	8,487	–	8,487
Plant and equipment	24,332	(6,669)	17,663	–	3,964	(1,258)	(1,816)	–	190	28,545	(9,802)	18,743
Office equipment	2,626	(2,221)	405	–	75	(1)	(107)	22	–	2,720	(2,326)	394
Furniture and fittings	1,938	(1,678)	260	–	18	–	(40)	–	–	1,953	(1,715)	238
Land:												
– Operational land	84,891	–	84,891	–	186	–	–	–	–	85,077	–	85,077
– Community land	81,990	–	81,990	4	–	(14)	–	–	–	81,980	–	81,980
– Land under roads (post 30/6/08)	12,069	–	12,069	–	4,457	–	–	1	–	16,527	–	16,527
Land improvements – non-depreciable	1,068	–	1,068	–	151	–	–	–	–	1,219	–	1,219
Land improvements – depreciable	4,859	(4,258)	601	–	242	–	(22)	127	–	5,228	(4,280)	948
Infrastructure:												
– Buildings – non-specialised	27,680	(13,241)	14,439	179	–	–	(504)	1	–	27,996	(13,881)	14,115
– Buildings – specialised	137,530	(48,120)	89,410	58	27	–	(2,722)	304	–	137,783	(50,706)	87,077
– Other structures	13,487	(6,337)	7,150	45	27	(15)	(380)	51	–	13,574	(6,696)	6,878
– Roads	544,195	(183,408)	360,787	9,099	4,407	–	(6,031)	717	–	558,417	(189,438)	368,979
– Bridges	48,038	(16,074)	31,964	169	–	–	(490)	–	–	48,207	(16,564)	31,643
– Footpaths	22,148	(10,305)	11,843	191	1,957	–	(328)	29	–	24,324	(10,632)	13,692
– Stormwater drainage	204,005	(65,530)	138,475	6	5,398	–	(1,945)	–	–	209,411	(67,477)	141,934
– Sewerage network	171,371	(90,818)	80,553	836	39	(13)	(2,028)	65	55,922	179,609	(44,235)	135,374
– Swimming pools	4,973	(2,719)	2,254	52	–	–	(138)	–	–	5,026	(2,858)	2,168
– Other open space/recreational assets	34,002	(14,647)	19,355	997	662	(1)	(1,402)	631	–	36,272	(16,030)	20,242
Other assets:												
– Heritage collections	1,007	–	1,007	–	6	–	–	–	–	1,013	–	1,013
– Library books	3,140	(2,368)	772	–	249	–	(261)	–	–	3,084	(2,324)	760
Reinstatement, rehabilitation and restoration assets (refer Note 14):												
– Tip assets	1,929	(806)	1,123	–	–	–	(217)	7,211	–	9,141	(1,024)	8,117
Total Infrastructure, property, plant and equipment	1,435,348	(469,199)	966,149	11,636	31,441	(1,302)	(18,431)	–	56,112	1,485,593	(439,988)	1,045,605

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100 to 200	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes	100 to 110	Flood control	80 to 100
Pumps and telemetry	20 to 50		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20-200
Road pavements	60		
Kerb, gutter and footpaths	40 to 100		

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

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

(b) Valuation basis

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

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

(c) Contractual obligations at reporting date

Refer to Note 17 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

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

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

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

(e) Investment property income and expenditure – summary

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

plus:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property (continued)

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

Accounting policy for investment property

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

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

Note 11. Intangible assets

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

Opening values at 1 July

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

Movements for the year

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

Closing values at 30 June

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

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

	339	242
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The net book value of intangible assets represents:

– Software	339	242
	339	242

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

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

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

	2019 Actual \$ '000	2018 Actual \$ '000
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(d) Financing arrangements

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

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

Drawn facilities as at balance date:

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

Undrawn facilities as at balance date:

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

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

Breaches and Defaults

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

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

(c) Description of and movements in provisions

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

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Self-insurance

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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

Self-insurance

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

Hawkesbury City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

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

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

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

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

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

Statement of Financial Position

	Original Balance 1 July, 2017 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2017 \$ '000
Property, Plant and Equipment	904,400	8,612	913,012
Receivables	6,978	163	7,141
Total Assets	1,005,405	8,775	1,014,180
Total Liabilities	26,567	—	26,567
Retained Earnings	414,587	8,775	423,362
Total Equity	978,838	8,775	987,613

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

	Original Balance 30 June, 2018 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2018 \$ '000
Property, Plant and Equipment	957,537	8,612	966,149
Receivables	6,918	163	7,081
Total Assets	1,075,359	8,775	1,084,134
Total Liabilities	30,769	—	30,769

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Classification of financial assets

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

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

Impairment of financial assets

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

Transition adjustments

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

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

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

Notes to the table above

Reclassification from 'held to maturity' to 'amortised cost'

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	14,063	5,341
Balance as per the Statement of Cash Flows		14,063	5,341

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

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

(c) Non-cash investing and financing activities

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

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

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

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

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

The nature and extent of significant restrictions relating to the Subsidiary

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

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

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

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

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

Other disclosures

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

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

Accounting policy for subsidiaries

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

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

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

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

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

(a) Net carrying amounts – Council's share

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

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

(c) Relevant interests and fair values

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

(d) Summarised financial information for joint ventures

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

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

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

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

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

Accounting policy for joint arrangements

The council has determined that it has only joint ventures.

Joint ventures:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

(c) Unconsolidated structured entities

Council did not consolidate the following structured entities:

Hawkesbury River County Council

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

Nature of risks relating to the Unconsolidated Structured Entity

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

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

Current intention to provide financial support

Council currently intends to continue providing financial contributions to HRCC.

Western Sydney Regional Organisation of Councils (WSROC)

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

Nature of risks relating to the Unconsolidated Structured Entity

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

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

Current intention to provide financial support

Council is currently reviewing its continued membership of WSROC.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

	2019 Actual \$ '000	2018 Actual \$ '000
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,737	429
Plant and equipment	339	474
Total commitments	2,076	903
These expenditures are payable as follows:		
Within the next year	2,076	903
Total payable	2,076	903

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

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

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

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

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

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$624,800 as at 30 June 2019.

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management

Risk management

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

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

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

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

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

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

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

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

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

(b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	3,093	251	263	304	3,911
2018						
Gross carrying amount	–	2,459	197	206	238	3,100

Receivables - non-rates and annual charges

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

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

(c) Liquidity risk

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
REVENUES				
Rates and annual charges	56,834	57,453	619	1% F
User charges and fees	7,154	6,912	(242)	(3)% U
Interest and investment revenue	1,569	1,768	199	13% F
Investment revenue is more than the Original Budget due to high levels of funds invested than budgeted.				
Other revenues	4,396	4,907	511	12% F
Council received a number of insurance claim settlements that occurred as a result of unforeseen events, hence were not included in the Original Budget.				
Operating grants and contributions	6,487	11,093	4,606	71% F
Only known grants and contributions are included in the Original Budget. Additional grants and contributions were received during the year. Unknown grants included \$3.9M for the Liveability Grant from the Western Sydney City Deals.				
Capital grants and contributions	6,235	22,963	16,728	268% F
Only known grants are included in the Original Budget. Non cash dedications were greater than forecasted in the Original Budget, due to difficulties predicting development timing, with an additional \$17M received than forecasted.				
Fair value increment on investment property	–	2,264	2,264	∞ F
Fair value adjustments as a result of revaluation of investment property are not included in the Original Budget.				
Joint ventures and associates – net profits	265	262	(3)	(1)% U
EXPENSES				
Employee benefits and on-costs	28,431	28,949	(518)	(2)% U
Borrowing costs	303	305	(2)	(1)% U
Materials and contracts	18,484	19,312	(828)	(4)% U
Depreciation and amortisation	19,214	18,640	574	3% F
Other expenses	13,555	11,834	1,721	13% F
The Original Budget is based on a range of assumptions, including the delivery of works and programs based on an assumed level of staffing and timing of works due to a range of factors. Tip Remediation works planned in 2018/19 were not undertaken. A range of vacancies also contributed to expenditure being less than projected.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

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

STATEMENT OF CASH FLOWS

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

Net cash provided from (used in) investing activities	(22,081)	(21,340)	741	(3)%	F
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Net cash provided from (used in) financing activities	1,883	(934)	(2,817)	(150)%	U
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The Original Budget included the drawing down of an additional loan, which due to higher than projected cash levels, was not required during the financial year. This is a timing difference only. It is anticipated that these loan funds will be required during 2019/2020.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment property					
Investment Properties	30/06/19	–	49,630	–	49,630
Total investment property		–	49,630	–	49,630
Infrastructure, property, plant and equipment					
Operational Land	30/06/18	–	85,077	–	85,077
Community Land	30/06/16	–	–	81,980	81,980
Land under road	30/06/14	–	–	16,527	16,527
Land Improvements – non depreciable	30/06/17	–	–	1,219	1,219
Land Improvements – depreciable	30/06/17	–	–	948	948
Buildings – Non Specialised	30/06/18	–	–	14,115	14,115
Buildings – Specialised	30/06/18	–	–	87,077	87,077
Other Structure	30/06/17	–	–	6,878	6,878
Road, Bridges, Footpaths	30/06/15	–	–	414,314	414,314
Stormwater Drainage	30/06/15	–	–	141,934	141,934
Swimming Pools	30/06/17	–	–	2,168	2,168
Sewer Network	30/06/19	–	–	135,374	135,374
Other Open Space	30/06/17	–	–	20,242	20,242
Library books, Heritage & Tip	30/06/18	–	–	37,752	37,752
Total infrastructure, property, plant and equipment		–	85,077	960,528	1,045,605

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment property					
Investment Properties	30/06/18	—	47,271	—	47,271
Total investment property		—	47,271	—	47,271
Infrastructure, property, plant and equipment					
Operational Land	30/06/18	—	84,891	—	84,891
Community Land	30/06/16	—	—	81,990	81,990
Land under road	30/06/14	—	—	12,069	12,069
Land Improvements – non depreciable	30/06/17	—	—	1,068	1,068
Land Improvements – depreciable	30/06/17	—	—	601	601
Buildings – Non Specialsied	30/06/18	—	—	14,439	14,439
Buildings – Specialised	30/06/18	—	—	89,410	89,410
Other Structure	30/06/17	—	—	7,150	7,150
Road, Bridges, Footpaths	30/06/15	—	—	404,594	404,594
Stormwater Drainage	30/06/15	—	—	138,475	138,475
Swimming Pools	30/06/17	—	—	2,254	2,254
Sewer Network	30/06/15	—	—	80,553	80,553
Other Open Space	30/06/17	—	—	19,355	19,355
Library books, Heritage & Tip	30/06/17	—	—	8,612	8,612
Total infrastructure, property, plant and equipment		—	84,891	881,258	966,149

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

(2) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial assets

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

Financial liabilities

Council does not have any liabilities which are fair valued.

Investment property

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

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

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

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

Buildings

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

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

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

Operational Land

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Land under road

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

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

Council previously revalued the land under road every 5 years. Now, in line with the Valuer General's revaluation schedule, revaluations will occur every three years, commencing in the 2019/2020 financial year.

Community Land

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

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

Council previously revalued the community land every 5 years. Now, in line with the Valuer General's revaluation schedule, revaluations will occur every three years, commencing in the 2019/2020 financial year.

Sewerage Network

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

The Sewerage network was last revalued in 2018/2019 financial year by APV Pty Ltd, as a result of the annual assessment of fair value indicating a material variance. The revaluations was conducted a year earlier than scheduled. The fair value was determined based on asset replacement cost and condition of the assets. In between full revaluations, Council applies the construction cost index rate, which is issued by NSW Office of Water.

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

Road, Bridges, Footpaths and Drainage

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

	Other assets Actual \$ '000	Total Actual \$ '000
2018		
Opening balance	111,422	843,178
Transfers from/(to) another asset class	–	5
Purchases (GBV)	8,208	26,373
Disposals (WDV)	(1,096)	(1,238)
Depreciation and impairment	(3,835)	(17,923)
Impairment Loss	–	(178)
Adjustments	50	50
PY Capitalisation	(6,511)	(2)
Revaluation	1,615	30,993
Closing balance	109,853	881,258
2019		
Opening balance	109,853	881,258
Purchases (GBV)	14,761	42,891
Disposals (WDV)	(1,272)	(1,302)
Depreciation and impairment	(4,468)	(18,431)
PY Capitalisation	(1,860)	–
Revaluation	56,112	56,112
Closing balance	173,126	960,528

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions

(a) Key management personnel

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

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

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

(b) Other transactions with KMP and their related parties

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions

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

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

Summary of contributions and levies

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Statement of developer contributions (continued)

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

S7.12 Levies – under a plan

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Financial result and financial position by fund

	General ¹ 2019 \$ '000	Sewer 2019 \$ '000
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	50,622	6,831
User charges and fees	5,747	1,165
Interest and investment revenue	1,635	133
Other revenues	4,503	404
Grants and contributions provided for operating purposes	11,093	–
Grants and contributions provided for capital purposes	21,232	1,731
Other income		
Fair value increment on investment property	2,264	–
Share of interests in joint ventures and associates using the equity method	262	–
Total income from continuing operations	97,358	10,264
Expenses from continuing operations		
Employee benefits and on-costs	27,162	1,787
Borrowing costs	305	–
Materials and contracts	17,251	2,061
Depreciation and amortisation	16,504	2,136
Other expenses	10,629	1,205
Net losses from the disposal of assets	283	17
Total expenses from continuing operations	72,134	7,206
Operating result from continuing operations	25,224	3,058
Net operating result for the year	25,224	3,058
Net operating result attributable to each council fund	25,224	3,058
Net operating result for the year before grants and contributions provided for capital purposes	3,992	1,327

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	General ¹ 2019 \$ '000	Sewer 2019 \$ '000
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	9,589	4,474
Investments	47,625	3,375
Receivables	6,589	423
Inventories	271	—
Other	815	—
Total current assets	64,889	8,272
Non-current assets		
Infrastructure, property, plant and equipment	905,401	140,204
Investments accounted for using the equity method	3,491	—
Investment property	49,630	—
Intangible assets	338	—
Total non-current assets	958,860	140,204
TOTAL ASSETS	1,023,749	148,476
LIABILITIES		
Current liabilities		
Payables	10,470	—
Borrowings	491	376
Provisions	9,374	366
Total current liabilities	20,335	742
Non-current liabilities		
Borrowings	1,979	—
Provisions	11,147	79
Total non-current liabilities	13,126	79
TOTAL LIABILITIES	33,461	821
Net assets	990,288	145,655
EQUITY		
Accumulated surplus	428,473	41,641
Revaluation reserves	561,815	106,014
Council equity interest	990,288	147,655
Total equity	990,288	147,655

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	3,093	3.77%	(3.97)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	82,133			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	70,554	67.13%	70.96%	>60.00%
Total continuing operating revenue ¹	105,096			
3. Unrestricted current ratio				
Current assets less all external restrictions	37,819	3.21x	3.02x	>1.5x
Current liabilities less specific purpose liabilities	11,781			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	22,038	17.79x	13.37x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,239			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	4,129	6.81%	5.92%	<5.00%
Rates, annual and extra charges collectible	60,644			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	65,063	12.70 mths	12.44 mths	>3 mths
Monthly payments from cash flow of operating and financing activities	5,124			

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2.44%	(5.22)%	15.20%	6.43%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹	65.44%	68.64%	82.75%	94.54%	>60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	3.21x	3.02x	7.75x	7.39x	>1.5x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	22.25x	16.57x	8.43x	6.41x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	6.94%	6.02%	5.83%	5.18%	<5.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	12.25	12.44	17.27	12.53	>3
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths

Footnotes

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

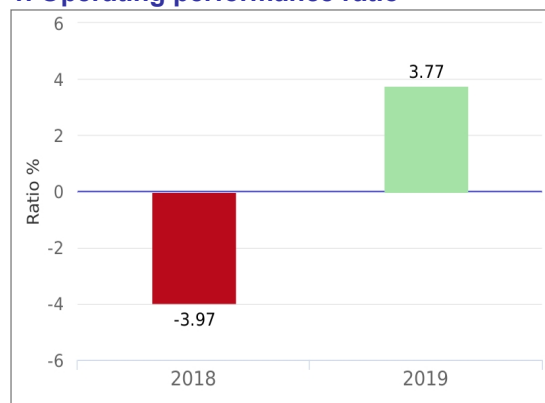
(3) General fund refers to all of Council's activities except for its sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.77%

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

Ratio is better than the benchmark.

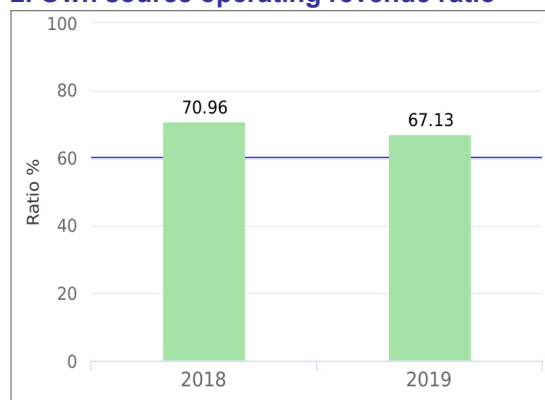
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 67.13%

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

Ratio is better than the benchmark.

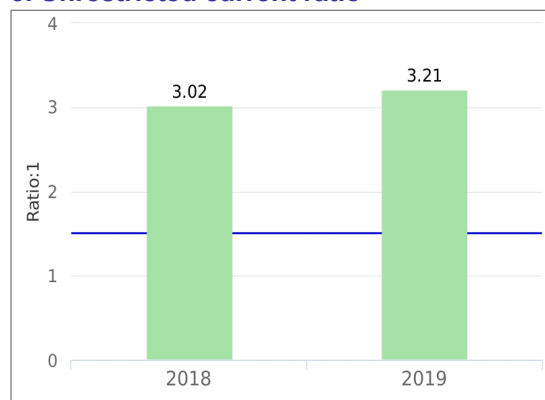
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.21x

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

The ratio is better than the benchmark.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

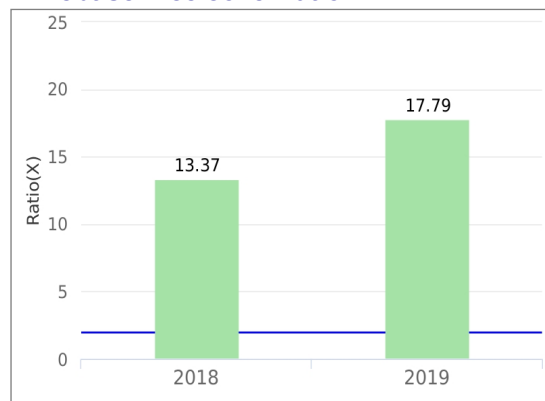
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 17.79x

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

The ratio is better than the benchmark.

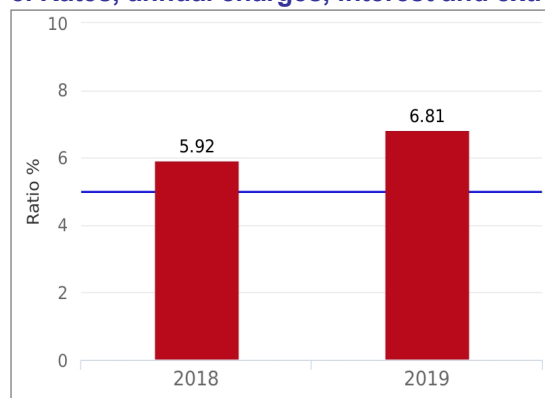
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 6.81%

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

The ratio needs improvement.

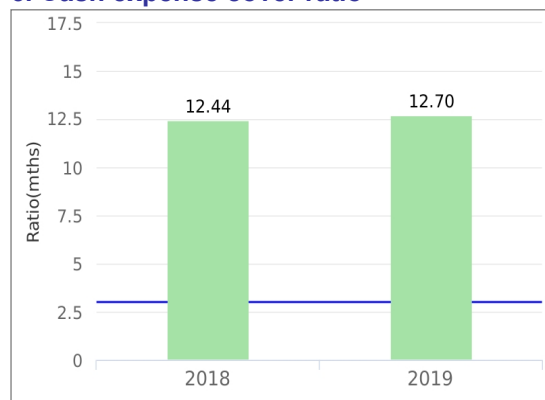
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 12.70 mths

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

The ratio is better than the benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hawkesbury City Council

To the Councillors of the Hawkesbury City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY



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

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

24 October 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

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

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

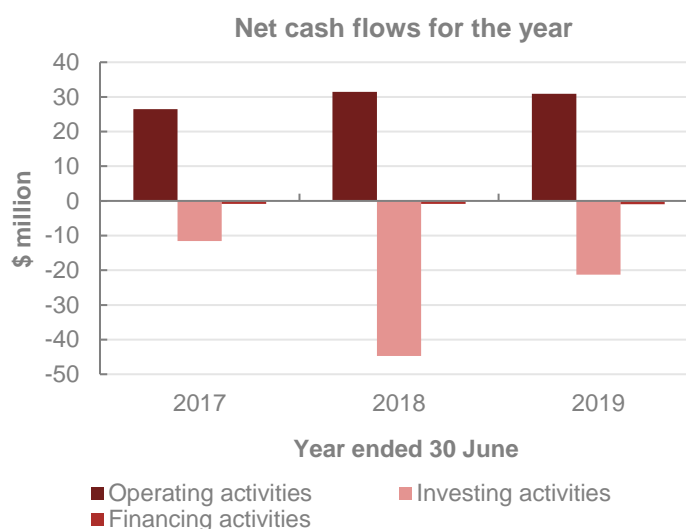
The net operating result before capital grants and contributions (\$5.3 million) was \$6.1 million higher than the 2017–18 result. This was in line with the 8.7 percent increase in rates and annual charges together with increased grants and contributions for operating purposes received in the current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

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

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

STATEMENT OF CASH FLOWS

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



FINANCIAL POSITION

Cash and investments

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

Debt

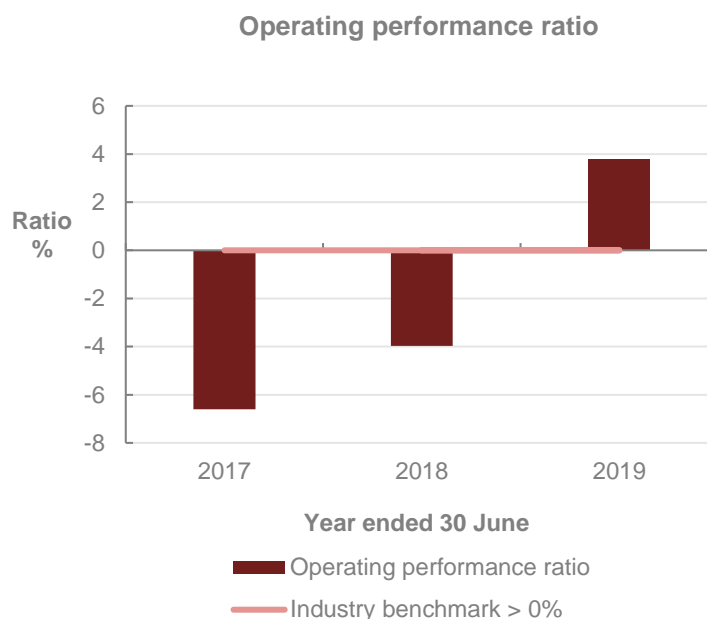
Council has an overdraft facility in place as at 30 June 2019, with a drawdown limit of \$0.8 million. There was no drawdown as at 30 June 2019. During the current and prior year, there were no defaults or breaches on loans.

PERFORMANCE

Operating performance ratio

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

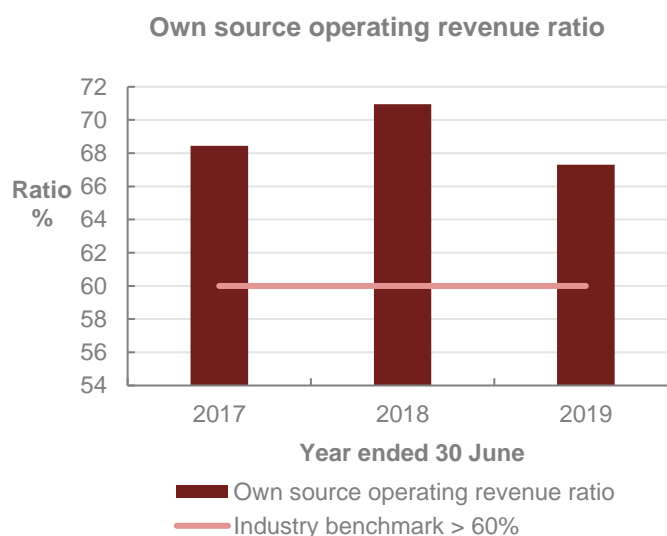
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

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

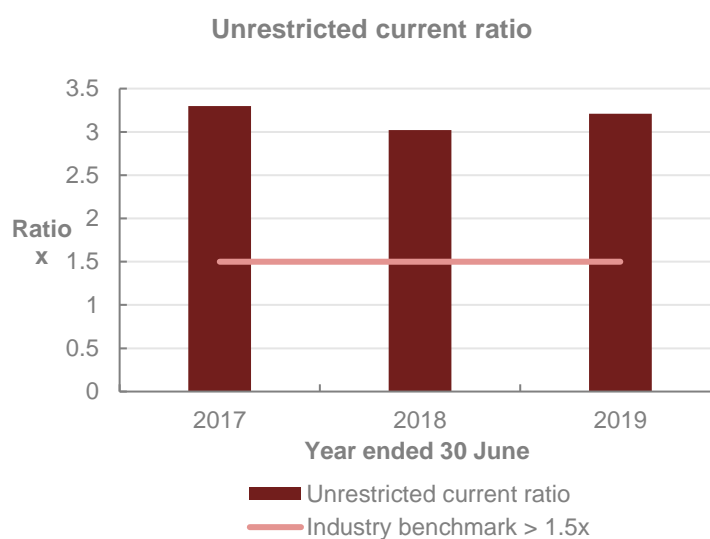
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

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

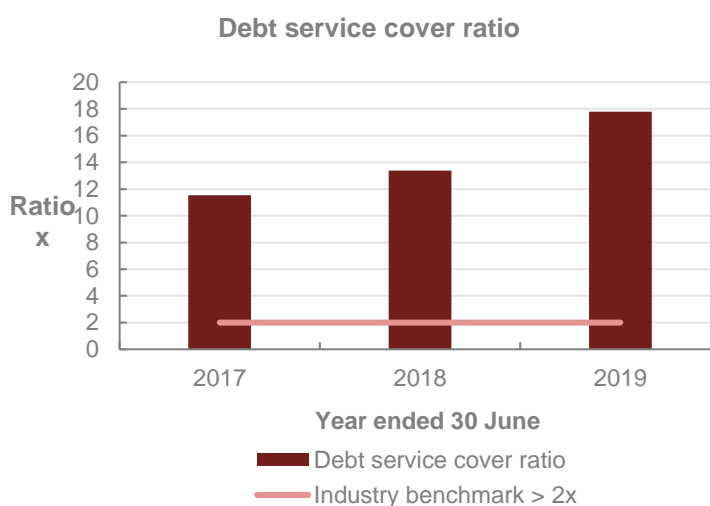
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

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

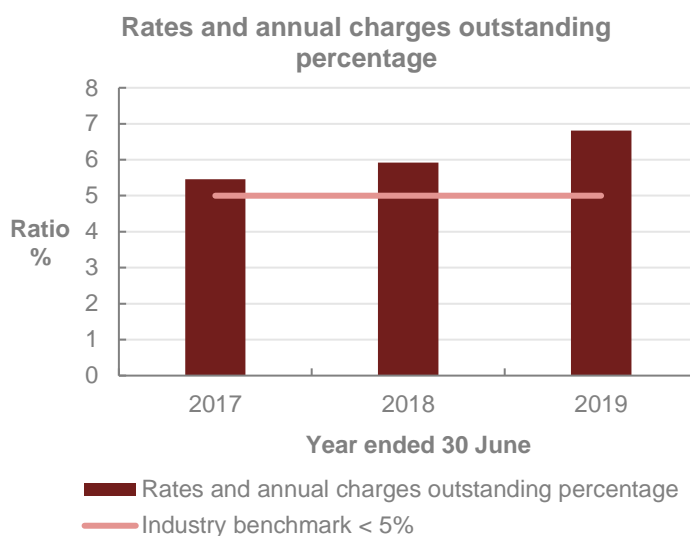
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

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

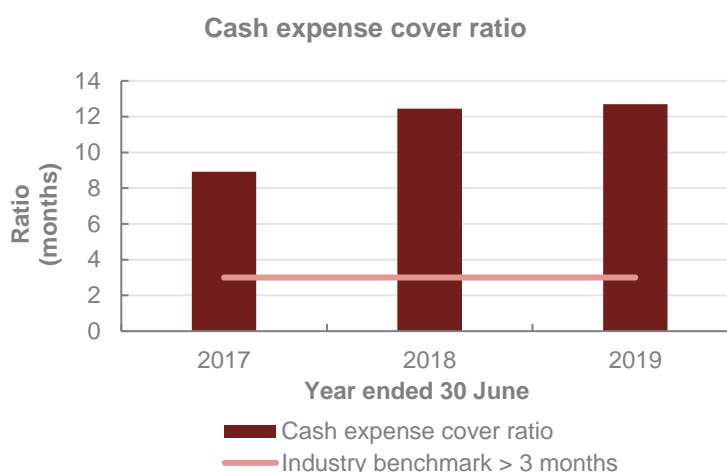
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council exceeded the industry benchmark for the past three years.

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



Infrastructure, property, plant and equipment renewals

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

OTHER MATTERS

New accounting standards implemented

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

Legislative compliance

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

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Hawkesbury City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

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

Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

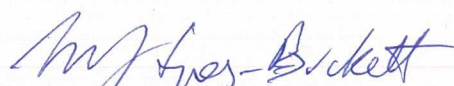
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
 - accord with Council's accounting and other records.
- present overhead reallocation charges to the sewerage business as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 24 September 2018.



Councillor Barry Calvert
MAYOR
24 September 2019



Councillor Mary Lyons-Buckett
DEPUTY MAYOR
24 September 2019



Ms Linda Perrine
ACTING GENERAL MANAGER
24 September 2019



Ms Emma Galea
RESPONSIBLE ACCOUNTING OFFICER
24 September 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

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

Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

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

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Sewerage Service

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

Category 2

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

Nil

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Hawkesbury City Council

To the Councillors of the Hawkesbury City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Hawkesbury City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

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

Special Schedules
for the year ended 30 June 2019

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Permissible income for general rates

for the year ended 30 June 2019

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

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Hawkesbury City Council

To the Councillors of Hawkesbury City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices/ Admin Centres	168	—	669	914	9,303	17,679	57.0%	33.0%	8.0%	2.0%	—
	Council Work Depot	18	—	246	271	3,032	6,313	16.0%	68.0%	15.0%	1.0%	—
	Council Public Halls	390	—	237	455	20,677	29,731	16.0%	55.0%	26.0%	3.0%	—
	Libraries	75	—	356	268	10,539	15,567	35.0%	60.0%	4.0%	1.0%	—
	Cultural Facilities	45	—	147	99	4,816	7,398	27.0%	66.0%	5.0%	1.0%	1.0%
	Council Houses	63	—	129	11	1,238	4,906	—	27.0%	70.0%	3.0%	—
	Child Care Centres	74	—	291	217	10,386	17,491	15.0%	66.0%	18.0%	1.0%	—
	Amenities/Toilets	135	—	348	222	11,481	20,982	4.0%	81.0%	14.0%	1.0%	—
	Leisure Facilities	293	—	367	514	21,261	31,191	28.0%	57.0%	13.0%	2.0%	—
	Other – Emergency Services	93	—	271	334	8,459	14,521	10.0%	66.0%	23.0%	1.0%	—
	Sub-total	1,354	—	3,061	3,305	101,192	165,779	22.3%	59.1%	16.9%	1.7%	0.0%
Other structures	Other structures	—	—	8	7	6,878	13,574	15.0%	23.0%	62.0%	—	—
	Sub-total	—	—	8	7	6,878	13,574	15.0%	23.0%	62.0%	—	—
Roads	Sealed Roads Surface	1,617	—	1,226	1,313	58,874	77,754	53.0%	26.0%	14.0%	2.0%	5.0%
	Unsealed roads	511	—	1,054	811	12,029	19,407	2.0%	76.0%	13.0%	8.0%	1.0%
	Sealed Roads Structure	4,415	—	4,905	3,984	254,298	389,079	26.0%	49.0%	21.0%	2.0%	2.0%
	Bridges	—	—	190	184	31,643	48,207	24.0%	70.0%	6.0%	—	—
	Footpaths/ Cycle Ways	500	—	180	189	13,692	24,324	24.0%	64.0%	10.0%	2.0%	—
	Other road assets	257	—	303	338	5,113	7,312	8.0%	15.0%	60.0%	15.0%	2.0%
	Kerb and Gutter	—	—	17	16	31,290	54,127	18.0%	34.0%	48.0%	—	—
	Car Park	5	—	42	50	7,375	10,738	14.0%	30.0%	55.0%	1.0%	—
		Sub-total	7,305	—	7,917	6,885	414,314	630,948	27.3%	47.2%	21.7%	2.0%
Water supply network	Recycle Water Network – Treatment Plant	—	—	—	—	3,040	3,763	—	100.0%	—	—	—
	Recycle Water Network – Reticulation	—	—	—	—	2,439	4,053	—	100.0%	—	—	—
	Sub-total	—	—	—	—	5,479	7,816	—	100.0%	—	—	—

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Sewerage network	Mains	–	–	108	102	13,098	17,533	47.0%	18.0%	35.0%	–	–
	Manholes	44	–	73	63	15,281	20,666	15.0%	38.0%	46.0%	1.0%	–
	Reticulation	727	–	298	290	47,471	64,113	23.0%	4.0%	68.0%	5.0%	–
	Pump Stations	–	–	520	529	17,090	21,132	27.0%	72.0%	1.0%	–	–
	Treatment Works	300	–	2,545	2,779	36,955	48,909	43.0%	38.0%	18.0%	–	1.0%
	Sub-total	1,071	–	3,544	3,763	129,895	172,353	30.8%	26.3%	40.6%	2.0%	0.3%
Stormwater drainage	Retarding Basins	–	–	–	–	9,887	9,887	100.0%	–	–	–	–
	Stormwater Conduits	–	–	56	60	117,321	179,408	55.0%	44.0%	1.0%	–	–
	Inlet and Junction Pits	–	–	7	2	10,691	14,787	86.0%	14.0%	–	–	–
	Head Walls	–	–	3	2	1,784	2,678	78.0%	22.0%	–	–	–
	Gross Pollutant Traps	–	–	41	56	2,251	2,650	21.0%	79.0%	–	–	–
	Sub-total	–	–	107	120	141,934	209,410	59.2%	40.0%	0.9%	–	–
Open space / recreational assets	Swimming pools	–	–	136	151	2,168	5,026	8.0%	64.0%	28.0%	–	–
	Open Space/Rec	610	–	3,462	3,780	20,242	36,272	13.0%	59.0%	25.0%	3.0%	–
	Sub-total	610	–	3,598	3,931	22,410	41,298	12.4%	59.6%	25.4%	2.6%	–
TOTAL - ALL ASSETS		10,340	–	18,235	18,011	822,102	1,241,178	31.6%	45.3%	20.4%	1.6%	1.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

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

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

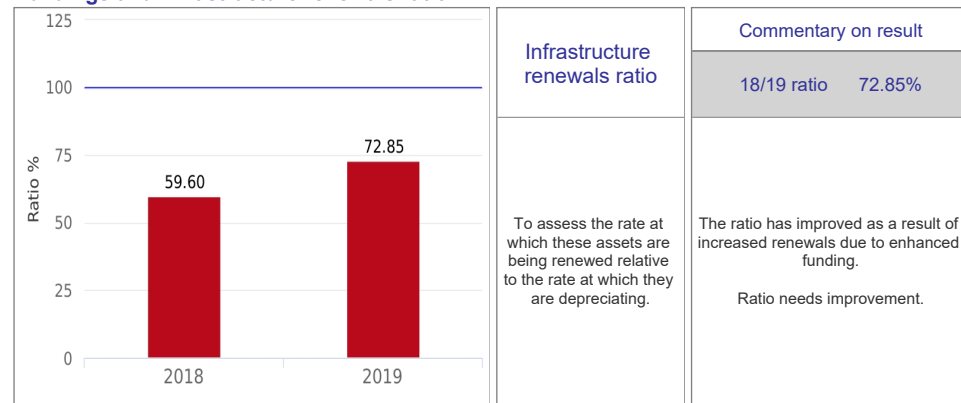
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



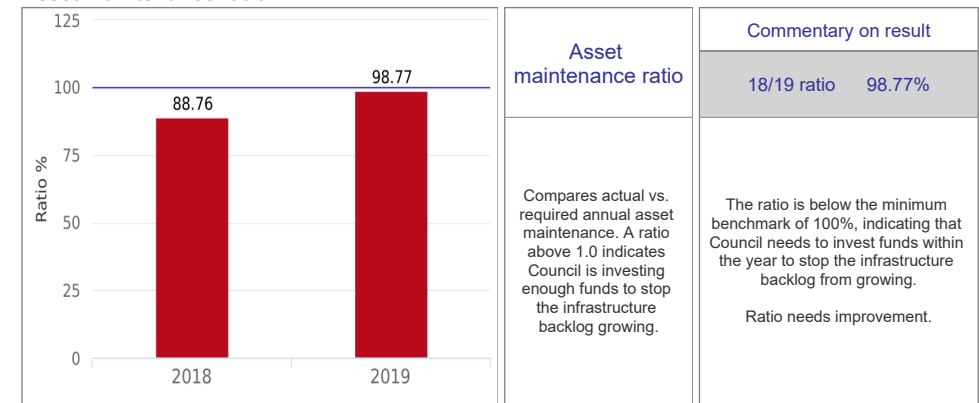
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



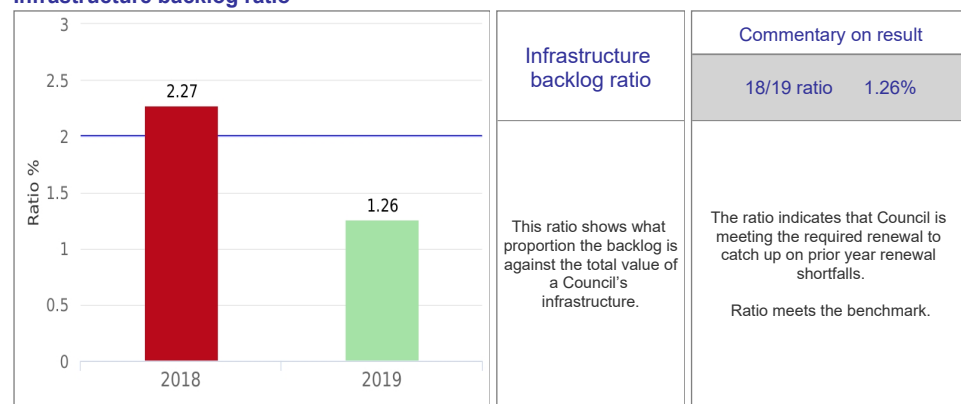
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Sewer fund		Benchmark
	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	80.39%	51.24%	20.96%	124.61%	>=100.00%
Depreciation, amortisation and impairment					
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	1.35%	1.77%	0.79%	6.44%	<2.00%
Net carrying amount of infrastructure assets					
Asset maintenance ratio					
Actual asset maintenance	96.98%	84.19%	106.18%	110.28%	>100.00%
Required asset maintenance					

(1) Excludes Work In Progress (WIP)

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