



Draft – Annual Financial Statements

For the year ended 30 June 2019



Ku-ring-gai Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

Ku-ring-gai Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:
818 Pacific Highway
Gordon NSW 2072

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: <http://www.kmc.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 New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 September 2019.

[Mayor]

[MayorTitle]

17 September 2019

[Councillor]

[CouncillorTitle]

17 September 2019

John McKee

General Manager

17 September 2019

Angela Apostol

Responsible Accounting Officer

17 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
	<u>Revenue:</u>			
84,642	Rates and annual charges	3a	85,483	82,957
20,331	User charges and fees	3b	21,474	20,529
4,182	Interest and investment revenue	3c	5,887	5,086
11,544	Other revenues	3d	13,116	11,206
6,656	Grants and contributions provided for operating purposes	3e, 3f	8,021	8,397
19,194	Grants and contributions provided for capital purposes	3e, 3f	13,861	26,924
	<u>Other income:</u>			
1,165	Net gains from the disposal of assets	5	—	—
—	Fair value increment on investment properties	11	1,991	541
147,714	Total income from continuing operations		149,833	155,640
	Expenses from continuing operations			
42,560	Employee benefits and on-costs	4a	39,638	39,889
647	Borrowing costs	4b	700	676
42,576	Materials and contracts	4c	45,797	44,167
17,268	Depreciation, amortisation and impairment	4d	16,895	20,071
17,684	Other expenses	4e	17,256	18,201
—	Net losses from the disposal of assets	5	156	63
120,735	Total expenses from continuing operations		120,442	123,067
26,979	Operating result from continuing operations		29,391	32,573
26,979	Net operating result for the year		29,391	32,573
7,785	Net operating result for the year before grants and contributions provided for capital purposes		15,530	5,649

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Net operating result for the year (as per Income Statement)		29,391	32,573
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10	41	105,758
Total items which will not be reclassified subsequently to the operating result		41	105,758
Total other comprehensive income for the year		41	105,758
Total comprehensive income for the year		29,432	138,331

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	38,357	17,142	15,303
Investments	6(b)	41,250	73,501	52,500
Receivables	7	10,622	9,709	9,843
Inventories	8a	164	190	191
Other	8b	2,515	2,057	2,423
Current assets classified as 'held for sale'	9	380	–	1,237
Total current assets		93,288	102,599	81,497
Non-current assets				
Investments	6(b)	113,000	86,750	76,253
Receivables	7	111	107	112
Infrastructure, property, plant and equipment	10	1,418,183	1,408,596	1,300,891
Investment property	11a	39,866	37,500	36,720
Intangible assets	12	224	294	211
Total non-current assets		1,571,384	1,533,247	1,414,187
TOTAL ASSETS		1,664,672	1,635,846	1,495,684
LIABILITIES				
Current liabilities				
Payables	13	15,060	14,955	11,923
Income received in advance	13	2,504	1,713	1,808
Borrowings	13	19,603	1,065	1,180
Provisions	14	10,402	10,644	10,745
Total current liabilities		47,569	28,377	25,656
Non-current liabilities				
Borrowings	13	1,081	20,685	21,751
Provisions	14	302	496	320
Total non-current liabilities		1,383	21,181	22,071
TOTAL LIABILITIES		48,952	49,558	47,727
Net assets		1,615,720	1,586,288	1,447,957
EQUITY				
Accumulated surplus		871,418	842,027	809,454
Revaluation reserves		744,302	744,261	638,503
Total equity		1,615,720	1,586,288	1,447,957

(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.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		842,027	744,261	1,586,288	809,454	582,786	1,392,240
Correction of prior period errors	15a	–	–	–	–	55,717	55,717
Restated opening balance		842,027	744,261	1,586,288	809,454	638,503	1,447,957
Net operating result for the year prior to correction of errors		29,391	–	29,391	32,541	–	32,541
Correction of prior period errors	15a	–	–	–	32	–	32
Restated net operating result for the period		29,391	–	29,391	32,573	–	32,573
Other comprehensive income							
– Gain on revaluation of IPP&E	10	–	41	41	–	105,758	105,758
Other comprehensive income		–	41	41	–	105,758	105,758
Total comprehensive income		29,391	41	29,432	32,573	105,758	138,331
Equity – balance at end of the reporting period		871,418	744,302	1,615,720	842,027	744,261	1,586,288

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	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
84,459	Rates and annual charges		84,729	82,753
20,331	User charges and fees		24,107	22,299
4,182	Investment and interest revenue received		5,511	4,843
25,850	Grants and contributions		23,040	34,868
–	Bonds, deposits and retention amounts received		3,004	1,898
11,444	Other		18,096	17,309
<u>Payments</u>				
(41,121)	Employee benefits and on-costs		(40,136)	(39,814)
(35,558)	Materials and contracts		(50,101)	(48,108)
(647)	Borrowing costs		(700)	(676)
–	Bonds, deposits and retention amounts refunded		(1,810)	(93)
(22,831)	Other		(20,977)	(20,249)
46,109	Net cash provided in operating activities	16b	44,763	55,030
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		88,501	52,500
1,565	Sale of infrastructure, property, plant and equipment		892	2,678
<u>Payments</u>				
–	Purchase of investment securities		(82,501)	(83,999)
–	Purchase of investment property		(375)	(239)
(59,230)	Purchase of infrastructure, property, plant and equipment		(28,981)	(22,950)
–	Purchase of intangible assets		(18)	–
(57,665)	Net cash (used in) investing activities		(22,482)	(52,010)
Cash flows from financing activities				
<u>Receipts</u>				
1,585	Proceeds from borrowings and advances		–	–
<u>Payments</u>				
(1,549)	Repayment of borrowings and advances		(1,066)	(1,181)
36	Net cash flow (used in) financing activities		(1,066)	(1,181)
(11,520)	Net increase in cash and cash equivalents		21,215	1,839
1,035	Plus: cash and cash equivalents – beginning of year	16a	17,142	15,303
(10,485)	Cash and cash equivalents – end of the year	16a	38,357	17,142
Additional Information:				
128,111	plus: Investments on hand – end of year	6(b)	154,250	160,251
117,626	Total cash, cash equivalents and investments		192,607	177,393

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 17 September 2019.

Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity for the purpose of preparing these financial statements.

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 are clearly marked.

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

(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 15.

(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 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment refer Note 10,
- (iii) employee benefit provisions refer Note 14.

Significant judgements in applying the council's accounting policies

- (iv) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Thomas Carlyle Children Centre
- Art Centre
- Trade Waste
- Gordon Golf Course
- Turramurra Golf Course
- Tennis Courts
- Swimming Pool
- Commercial Leasing

(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 other assets 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 other assets subject to Council's control have been included in these reports.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

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 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$523k- refer Note 17.

Of these commitments, approximately \$72k relate to short-term leases and \$125k to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$309k (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$309k on 1 July 2019.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$3k for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$124k as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Further analysis is required to be undertaken for Council to determine the full impact of above identified leases.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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.

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

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

Council is currently in the process of determining the potential effects of the implementation of AASB 15 and will reflect accordingly in FY19/20.

AASB 1058 Income of NFP (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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- (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.

Council is currently in the process of determining the potential effects of the implementation of AASB 1058 and will reflect accordingly in FY19/20.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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).

\$ '000	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
Functions or activities										
Access, Traffic and Transport	3,117	5,578	2,181	2,145	936	3,433	119	1,923	157	10
Community, People and Culture	13,106	12,564	24,286	23,291	(11,180)	(10,727)	2,199	694	59,990	56,220
Leadership and Governance	78,217	73,009	17,510	20,377	60,707	52,632	3,792	4,207	324,236	354,006
Local Economy and Employment	3	5	158	116	(155)	(111)	—	5	12,690	13,422
Natural Environment	22,784	22,084	26,204	25,562	(3,420)	(3,478)	372	518	10,469	9,326
Places, Spaces and Infrastructure	32,606	42,400	50,103	51,576	(17,497)	(9,176)	1,298	2,192	1,257,130	1,202,862
Total functions and activities	149,833	155,640	120,442	123,067	29,391	32,573	7,780	9,539	1,664,672	1,635,846

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:

Access, Traffic and Transport

This theme is about ensuring that access and connection to, from and within Ku-ring-gai provides safe, reliable and affordable public and private travel, transport and infrastructure.

Service provided under this theme - Traffic and transport strategy and research, Road safety, Engineering design, Civil works and maintenance.

Community, People and Culture

This theme is about creating a healthy, safe, and diverse community that respects our history and celebrates our differences in a vibrant culture of learning.

Services provided under this theme – Children's services, Youth services, Aged services, Disability services, Cultural development, Community events, Libraries and Art Centre, Community health, Safety and wellbeing programs, Community facilities and halls management, Sports grounds and parks bookings and Emergency management support.

Leadership and Governance

This theme is about ensuring that Ku-ring-gai is well led, managed and supported by an ethical organisation which delivers projects and services to the community by listening, advocating and responding to their needs.

Services provided under this theme – Financial management, Integrated planning and reporting, Property and asset management, Revenue accounting, Governance, Procurement, Risk management, Customer services, Communication, Community engagement, Human Resources, Information management, Administration and records and Civic support.

Local Economy and Employment

This theme is about creating sustainable economic and employment opportunities through vital, attractive local and neighbourhood centres, business innovation and use of technology.

Services provided under this theme – Economic and social development, Marketing and Events coordination.

Natural Environment

This theme is about working together as a community to protect and enhance our special natural environment and resources.

Services provided under this theme – Environment Levy programs and initiatives, Corporate sustainability program, Biodiversity and bushland management programs, Bush fire management program, Water conservation, reuse and water quality management program, Environmental education and sustainable living programs, Environmental volunteering program, Climate change adaptation program, Energy management program, Waste management, recycling and education.

Places, Spaces and Infrastructure

This theme is about creating a range of well planned, clean and safe neighbourhoods and public spaces designed with a strong sense of identity and place.

Services provided under this theme – Urban design and planning, Heritage planning, Development assessment, Development compliance and regulation, Open space projects, Landscape design, Engineering design, Civil works and maintenance, Drainage works and maintenance, Strategic asset management, Building asset works and maintenance, Parks and sports field works maintenance, Tree preservation and maintenance.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	30,045	28,964
Business	4,377	4,351
Less: pensioner rebates	(615)	(601)
Pensioner rate subsidies received	252	233
Total ordinary rates	34,059	32,947
Special rates		
Environmental levy	2,802	2,743
Infrastructure levy	26,952	26,001
Less: pensioner rebates	(166)	(161)
Total special rates	29,588	28,583
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	20,998	20,610
Stormwater management services	999	990
Section 611 charges	100	98
Less: pensioner rebates	(439)	(439)
Pensioner subsidies received:		
– Domestic waste management	178	168
Total annual charges	21,836	21,427
TOTAL RATES AND ANNUAL CHARGES	85,483	82,957

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

Accounting policy for rates and charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions accordingly to the priorities established in work schedules.

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)

\$ '000	2019	2018
(b) User charges and fees		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	2,180	2,558
Certificates	629	688
DA advertising fees	59	71
Driveway application fees	505	566
Outstanding notices	190	215
Regulatory application fees	511	372
Tree preservation charges	80	86
Total fees and charges – statutory/regulatory	4,154	4,556
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Art centre	503	458
Bus shelters	343	343
Compliance Levy	1,071	–
Golf courses (Gordon and Turramurra)	1,462	1,461
Halls	402	393
Holiday activities	459	562
Leaseback fees – Council vehicles	357	375
Library	93	101
Nursery and wildflower garden	56	45
Parks	1,120	1,100
Restoration charges	1,485	1,418
Sale of documents	2	–
Showground	537	474
Swimming centre	5,209	4,944
Tennis courts	302	298
Thomas Carlyle children centre and family day care	1,260	1,348
Trade waste charges	1,823	1,821
Other	836	832
Total fees and charges – other	17,320	15,973
TOTAL USER CHARGES AND FEES	21,474	20,529
Accounting policy for user charges and fees		
User charges and fees are recognised as revenue when the service has been provided.		
(c) Interest and investment revenue		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	129	120
– Cash and investments	5,759	4,967
Amortisation of premiums and discounts		
– ‘Held to maturity’ investments	(1)	(1)
TOTAL INTEREST AND INVESTMENT REVENUE	5,887	5,086

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	129	120
General Council cash and investments	1,042	945
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,974	3,422
Restricted investments/funds – internal:		
Internally restricted assets	742	599
Total interest and investment revenue recognised	5,887	5,086

Accounting policy for interest and investment revenue

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

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	11	1,702	1,277
Rental income – other council properties		4,579	4,433
Fines – parking		1,998	2,542
Fines – other		869	633
Legal fees recovery – rates and charges (extra charges)		52	48
Legal fees recovery – other		253	174
Commissions and agency fees		10	14
Credit card surcharge		175	137
Dog registration fees		56	98
Domestic waste other income		193	183
Licence income		213	146
Program fees		225	236
Recycling income (non-domestic)		522	964
Legal proceedings settlements		1,148	–
Recovered costs from doubtful debts		740	–
Other		381	321
TOTAL OTHER REVENUE		13,116	11,206

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 penalty has been applied.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,839	1,795	–	–
Payment in advance - future year allocation				
Financial assistance	1,907	1,876	–	–
Total general purpose	3,746	3,671	–	–
Specific purpose				
Better waste and recycling fund	146	126	26	54
Community care	29	58	–	–
Community centres	1,786	1,372	–	–
Economic development	–	5	–	–
Environmental protection	256	161	–	55
Library	251	250	42	49
LIRS subsidy	18	30	–	–
NSW rural fire services	62	62	–	–
Recreation and culture	35	–	517	123
Road safety	63	63	–	–
Street lighting	299	292	–	–
Transport	437	1,204	67	1,964
Total specific purpose	3,382	3,623	652	2,245
Total grants	7,128	7,294	652	2,245
Grant revenue is attributable to:				
– Commonwealth funding	5,822	5,240	13	776
– State funding	1,306	2,054	639	1,469
	7,128	7,294	652	2,245

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	12,907	24,597
Total developer contributions – cash		–	–	12,907	24,597
Total developer contributions	23	–	–	12,907	24,597
Other contributions:					
Cash contributions					
Contribution to works		893	1,103	302	82
Total other contributions – cash		893	1,103	302	82
Total contributions		893	1,103	13,209	24,679
TOTAL GRANTS AND CONTRIBUTIONS		8,021	8,397	13,861	26,924

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 revenue 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 unspent grants or contributions are disclosed in Note 3(g).

\$ '000	2019	2018
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(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	371	456
Add: operating grants recognised in the current period but not yet spent	1,479	4,143
Less: operating grants recognised in a previous reporting period now spent	(1,189)	(4,228)
Unexpended and held as restricted assets (operating grants)	661	371

Contributions

Unexpended at the close of the previous reporting period	125,137	100,019
Add: contributions recognised in the current period but not yet spent	9,373	25,118
Unexpended and held as restricted assets (contributions)	134,510	125,137

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	30,761	31,409
Employee leave entitlements (ELE)	5,781	5,244
Superannuation	3,677	3,706
Workers' compensation insurance	505	629
Fringe benefit tax (FBT)	243	278
Training costs (other than salaries and wages)	228	305
Other	85	88
Total employee costs	41,280	41,659
Less: capitalised costs	(1,642)	(1,770)
TOTAL EMPLOYEE COSTS EXPENSED	39,638	39,889

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

(b) Borrowing costs

Interest bearing liability costs

Interest on loans	700	676
Total interest bearing liability costs expensed	700	676
TOTAL BORROWING COSTS EXPENSED	700	676

Accounting policy for borrowing costs

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	3,657	3,574
Contractor and consultancy costs	38,633	36,464
Auditors remuneration ²	72	57
Lease expense	331	403
Legal expenses:		
– Legal expenses: planning and development	2,378	2,838
– Legal expenses: other	156	106
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	379	400
Other	191	325
TOTAL MATERIALS AND CONTRACTS	45,797	44,167

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	379	400
	379	400

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	72	57
Remuneration for audit and other assurance services	72	57
Total Auditor-General remuneration	72	57

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,003	886
Office equipment		164	179
Furniture and fittings		35	27
Land improvements (depreciable)		158	145
Infrastructure:			
– Buildings – non-specialised		133	1,531
– Buildings – specialised		2,939	491
– Other structures		233	293
– Roads		6,245	9,277
– Bridges		164	163
– Footpaths		694	785
– Stormwater drainage		1,659	1,657
– Swimming pools		28	344
– Other open space/recreational assets		2,704	3,535
Other assets:			
– Library books		576	550
– Other		72	60
Intangible assets	12	88	148
Total depreciation and amortisation costs		16,895	20,071
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		16,895	20,071

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 10 for IPPE assets and Note 12 for intangible assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	501	438
Bad and doubtful debts	8	1,036
Bank charges	344	331
Commissions and management fees	514	560
Computer software charges	1,309	1,165
Conferences	127	139
Contributions/levies to other levels of government		
– Department of planning levy	432	428
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,073	2,105
Corporate events	39	42
Councillor expenses – mayoral fee	67	63
Councillor expenses – councillors' fees	246	240
Councillors' expenses (incl. mayor) – other (excluding fees above)	46	67
Donations, contributions and assistance to other organisations (Section 356)	222	227
Election expenses	120	559
Electricity and heating	1,157	1,074
External plant hire	60	95
Family day care (child care assistance)	768	588
Insurance	1,441	1,406
Insurance excess	54	63
Postage	294	346
Rate issue costs	43	35
Rental rebates	2,406	2,446
Street lighting	2,010	1,919
Subscriptions and publications	304	285
Sydney water	365	337
Telephone and communications	314	440
Valuation fees	225	226
Vehicle registration	181	165
Other	1,586	1,376
<u>TOTAL OTHER EXPENSES</u>	<u>17,256</u>	<u>18,201</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 of assets

\$ '000	Notes	2019	2018
Plant and equipment	10		
Proceeds from disposal – plant and equipment		892	797
Less: carrying amount of plant and equipment assets sold and written off		(1,005)	(849)
Net loss on disposal		(113)	(52)
Infrastructure	10		
Less: carrying amount of infrastructure assets sold and written off		(43)	(639)
Net loss on disposal		(43)	(639)
Financial Assets	6(b)		
Proceeds from disposal/redemptions/maturities – financial assets		88,501	52,500
Less: carrying amount of financial assets sold/redeemed/matured		(88,501)	(52,500)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		–	1,881
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(1,253)
Net gain on disposal		–	628
NET LOSS ON DISPOSAL OF ASSETS		(156)	(63)

Accounting policy for disposal of assets

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

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	38,357	17,142
Total cash and cash equivalents	38,357	17,142

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	41,250	113,000	73,501	86,750
Total Investments	41,250	113,000	73,501	86,750
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	79,607	113,000	90,643	86,750
Financial assets at amortised cost / held to maturity (2018)				
Long Term deposits	37,000	81,000	69,000	68,000
FRN's (with maturities > 3 months)	4,250	32,000	4,501	18,750
Total	41,250	113,000	73,501	86,750

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).

Classification

Council classifies its financial assets into the following categories – those measured at:

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

Financial assets are not reclassified subsequent to their initial recognition.

(a) 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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.

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) 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	79,607	113,000	90,643	86,750
attributable to:				
External restrictions	39,689	113,000	52,992	86,750
Internal restrictions	36,182	–	34,247	–
Unrestricted	3,736	–	3,404	–
	79,607	113,000	90,643	86,750

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	134,510	125,137
Specific purpose unexpended grants	661	371
Domestic waste management	14,124	11,400
Environmental levy	3,340	2,732
Specific purpose unexpended loan – LIRS	54	102

External restrictions – other	152,689	139,742
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Total external restrictions	152,689	139,742
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Internal restrictions

Employees leave entitlement	2,140	2,321
Carry over works	1,443	2,510
Deposits, retentions and bonds	1,718	1,199
Infrastructure and facilities	25,959	22,484
Other	4,922	5,733

Total internal restrictions	36,182	34,247
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TOTAL RESTRICTIONS	188,871	173,989
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,960	70	2,208	68
Interest and extra charges	222	41	212	39
User charges and fees	2,612	–	3,522	–
Accrued revenues				
– Interest on investments	2,241	–	1,876	–
– Other income accruals	1,885	–	1,251	–
Government grants and subsidies	110	–	1,196	–
Net GST receivable	1,146	–	1,108	–
Other debtors	7	–	4	–
Total	11,183	111	11,377	107
Less: provision of impairment				
User charges and fees	(561)	–	(1,668)	–
Total provision for impairment – receivables	(561)	–	(1,668)	–
TOTAL NET RECEIVABLES	10,622	111	9,709	107

There are no restrictions applicable to the above assets.

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,668	647
(reversal)/new provisions recognised during the year	(1,107)	1,021
Balance at the end of the period	561	1,668

Accounting policy for receivables

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 7.5% (2018 7.5%)
- (iv) Please refer to Note 19 for issues concerning credit risk and fair value disclosures.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

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

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

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

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	149	–	168	–
Trading stock	15	–	22	–
Total inventories at cost	164	–	190	–
<u>TOTAL INVENTORIES</u>	<u>164</u>	<u>–</u>	<u>190</u>	<u>–</u>
(b) Other assets				
Prepayments	2,515	–	2,057	–
<u>TOTAL OTHER ASSETS</u>	<u>2,515</u>	<u>–</u>	<u>2,057</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Costs are assigned to individual items of inventory on basis of weighted average costs.

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. Non-current assets classified as held for sale

Non-current assets and disposal group assets

\$ '000	Current 2019	Current 2018	Non-current 2019	Non-current 2018
Non-current assets 'held for sale'				
Land assets	380	—	—	—
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>380</u>	<u>—</u>	<u>—</u>	<u>—</u>

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June. For any assets or disposal groups classified as non-current assets “held for sale” an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell. Non-current assets “held for sale” are not depreciated or amortised while they are classified as “held for sale”. Non-current assets classified as “held for sale” are presented separately from other assets in the balance sheet.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other adjustments	Transfer (to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	12,819	–	12,819	3,705	8,020	–	–	(5,498)	–	(22)	–	–	19,024	–	19,024
Plant and equipment	12,259	(5,567)	6,692	2,894	18	(889)	(1,003)	–	–	–	–	–	13,182	(5,470)	7,712
Office equipment	1,563	(722)	841	201	19	(116)	(164)	28	–	–	–	–	1,481	(672)	809
Furniture and fittings	474	(311)	163	50	3	–	(35)	67	–	–	–	–	594	(346)	248
Land:															
– Operational land	159,549	–	159,549	50	–	–	–	11	–	–	(380)	–	159,230	–	159,230
– Community land	402,905	–	402,905	–	–	–	–	–	–	–	–	–	402,905	–	402,905
– Crown land	127,720	–	127,720	–	–	–	–	–	–	–	–	–	127,720	–	127,720
– Land under roads (post 30/6/08)	1,132	–	1,132	–	–	–	–	–	–	–	–	41	1,173	–	1,173
Land improvements – depreciable	2,946	(925)	2,021	–	–	–	(158)	–	–	–	–	–	2,946	(1,083)	1,863
Infrastructure:															
– Buildings – non-specialised	7,627	(3,981)	3,646	6	220	–	(133)	12	–	–	–	–	7,865	(4,114)	3,751
– Buildings – specialised	149,841	(59,259)	90,582	1,824	120	–	(2,939)	637	–	–	–	–	152,422	(62,198)	90,224
– Other structures	14,047	(5,519)	8,528	84	12	–	(233)	72	–	–	–	–	14,196	(5,733)	8,463
– Roads	484,193	(230,623)	253,570	6,977	70	–	(6,245)	2,333	(915)	–	–	–	488,326	(232,536)	255,790
– Bridges	11,754	(5,358)	6,396	2	–	–	(164)	–	–	–	–	–	11,756	(5,522)	6,234
– Footpaths	48,405	(16,371)	32,034	196	189	–	(694)	85	–	–	–	–	48,876	(17,066)	31,810
– Bulk earthworks (non-depreciable)	59,051	–	59,051	–	–	–	–	200	986	–	–	–	60,237	–	60,237
– Stormwater drainage	236,539	(75,634)	160,905	113	655	–	(1,659)	1,236	–	–	–	–	238,543	(77,293)	161,250
– Swimming pools	2,777	(483)	2,294	65	40	–	(28)	103	–	–	–	–	2,985	(511)	2,474
– Other open space/recreational assets	125,132	(51,871)	73,261	511	1,112	(44)	(2,704)	711	(70)	–	–	–	127,200	(54,423)	72,777
Other assets:															
– Library books	6,046	(3,079)	2,967	662	–	–	(576)	–	–	–	–	–	6,708	(3,655)	3,053
– Other	5,932	(4,412)	1,520	–	(12)	–	(72)	–	–	–	–	–	5,919	(4,483)	1,436
Total Infrastructure, property, plant and equipment	1,872,711	(464,115)	1,408,596	17,340	10,466	(1,049)	(16,807)	(3)	1	(22)	(380)	41	1,893,288	(475,105)	1,418,183

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

Land is not depreciated. 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	Stormwater assets	Years
Office equipment	10	Pits	10 to 150
Office furniture	2 to 10	Pipes	100 to 150
Computer equipment	4 to 10		
Vehicles	10	Other infrastructure assets	
Other plant and equipment	3 to 20	Bulk earthworks	NA
		Swimming pools	100
		Recreation assets	5 to 150
Transportation assets		Other Asset	
Road surface	10 to 120	Other Asset (Art Works)	NA
Road pavements	70 to 120	Library Books	10
Road structures	10 to 120		
Bridge	9 to 100	Buildings	
Other structure	20 to 120	Buildings	25 to 100
Kerb and Gutter	60 to 120		
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 amount. These are included in the Income Statement.

Land under roads

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

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

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

Crown reserves

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	39,866	37,500
Reconciliation of annual movement:		
Opening balance	37,500	36,720
– Acquisitions	375	239
– Net gain from fair value adjustments	1,991	541
CLOSING BALANCE – INVESTMENT PROPERTY	39,866	37,500

(b) Valuation basis

The basis of valuation of the investment property is fair value, being the amount 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 revaluation was based on independent assessment made by: Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No.2144.

(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 property is 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	1,274	1,271
Later than 1 year but less than 5 years	1,524	2,559
Total minimum lease payments receivable	2,798	3,830

(e) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	1,702	1,277
Direct operating expenses on investment property:		
– that generated rental income	(680)	(723)
Net revenue contribution from investment property	1,022	554
plus:		
Fair value movement for year	1,991	541
Total income attributable to investment property	3,013	1,095

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	1,732	1,421
Accumulated amortisation	(1,438)	(1,210)
Net book value – opening balance	294	211
Movements for the year		
– Purchases	18	320
– Amortisation charges	(88)	(148)
– Transfers and adjustment to amortisation charges	–	(89)
– Gross book value written off	–	(9)
– Accumulated amortisation charges written off	–	9
Closing values at 30 June		
Gross book value	1,750	1,732
Accumulated amortisation	(1,526)	(1,438)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	224	294
The net book value of intangible assets represents:		
– Software	224	294
	224	294

Accounting policy for intangible assets

IT development and software

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 software licenses.

Amortisation is calculated on a straight line bases over periods generally ranging from 5 to 10 years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	5,564	–	5,422	–
Goods and services – capital expenditure	1,631	–	2,831	–
Security bonds, deposits and retentions ¹	7,303	–	6,109	–
Other	562	–	593	–
Total payables	15,060	–	14,955	–
Income received in advance				
Payments received in advance	2,504	–	1,713	–
Total income received in advance	2,504	–	1,713	–
Borrowings				
Loans – secured ²	19,603	1,081	1,065	20,685
Total borrowings	19,603	1,081	1,065	20,685
TOTAL PAYABLES AND BORROWINGS	37,167	1,081	17,733	20,685

(1) Council holds \$2.34million of security bonds. This financial year Council will write to each person who has made a bond payment which has not been claimed to establish whether they have an entitlement to the funds. Monies for which an entitlement is not established or otherwise is not able to be repaid will be remitted to the State Government under the Unclaimed Money Act 1995.

(2) Loans are secured over the general rating income of Council. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19

\$ '000	2019	2018
(a) 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 – Loans, security bonds, deposits and retentions	26,127	5,963
Total payables and borrowings	26,127	5,963

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Payables and borrowings (continued)

(b) Changes in borrowings arising from financing activities

\$ '000	as at 30/6/2018	Non-cash changes				as at 30/6/2019
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance
Loans – secured	21,750	(1,066)	–	–	–	20,684
TOTAL	21,750	(1,066)	–	–	–	20,684

\$ '000	2019	2018
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(c) Financing arrangements

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

Bank Facility	22,000	3,068
Credit cards	100	100
Total financing arrangements	22,100	3,168

Drawn facilities as at balance date:

– Bank Facility	18,932	–
– Credit cards	95	–
Total drawn financing arrangements	19,027	–

Undrawn facilities as at balance date:

– Bank Facility	3,068	3,068
– Credit cards	5	100

Accounting policy for payables and borrowings

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

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

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 14. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,923	–	3,119	–
Sick leave	292	–	269	–
Long service leave	7,187	302	6,775	496
Gratuities	–	–	481	–
Sub-total – aggregate employee benefits	10,402	302	10,644	496
<u>TOTAL PROVISIONS</u>	<u>10,402</u>	<u>302</u>	<u>10,644</u>	<u>496</u>

(a) Provisions relating to restricted assets

Refer to Note 6c for restricted assets (internal) related to provisions.

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	6,761	6,171
	6,761	6,171

(c) Description of and movements in provisions

	ELE provisions				
\$ '000	Annual leave	Sick leave	Long service leave	Other employee benefits	Total
2019					
At beginning of year	3,119	269	7,271	481	11,140
Additional provisions	2,543	123	1,677	–	4,343
Amounts used (payments)	(2,739)	(100)	(1,940)	–	(4,779)
Transfers	–	–	481	(481)	–
Total ELE provisions at end of period	2,923	292	7,489	–	10,704
2018					
At beginning of year	3,085	309	7,190	481	11,065
Additional provisions	2,761	–	1,279	–	4,040
Amounts used (payments)	(2,727)	(40)	(1,198)	–	(3,965)
Total ELE provisions at end of period	3,119	269	7,271	481	11,140

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Provisions (continued)

Employee benefits

Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlements beyond 12 months – even though it is not anticipated that all employees with more than 5 years' service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit 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 AASB 119 *Employee benefits*.

Sufficient reliable information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme, however, is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

In relation to further disclosure below, under item d (iii) the expected contributions by Council to the Fund for the next annual reporting period are \$597,939.40.

Based on the past service liabilities methodology, for item (d) (iv) (information about the deficit or surplus in the plan that may affect the amount of future contributions), the share of the surplus that can be attributed to Council is 0.84%.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40m per annum) is assessed annually by the Actuary.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Provisions (continued)

As previously notified, the past service contributions of \$40m per annum are estimated to remain in place until 30 June 2021. However the Trustee determined in March 2019 that going forward should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100% the Fund will look to suspend the request for past service contributions. We note that this is subject to the outcome of each annual funding update and any changes will be communicated in the New Year. We advise that under item (d) (v), it is estimated that there are \$672,800.00 past service contributions remaining.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2019 was \$622,684.43. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

Council received further disclosure requirements under paragraph 148 of the AASB119 which are detailed below:

(a) a description of the funding arrangements, including the method used to determine the entity's rate of contribution and any minimum funding requirements.

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

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

The current standard employer contribution rates are:

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

(b) A description of the extent to which the entity can be liable to the plan other entities' obligations under the terms and conditions of the multi-employer plan.

As stated 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.

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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) A description of any agreed allocation of a deficit or surplus on:

- Wind-up the plan

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

- The entity's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the date of withdrawal of any employer.

(d) Given the entity accounts for that plan as if it were defined contribution plan in accordance with paragraph 34, the following information:

(i) the fact that the plan is a defined benefit plan

We confirm the plan is a defined benefit plan.

(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Provisions (continued)

See earlier section on "AASB 119 accounting observations".

(iii) The expected contributions to the plan for the next annual reporting period.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

The key economic long term assumptions used to calculate the present value of accrued benefit 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. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/ December 2019.

(v) An indication of the level of participation of the entity in the plan compared with other participating entities.

An employer's past service contribution per annum (see cover letter) as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Understatement of IPP&E - LUR (1)	408	724	1,132
Understatement of IPP&E - Crown Land (2)	72,727	54,993	127,720
Total assets	1,580,129	55,717	1,635,846
Other payables overstated due to a reporting error in 17/18 (3)	625	(32)	593
Total liabilities	49,590	(32)	49,558
Asset Revaluation Reserve - LUR (1)	408	724	1,132
Asset Revaluation Reserve - Crown Land (2)	72,727	54,993	127,720
Total equity	1,530,539	55,717	1,586,288

Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Total income from continuing operations	155,640	–	155,640
Incorrect depreciation expense disclosed in 17/18 (3)	20,103	(32)	20,071
Total expenses from continuing operations	123,099	(32)	123,067
Net operating result for the year	32,541	32	32,573

- (1) Land Under Road - As part of the revaluation of LUR Council undertook a detailed review of assets classified as LUR. As a result, an adjustment has been made to the Asset Revaluation Reserve in the prior period to recognise assets not previously recognised.
- (2) Crown Land - Council identified a number of Crown land reserves which are under Council care, management and control. While ownership of reserves remains with the Crown, Council retains operational control of the reserve and is responsible for their maintenance and use in accordance with the specific purpose to which reserves are dedicated. In 2017/18 Council identified these assets and recognised in the assets register, subsequently additional assets have been identified and added as Crown land assets in Council's Asset Register.
- (3) Overstatement of Payables – In 2018, the payables and depreciation expense were overstated by \$32K, which has been corrected.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(b) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

During the reporting period Council undertook an annual review of fair value including assessment of infrastructure assets useful lives, including roads, stormwater, footpaths, buildings and recreational assets. As part of this review Council engaged an independent consultant to analyse and assess useful lives of assets and perform a desktop review of fair value. The recommendation from the review highlighted that Council's useful lives on average were shorter than that of NSW Group 3 Councils and of the Metropolitan Councils. Therefore a decision was made to reflect accurately the useful lives over which the assets are expected to provide service to Council and also align with other entities in the industry. This resulted in a reduction in Council's depreciation expense from \$20m to \$16m in FY18/19. As prescribed by AASB 116 Property, Plant and Equipment Council will continue to review the assets useful lives on an annual basis.

Note 16. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
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(a) Reconciliation of cash assets

Total cash and cash equivalent assets	6(a)	38,357	17,142
Balance as per the Statement of Cash Flows		38,357	17,142

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

Net operating result from Income Statement	29,391	32,573
Adjust for non-cash items:		
Depreciation and amortisation	16,895	20,071
Net loss on disposal of assets	156	63
Gains recognised on fair value re-measurements through the P&L:		
– Investment property	(1,991)	(541)
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2018)	1	1
+/- Movement in operating assets and liabilities and other cash items:		
Decrease in receivables	190	(666)
Decrease in provision for doubtful debts	(1,107)	1,021
Decrease in inventories	26	1
Increase in other assets	(458)	366
Increase in payables— operating	142	464
Increase in other liabilities	1,954	1,602
Decrease in employee leave entitlements	(436)	75
Net cash provided from operating activities from the Statement of Cash Flows	44,763	55,030

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
(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	432	932
Other	7,062	5,494
Total commitments	7,494	6,426
These expenditures are payable as follows:		
Within the next year	7,494	6,426
Total payable	7,494	6,426
Sources for funding of capital commitments:		
Unrestricted general funds	7,494	6,426
Total sources of funding	7,494	6,426

(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	239	338
Later than one year and not later than 5 years	283	348
Total non-cancellable operating lease commitments	522	686

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

Council's current operating leases are for IT Equipment including desktop computers, laptops, printers and multi-function devices and are for a term of four years.

Conditions relating to operating leases:

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

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

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

(iii) 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.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

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.

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	38,357	17,142	38,357	17,142
Receivables	10,733	9,816	10,733	9,816
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	154,250	160,251	154,617	160,251
Total financial assets	203,340	187,209	203,707	187,209
Financial liabilities				
Payables	15,060	14,955	15,060	14,987
Loans/advances	20,684	21,750	20,684	21,750
Total financial liabilities	35,744	36,705	35,744	36,737

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- **Payables** – exclude payments received in advance.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council also seeks advice from independent advisors before placing any funds in cash equivalents and investments.

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	2,790	2,790	(2,790)	(2,790)
Possible impact of a 1% movement in interest rates	279	279	(279)	(279)
2018				
Possible impact of a 10% movement in market values	1,718	1,718	(1,718)	(1,718)
Possible impact of a 1% movement in interest rates	172	172	(172)	(172)

(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages the credit risk by monitoring outstanding debts and employing stringent debt recovery procedures.

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 encourage the payment of debt.

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

A profile of Council's receivables credit risk at balance date follows:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
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Credit risk profile

2019

Gross carrying amount	2,310	328	202	92	98	3,030
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2018

Gross carrying amount	2,208	2	6	20	40	2,276
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Receivables - non-rates and annual charges

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
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2019

Gross carrying amount	6,976	127	134	1,027	–	8,264
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2018

Gross carrying amount	6,893	113	269	233	1,700	9,208
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(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.

The contractual undiscounted cash outflows (ie.principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	–	7,303	7,757	–	–	15,060	15,060
Loans and advances	4.17%	–	19,603	1,081	–	20,684	20,684
Total financial liabilities		7,303	27,360	1,081	–	35,744	35,744
2018							
Trade/other payables	–	6,109	8,878	–	–	14,987	14,955
Loans and advances	4.17%	–	1,775	20,983	–	22,758	21,750
Total financial liabilities		6,109	10,653	20,983	–	37,745	36,705

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

Council's original financial budget for 2018/19 was adopted by Council on 26 June 2018 and is not required to be audited.

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.

Note that for **variations*** of budget to actual:

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
REVENUES				
Interest and investment revenue	4,182	5,887	1,705	41% F
Council's investment portfolio performed strongly due to an increased investment portfolio size and better than expected interest rates during the financial year.				
Other revenues	11,544	13,116	1,572	14% F
Favourable variance in other revenue is due to unbudgeted recoveries, mainly for legal costs, compensation for investment loss and costs from doubtful debts				
Operating grants and contributions	6,656	8,021	1,365	21% F
Favourable variance mainly due to higher than forecast CCB and unbudgeted grants and contributions received through the year.				
Capital grants and contributions	19,194	13,861	(5,333)	(28)% U
Unfavourable variance mainly due to less than forecast developer contribution income.				
Net gains from disposal of assets	1,165	–	(1,165)	100% U
Budgeted property sale was assumed to be completed by the end of 2018-19 financial year, however, settlement occurred in July 2019.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) investing activities	(57,665)	(22,482)	35,183	(61)% F
The delay of a number of major projects lead to larger than anticipated investment portfolio resulting in higher net investment during the financial year.				
Net cash provided from (used in) financing activities	36	(1,066)	(1,102)	(3,061)% U
Council budgeted to borrow funds for a specific project, however, due to delays in project commencement the loan was not drawn, resulting in a large variation in this category.				

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) The following table presents all assets and liabilities that have been measured and recognised at fair values:

		Fair value measurement hierarchy				
2019			Level 1	Level 2	Level 3	
	Notes	Date of latest valuation	Quoted prices in active mkt	Significant observable inputs	Significant unobservable inputs	Total
Recurring fair value measurements						
Investment property	11					
Investment properties		30/06/19	–	39,866	–	39,866
Total investment property			–	39,866	–	39,866
Infrastructure, property, plant and equipment	10					
Operational Land		30/06/18	–	–	159,230	159,230
Community Land		30/06/16	–	–	402,905	402,905
Land Under Roads		30/06/19	–	–	1,173	1,173
Land Improvements Depreciable		30/06/16	–	–	1,863	1,863
Stormwater Drainage		30/06/18	–	–	161,250	161,250
Structure (Car Parks)		30/06/15	–	–	8,463	8,463
Buildings – Non Specialised		30/06/18	–	–	3,751	3,751
Buildings – Specialised		30/06/18	–	–	90,224	90,224
Furniture & Fittings		30/06/15	–	–	248	248
Library Books		30/06/15	–	–	3,053	3,053
Office Equipment		30/06/15	–	–	809	809
Plant & Equipment (e.g. Fleet & Small Plant)		30/06/15	–	–	7,712	7,712
Crown Land		30/06/18	–	–	127,720	127,720
Other (Artworks, Sculptures)		30/06/16	–	–	1,436	1,436
Roads and Bulk earthworks		30/06/15	–	–	243,263	243,263
Bridges		30/06/15	–	–	6,234	6,234
Footpaths		30/06/15	–	–	31,810	31,810
Kerb & Gutter		30/06/15	–	–	66,540	66,540
Road Structure & Street Furniture		30/06/15	–	–	6,224	6,224
Recreational Facilities		30/06/15	–	–	72,777	72,777
Swimming Pools		30/06/18	–	–	2,474	2,474
Total infrastructure, property, plant and equipment			–	–	1,399,159	1,399,159

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

Fair value measurement hierarchy						
2019		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements	Notes					
Non-current assets classified as 'held for sale'						
Land Asset		30/06/19	—	—	380	380
Total NCA's classified as 'held for sale'			—	—	380	380
Fair value measurement hierarchy						
2018		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements	Notes					
Investment property	11					
Investment properties		30/06/18	—	37,500	—	37,500
Total investment property			—	37,500	—	37,500
Infrastructure, property, plant and equipment	10					
Operational Land		30/06/18	—	—	159,549	159,549
Community Land		30/06/16	—	—	402,905	402,905
Land Under Roads		30/06/14	—	—	1,132	1,132
Land Improvements Depreciable		30/06/16	—	—	2,021	2,021
Stormwater Drainage		30/06/18	—	—	160,905	160,905
Structure (Car Parks)		30/06/15	—	—	8,528	8,528
Buildings – Non Specialised		30/06/18	—	—	3,646	3,646
Buildings – Specialised		30/06/18	—	—	90,582	90,582
Furniture & Fittings		30/06/15	—	—	163	163
Library Books		30/06/15	—	—	2,967	2,967
Office Equipment		30/06/15	—	—	841	841
Plant & Equipment (e.g. Fleet & Small Plant)		30/06/15	—	—	6,692	6,692
Crown Land		30/06/15	—	—	127,720	127,720
Other (Artworks, Sculptures)		30/06/16	—	—	1,520	1,520
Roads and Bulk earthworks		30/06/15	—	—	240,071	240,071
Bridges		30/06/15	—	—	6,396	6,396
Footpaths		30/06/15	—	—	32,034	32,034
Kerb & Gutter		30/06/15	—	—	66,817	66,817
Road Structure & Street Furniture		30/06/15	—	—	5,733	5,733
Recreational Facilities		30/06/15	—	—	73,261	73,261
Swimming Pools		30/06/18	—	—	2,294	2,294
Total infrastructure, property, plant and equipment			—	—	1,395,777	1,395,777

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

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

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

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

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

Investment property

Council obtains an independent valuation of its investment property on an annual basis and at the end of each reporting period the financial statements reflect the most up to date valuation. The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Income that may arise out of renting the property based on direct capitalisation method.

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs (Level 2 inputs) and minimising unobservable inputs (Level 3 inputs) (based on the per square metres).

The market approach was used to value the investment property. It was valued on 30 June 2019 by Scott Fullarton FAPI, Certified Practising Valuer, and Registered Valuer No 2144.

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

Community Land

Assets within the "Community Land" class are Council owned Community Land. Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General.

Currently all Council assets in this asset class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

The last revaluation of Community Land was performed in June 2016.

Crown Land

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. Crown Land is valued on the Unimproved Capital Value provided by the Valuer General. However, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. The total area of land at the time of the last valuation was 82,222m². Council's operational land is valued regularly with a comprehensive valuation completed and revalued every five years. Scott Fullarton Valuation Pty Ltd. completed the last valuation in June 2018. Council's operational land was valued at market value (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 zoning, topography, location, size, shape, access, exposure to traffic and businesses. Remaining useful life, condition of asset, future cash flow from the use of asset are also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

assets require significant professional judgement and are therefore unobservable.

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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Eight locations were identified by Council's Strategic Asset Coordinator by end of 30 June 2019. Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting.

This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Land Improvements Depreciable

The land improvements asset class consists of land improvement capital works surrounding Council buildings and parks. Council values these land improvements internally using cost approach. Replacement costs (unit rates) and useful lives of Council's land improvement assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, dimensions and residual value. The condition of each asset was determined by completing field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits and pipes. Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in June 2018.

Replacement costs (unit rates) and useful lives for Stormwater Drainage assets were determined through a combination of historic subdivision data and technical knowledge of Council staff, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, and residual value. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Other Structure

Replacement costs (unit rate) of Council's car park assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. The useful lives were determined using SSROC useful life as a guide. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, pattern of consumption, dimensions, components and residual value. The condition of each asset was determined by completing field inspections using the 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Buildings - Non specialised and Specialised

Council engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of residual value, useful life, asset condition and componentisation) required extensive professional judgment and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. The full revaluation of road assets is undertaken on a 5 year cycle.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

The valuation, which is completed by Council's asset and pavement engineers in consultation with consultant Morrison Low, was completed in June 2015. The Cost approach was adopted to value Council roads. The replacement costs (based on unit rates), useful lives and conditions were determined by extracting technical information contained in Council's pavement management system (SMEC) and the updated road condition spread sheet provided by the asset and pavement engineer (based on invoices and contracts). Useful lives were reviewed based on SSROC guide. In 2015 all the road assets data stored in the Pavement Management System (SMEC) was imported into the new corporate system. Roads due for renewal are assessed by pavement engineers and the entire road network is assessed by an independent consultant (every 2-3 years). The last independent assessment was completed in 2013. An updated assessment of Council road conditions was carried out in the 2015/2016 financial year. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, inspections and pattern of consumption, dimensions, components, residual value and type of road. A pavement condition index (PCI) is used in SMEC and determined by field. This PCI is converted into road technical ratings condition 1 (Excellent) to 5 (Very Poor). This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Council conducted the assessment to the road assets to ensure the carrying amount does not differ materially from that would be determined using fair value at the end of the reporting period, according to the Code of Accounting Practice and Financial Reporting.

Bridges

Council's bridges register consists of all pedestrian and vehicle access bridges. The bridges were inspected and valued by an independent consultant (Asset Val) in June 2015. In order to apply fair valuation and condition based depreciation, the following information was determined by the consultant for each component:

- The replacement cost was based on the cost to replace a component to a current day equivalent. Published available market data for recent projects and published cost guides are utilised to determine the estimated replacement cost.
- The useful life and remaining useful life - Where the site inspections were done, a condition assessment was allocated to all the assets and that was used to estimate useful and remaining useful life of an asset.
- Condition assessment - is based on factors such as age of the asset, overall condition, economic and functional obsolescence.
- Residual value – The estimated amount that an entity would currently obtain from disposal of the asset
- Pattern of Consumption – straight line pattern of consumption

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. Council staff completed the valuation of the Footpath assets internally and the valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives of Council's footpaths were determined using technical knowledge and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Kerb & Gutter

Council's kerb and gutter register consists of all kerb and gutter within Council's road network. Council staff performed the valuation of the assets internally and the valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives of Council's kerb and gutter were determined using technical knowledge, Contractor information and SSROC Guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Road Structure and Street Furniture

The Road Structures and Street Furniture register comprises of all structures (traffic islands, guardrails) and furniture (bollards, signs) within Council's road network. Council staff completed the valuation of the assets internally and the valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives of Council's road structures and street furniture were determined using technical knowledge from Council staff (engineers and asset management), contractor information, current invoices and SSROC guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value. The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open Space / Recreational Assets

Council's recreational facilities register includes all assets within our sports fields, bushland and park locations.

This includes but is not limited to ovals, playing courts, playgrounds, fences and fire trails. Council staff completes the valuation of these assets internally. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management) and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of these assets was determined by field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Swimming Pool

Council engaged Scott Fullarton Valuation Pty Ltd to value all swimming pools in 2018. Substantial components of the pool are valued using replacement cost method. Replacement costs were determined using square metre rates and other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, components, dimensions and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor vehicles, trucks, mowers, buses, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at Fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at Fair value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. Valuation techniques remain the same for this reporting period. The cost of these assets are based on current invoices and contracts, which are based on

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset.

Others (Artwork, Sculptures)

Council engaged McWilliam and Associates Pty Ltd to value all artwork, memorabilia and monuments in June 2016.

This information was updated into Council's public art register.

The valuation was completed using the replacement cost approach and market value in accordance with AASB 116.

The replacement value for artworks and memorabilia was determined by the price at which the items could be purchased from a reputable dealer, gallery or retail outlet.

The replacement value for monuments was determined as the cost of replacing an asset with a similar object in a condition equal to, but not better than its condition when new. An estimate of associated costs including consultancy and site management is included in the determination of the replacement value.

Where the fair value of an asset could not be determined by sale on the open market, a depreciable replacement cost has been adopted. Other significant inputs considered in the valuation are the condition of the asset, pattern of consumption and remaining useful life.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

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

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

\$ '000	Community Land	Land under Roads	Land improvements depreciable	Stormwater drainage	Structures (car parks)
2018					
Opening balance	427,427	1,132	2,756	160,682	7,965
Transfers from/(to) another asset class	(24,523)	–	–	197	24
Purchases (GBV)	–	–	34	846	846
Depreciation and impairment	–	–	(145)	(1,657)	(293)
Class Correction	1	–	(624)	(12)	(14)
Revaluation	–	–	–	849	–
Closing balance	402,905	1,132	2,021	160,905	8,528
2019					
Opening balance	402,905	1,132	2,021	160,905	8,528
Purchases (GBV)	–	–	–	2,004	168
Depreciation and impairment	–	–	(158)	(1,659)	(233)
Revaluation	–	41	–	–	–
Closing balance	402,905	1,173	1,863	161,250	8,463

\$ '000	Building specialised	Other	Roads	Bridges	Footpaths
2018					
Opening balance	12,829	1,560	243,133	6,224	31,365
Transfers from/(to) another asset class	5	(5)	54	–	311
Purchases (GBV)	91	25	6,826	336	1,144
Depreciation and impairment	(672)	(60)	(7,712)	(163)	(784)
Class Correction	59	–	(2,231)	(1)	(2)
Revaluation	78,270	–	–	–	–
Closing balance	90,582	1,520	240,070	6,396	32,034
2019					
Opening balance	90,582	1,520	240,070	6,396	32,034
Purchases (GBV)	2,581	(12)	8,329	2	470
Depreciation and impairment	(2,939)	(72)	(5,138)	(164)	(694)
Closing balance	90,224	1,436	243,261	6,234	31,810

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000	Kerb and gutter	Road structure and street furniture	Recreational facilities	Swimming pools	Held for sale (comm land and LIMP)
2018					
Opening balance	67,420	3,642	68,316	20,279	1,237
Transfers from/(to) another asset class	22	66	3,633	(18,925)	–
Purchases (GBV)	713	134	3,872	229	16
Disposals (WDV)	–	(54)	(42)	–	(1,455)
Depreciation and impairment	(1,338)	(225)	(3,535)	(344)	–
Class Correction	–	2,170	1,017	32	–
Revaluation	–	–	–	1,023	202
Closing balance	66,817	5,733	73,261	2,294	–
2019					
Opening balance	66,817	5,733	73,261	2,294	–
Transfers from/(to) another asset class	–	70	(70)	–	380
Purchases (GBV)	696	555	2,334	208	–
Disposals (WDV)	–	–	(44)	–	–
Depreciation and impairment	(972)	(135)	(2,704)	(28)	–
Closing balance	66,541	6,223	72,777	2,474	380

\$ '000	Crown land	Buildings non-specialised	Furniture and fittings	Office equipment	Plant and equipment
2018					
Opening balance	127,720	47,685	166	926	6,296
Transfers from/(to) another asset class	–	14,613	–	(41)	(2)
Purchases (GBV)	–	1,028	25	219	2,062
Disposals (WDV)	–	(406)	–	(69)	(780)
Depreciation and impairment	–	(1,382)	(27)	(179)	(886)
Class Correction	–	(404)	(1)	(15)	3
Revaluation	–	(57,488)	–	–	–
Closing balance	127,720	3,646	163	841	6,693
2019					
Opening balance	127,720	3,646	163	841	6,693
Purchases (GBV)	–	238	120	248	2,912
Disposals (WDV)	–	–	–	(116)	(889)
Depreciation and impairment	–	(133)	(35)	(164)	(1,003)
Closing balance	127,720	3,751	248	809	7,713

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000	Operational Land	Library books	Total
2018			
Opening balance	51,295	2,841	1,292,896
Transfers from/(to) another asset class	24,537	–	(34)
Purchases (GBV)	751	676	19,873
Disposals (WDV)	–	–	(2,806)
Depreciation and impairment	–	(550)	(19,952)
Class Correction	–	–	(22)
Revaluation	82,966	–	105,822
Closing balance	159,549	2,967	1,395,777
2019			
Opening balance	159,549	2,967	1,395,777
Transfers from/(to) another asset class	(380)	–	–
Purchases (GBV)	61	662	21,576
Disposals (WDV)	–	–	(1,049)
Depreciation and impairment	–	(576)	(16,807)
Revaluation	–	–	41
Closing balance	159,230	3,053	1,399,538

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Bridges	6,234	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 9-100 years
Buildings - Specialised	90,224	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 4 Excellent to Poor Useful life 25-100 years Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical
Buildings Non Specialised	3,751	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 4 Excellent to Very poor Useful life 25-100 years Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Community Land	402,905	Cost Approach	Unimproved Capital Value provided by Valuer General
Crown Land	127,720	NSW Valuer General	Total area (6,986,004 m2) Unimproved Capital Value provided by Valuer General
Footpaths	31,810	Cost Approach	Replacement Cost - Unit Rates \$85 - \$120 vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	8,769	Cost Approach	Useful life 40-100 years Cost vary from asset to asset
Kerb and Gutter	66,540	Cost Approach	Useful life 2-10 years Residual Value \$nil - \$10 Replacement Cost - Unit Rate \$100 - \$900 vary from asset to asset
Land Improvements Depreciable	1,863	Cost Approach	Asset Condition rating 1 - 5 Excellent to Very poor Useful life 60-120 years Replacement Cost - Unit Rates vary from asset to asset
Land Under Roads	1,173	Cost Approach / Englobo valuation	Asset Condition rating 1 - 5 Excellent to Very poor Useful life 20 years Total area (85,374,620m2) Total Value of land (\$40,803,289,160) Total area LUR (19,421m2)
Library Books	3,053	Cost Approach	Englobo valuation basis (AASB116) Replacement Costs vary from asset to asset Asset Condition rating 1-5 Excellent to Very poor Useful life 10 years
Operational Land	159,230	Market Value / Cost Approach	Residual Value \$nil - \$10 Total area (82,222m2) Total Value of land (\$159,230,000)
Other (Artworks, Sculptures)	1,436	Cost Approach	Replacement costs vary from asset to asset
Other Structures	8,463	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 20-120 years

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Recreational Facilities	72,777	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Road Structure and Street Furniture	6,224	Cost Approach	Useful life 5-150 years Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Roads	243,263	Cost Approach	Useful life 10-120 years Unit Rates Surface:\$25-\$32 Pavement:\$50-\$100 (Unit rates vary from asset to asset) Asset Condition rating 1 - 5 Excellent to Very poor
Stormwater Drainage	161,250	Cost Approach	Useful life 10-120 years Replacement Cost Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Swimming Pools	2,474	Cost Approach	Useful life 10-150 years Replacement Costs vary from asset to asset Asset Condition rating 1-2 Excellent to Good Useful life 100 years

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 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. KMP defined for this disclosure are elected members, general manager, directors and some managers (based on their responsibility and financial delegations).

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	2,989	3,274
Other long-term benefits	30	49
Termination benefits	228	207
Total	3,247	3,530

(b) Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

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

\$ '000	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	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Traffic facilities	27,553	3,452	–	931	(3,125)	(6)	28,805	–
Parking	881	–	–	27	(7)	–	901	–
Open space	84,900	6,084	–	2,629	(2,763)	–	90,850	–
Community facilities	7,901	837	–	236	(1,130)	–	7,844	–
Other	6	11	–	1	(1)	6	23	–
S7.11 contributions – under a plan	121,241	10,384	–	3,824	(7,026)	–	128,423	–
S7.12 levies – under a plan	3,896	2,523	–	150	(482)	–	6,087	–
Total S7.11 and S7.12 revenue under plans	125,137	12,907	–	3,974	(7,508)	–	134,510	–
Total contributions	125,137	12,907	–	3,974	(7,508)	–	134,510	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – 1993 Plan

Parking	881	–	–	27	(7)	–	901	–
Total	881	–	–	27	(7)	–	901	–

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	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN – 2000 to 2003 Residential Plan								
Open space	1,494	–	–	46	(6)	–	1,534	–
Community facilities	44	–	–	2	–	–	46	–
Total	1,538	–	–	48	(6)	–	1,580	–
CONTRIBUTION PLAN – 2004/2009 Residential Plan								
Traffic facilities	6	–	–	–	–	(6)	–	–
Open space	2,372	–	–	63	(702)	–	1,733	–
Community facilities	3,434	–	–	102	(248)	–	3,288	–
Other	17	–	–	1	(1)	6	23	–
Total	5,829	–	–	166	(951)	–	5,044	–
CONTRIBUTION PLAN – 2010 Plan								
Traffic facilities	27,547	3,452	–	931	(3,125)	–	28,805	–
Open space	80,700	6,084	–	2,510	(2,055)	–	87,239	–
Community facilities	4,423	837	–	132	(882)	–	4,510	–
Other	(11)	11	–	–	–	–	–	–
Total	112,659	10,384	–	3,573	(6,062)	–	120,554	–
CONTRIBUTION PLAN – Ku-ring-gai SEPP 5 Plan								
Open space	334	–	–	10	–	–	344	–
Total	334	–	–	10	–	–	344	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER –
Section 94 A levies

Open space	3,896	2,523	–	150	(482)	–	6,087	–
Total	3,896	2,523	–	150	(482)	–	6,087	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ¹	13,695	10.22%	4.03%	8.97%	5.98%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	133,981					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	125,530	84.91%	76.97%	82.42%	72.15%	>60.00%
Total continuing operating revenue ¹	147,842					
3. Unrestricted current ratio						
Current assets less all external restrictions ²	53,599	3.65x	3.05x	3.21x	2.58x	>1.5x
Current liabilities less specific purpose liabilities ³	14,681					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	31,290	17.72x	13.96x	13.46x	6.58x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,766					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	3,293	3.75%	2.96%	3.27%	3.16%	<5.00%
Rates, annual and extra charges collectible	87,761					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	156,357	16.35	16.8	13.9	11.9	>3
Monthly payments from cash flow of operating and financing activities	9,566	mths	mths	mths	mths	mths

(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) Refer Note 6-8 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

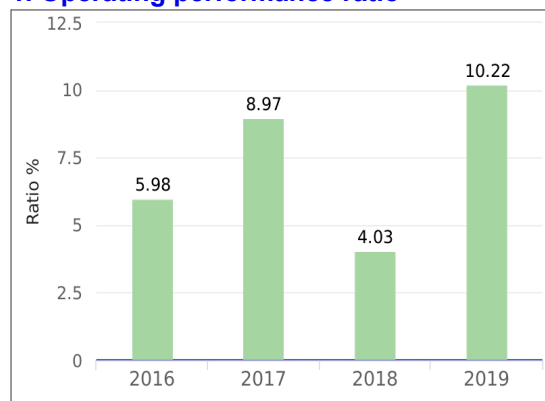
(3) Refer to Note 13 and 14 - excludes all payables and provisions not expected to be paid in the next 12 months (incl.ELE).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). 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 10.22%

Council's Performance Ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio has been above benchmark for the last four years. The increase from previous year is mainly due to reduced capital grants income and lower operational expenditure.

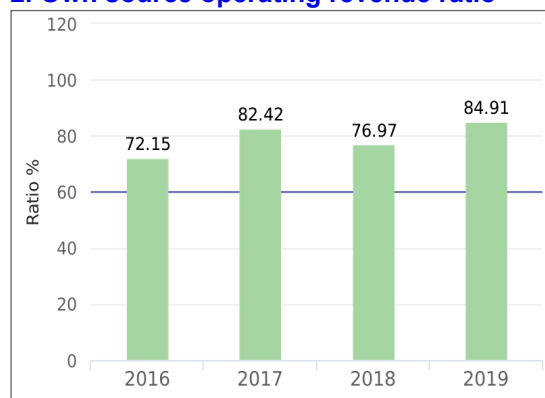
Benchmark: — > 0.00%

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 84.91%

Council's Own Source Operating Revenue Ratio has remained above the benchmark of (>60%) in the last four years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.

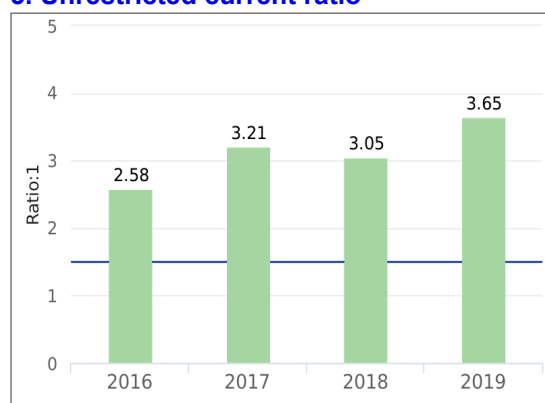
Benchmark: — > 60.00%

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 3.65x

Council's Unrestricted Current Ratio is above the benchmark of >1.5x and has been outperforming benchmark for the last four years. Council's liquidity is good and it can readily pay its debts as they fall due.

The slight improvement in the ratio is due to a combination of additional current assets and reduced current liabilities mainly from loans.

Benchmark: — > 1.5x

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

Ratio achieves benchmark

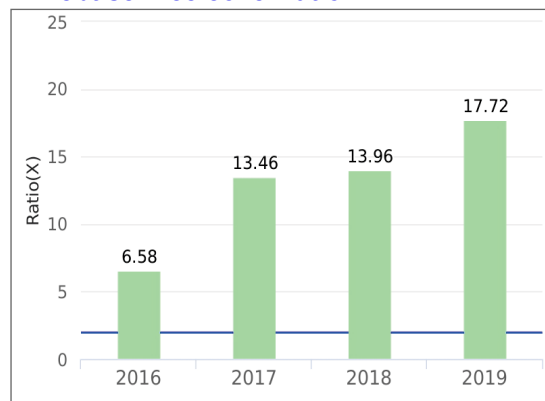
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). 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 17.72x

The Debt Service Cover Ratio has increased from previous year and is above the benchmark of 2x, mainly due to decreased principal and interest repayments and increased revenue during the financial year compared to the year before.

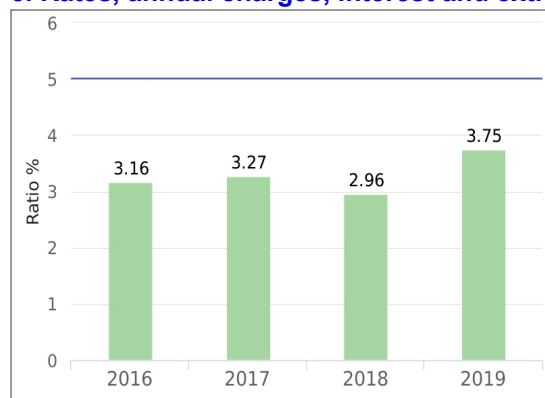
Benchmark: — > 2x

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 3.75%

The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council's ratio of 3.75% is satisfactory and is better than the benchmark of "less than 5%".

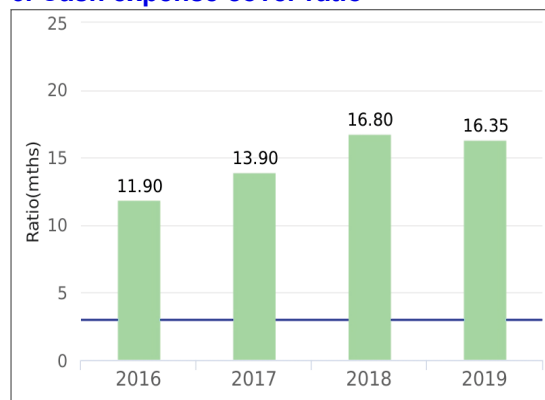
Benchmark: — < 5.00%

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 16.35 mths

Council's Cash Expense Cover Ratio is satisfactory and above benchmark of "greater than 3 months". This ratio has slightly decreased compared to last year.

Benchmark: — > 3mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



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*,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 17 September 2019.

[Mayor]

[MayorTitle]

17 September 2019

[Councillor]

[CouncillorTitle]

17 September 2019

John McKee

General Manager

17 September 2019

Angela Apostol

Responsible Accounting Officer

17 September 2019

Income Statement – Thomas Carlyle Children Centre

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	1,016	1,161
Grants and contributions provided for non-capital purposes	656	463
Total income from continuing operations	1,672	1,624
Expenses from continuing operations		
Employee benefits and on-costs	1,238	1,135
Materials and contracts	167	221
Depreciation, amortisation and impairment	39	21
Other expenses	91	83
Total expenses from continuing operations	1,535	1,460
Surplus (deficit) from continuing operations before capital amounts	137	164
Surplus (deficit) from continuing operations after capital amounts	137	164
Surplus (deficit) from all operations before tax	137	164
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(38)	(45)
SURPLUS (DEFICIT) AFTER TAX	99	119
Plus accumulated surplus	1,097	933
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	38	45
Less:		
– Dividend paid	(64)	–
Closing accumulated surplus	1,170	1,097
Return on capital %	10.4%	12.8%

Income Statement – Art Centre

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	511	465
Total income from continuing operations	511	465
Expenses from continuing operations		
Employee benefits and on-costs	292	311
Materials and contracts	322	313
Depreciation, amortisation and impairment	47	27
Other expenses	44	53
Total expenses from continuing operations	705	704
Surplus (deficit) from continuing operations before capital amounts	(194)	(239)
Surplus (deficit) from continuing operations after capital amounts	(194)	(239)
Surplus (deficit) from all operations before tax	(194)	(239)
SURPLUS (DEFICIT) AFTER TAX	(194)	(239)
Plus accumulated surplus	4,093	4,332
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	200	–
Closing accumulated surplus	4,099	4,093
Return on capital %	(3.4)%	(4.2)%
Subsidy from Council	268	397

Income Statement – Trade Waste

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	1,822	1,821
Other income	102	103
Total income from continuing operations	1,924	1,924
Expenses from continuing operations		
Employee benefits and on-costs	57	86
Materials and contracts	1,176	1,321
Other expenses	–	22
Total expenses from continuing operations	1,233	1,429
Surplus (deficit) from continuing operations before capital amounts	691	495
Surplus (deficit) from continuing operations after capital amounts	691	495
Surplus (deficit) from all operations before tax	691	495
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(190)	(136)
SURPLUS (DEFICIT) AFTER TAX	501	359
Plus accumulated surplus	819	324
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	190	136
Less:		
– Dividend paid	(894)	–
Closing accumulated surplus	616	819
Return on capital %	88.9%	50.4%

Income Statement – Gordon Golf Course

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	723	643
Other income	82	103
Total income from continuing operations	805	746
Expenses from continuing operations		
Employee benefits and on-costs	715	675
Materials and contracts	367	568
Depreciation, amortisation and impairment	113	118
Other expenses	253	478
Total expenses from continuing operations	1,448	1,839
Surplus (deficit) from continuing operations before capital amounts	(643)	(1,093)
Surplus (deficit) from continuing operations after capital amounts	(643)	(1,093)
Surplus (deficit) from all operations before tax	(643)	(1,093)
SURPLUS (DEFICIT) AFTER TAX	(643)	(1,093)
Plus accumulated surplus	7,533	8,242
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	518	384
Closing accumulated surplus	7,408	7,533
Return on capital %	(8.1)%	(14.9)%
Subsidy from Council	748	1,297

Income Statement – Turramurra Golf Course

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	872	818
Other income	2	34
Total income from continuing operations	874	852
Expenses from continuing operations		
Employee benefits and on-costs	463	463
Materials and contracts	308	251
Depreciation, amortisation and impairment	397	505
Loss on sale of assets	–	100
Other expenses	297	296
Total expenses from continuing operations	1,465	1,615
Surplus (deficit) from continuing operations before capital amounts	(591)	(763)
Surplus (deficit) from continuing operations after capital amounts	(591)	(763)
Surplus (deficit) from all operations before tax	(591)	(763)
SURPLUS (DEFICIT) AFTER TAX	(591)	(763)
Plus accumulated surplus	17,112	17,747
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	1,103	128
Closing accumulated surplus	17,624	17,112
Return on capital %	(2.2)%	(2.9)%
Subsidy from Council	950	1,506

Income Statement – Tennis Courts

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	325	300
Total income from continuing operations	325	300
Expenses from continuing operations		
Employee benefits and on-costs	5	3
Materials and contracts	4	7
Depreciation, amortisation and impairment	364	517
Loss on sale of assets	–	2
Other expenses	45	33
Total expenses from continuing operations	418	562
Surplus (deficit) from continuing operations before capital amounts	(93)	(262)
Surplus (deficit) from continuing operations after capital amounts	(93)	(262)
Surplus (deficit) from all operations before tax	(93)	(262)
SURPLUS (DEFICIT) AFTER TAX	(93)	(262)
Plus accumulated surplus	3,869	4,125
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	2	6
Closing accumulated surplus	3,778	3,869
Return on capital %	(1.6)%	(4.4)%
Subsidy from Council	168	426

Income Statement – Swimming Pool

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	5,209	4,944
Total income from continuing operations	5,209	4,944
Expenses from continuing operations		
Materials and contracts	4,264	3,977
Depreciation, amortisation and impairment	483	364
Other expenses	642	599
Total expenses from continuing operations	5,389	4,940
Surplus (deficit) from continuing operations before capital amounts	(180)	4
Surplus (deficit) from continuing operations after capital amounts	(180)	4
Surplus (deficit) from all operations before tax	(180)	4
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(1)
SURPLUS (DEFICIT) AFTER TAX	(180)	3
Plus accumulated surplus	20,154	20,150
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	1
Add:		
– Subsidy paid/contribution to operations	59	–
Closing accumulated surplus	20,033	20,154
Return on capital %	(0.9)%	0.0%
Subsidy from Council	445	563

Income Statement – Commercial Leasing

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	2,250	1,738
Other Income	337	375
Fair Value Increment	1,991	541
Total income from continuing operations	4,578	2,654
Expenses from continuing operations		
Employee benefits and on-costs	226	266
Materials and contracts	558	577
Depreciation, amortisation and impairment	46	29
Other expenses	264	247
Total expenses from continuing operations	1,094	1,119
Surplus (deficit) from continuing operations before capital amounts	3,484	1,535
Surplus (deficit) from continuing operations after capital amounts	3,484	1,535
Surplus (deficit) from all operations before tax	3,484	1,535
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(958)	(422)
SURPLUS (DEFICIT) AFTER TAX	2,526	1,113
Plus accumulated surplus	39,454	38,140
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	958	422
Less:		
– Dividend paid	(629)	(221)
Closing accumulated surplus	42,309	39,454
Return on capital %	82.1%	76.6%

Statement of Financial Position – Thomas Carlyle Children Centre

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	1,312	1,286
Total non-current assets	1,312	1,286
TOTAL ASSETS	1,312	1,286
LIABILITIES		
Current liabilities		
Payables	9	19
Provisions	72	109
Total current liabilities	81	128
TOTAL LIABILITIES	81	128
NET ASSETS	1,231	1,158
EQUITY		
Accumulated surplus	1,170	1,097
Revaluation reserves	61	61
TOTAL EQUITY	1,231	1,158

Statement of Financial Position – Art Centre

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Receivables	–	1
Total current assets	–	1
Non-current assets		
Infrastructure, property, plant and equipment	5,627	5,665
Total non-current assets	5,627	5,665
TOTAL ASSETS	5,627	5,666
LIABILITIES		
Current liabilities		
Payables	118	149
Provisions	32	46
Total current liabilities	150	195
TOTAL LIABILITIES	150	195
NET ASSETS	5,477	5,471
EQUITY		
Accumulated surplus	4,099	4,093
Revaluation reserves	1,378	1,378
TOTAL EQUITY	5,477	5,471

Statement of Financial Position – Trade Waste

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	777	982
Total non-current assets	777	982
TOTAL ASSETS	777	982
LIABILITIES		
Current liabilities		
Payables	116	112
Provisions	45	51
Total current liabilities	161	163
TOTAL LIABILITIES	161	163
NET ASSETS	616	819
EQUITY		
Accumulated surplus	616	819
TOTAL EQUITY	616	819

Statement of Financial Position – Gordon Golf Course

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Receivables	5	745
Total current assets	5	745
Non-current assets		
Infrastructure, property, plant and equipment	7,966	7,318
Total non-current assets	7,966	7,318
TOTAL ASSETS	7,971	8,063
LIABILITIES		
Current liabilities		
Payables	35	2
Provisions	40	40
Total current liabilities	75	42
TOTAL LIABILITIES	75	42
NET ASSETS	7,896	8,021
EQUITY		
Accumulated surplus	7,408	7,533
Revaluation reserves	488	488
TOTAL EQUITY	7,896	8,021

Statement of Financial Position – Turramurra Golf Course

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Receivables	16	28
Total current assets	16	28
Non-current assets		
Infrastructure, property, plant and equipment	27,176	26,646
Total non-current assets	27,176	26,646
TOTAL ASSETS	27,192	26,674
LIABILITIES		
Current liabilities		
Payables	22	3
Provisions	120	133
Total current liabilities	142	136
TOTAL LIABILITIES	142	136
NET ASSETS	27,050	26,538
EQUITY		
Accumulated surplus	17,624	17,112
Revaluation reserves	9,426	9,426
TOTAL EQUITY	27,050	26,538

Statement of Financial Position – Tennis Courts

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,655	5,893
Total non-current assets	5,655	5,893
TOTAL ASSETS	5,655	5,893
LIABILITIES		
Current liabilities		
Payables	40	4
Total current liabilities	40	4
TOTAL LIABILITIES	40	4
NET ASSETS	5,615	5,889
EQUITY		
Accumulated surplus	3,778	3,869
Revaluation reserves	1,837	2,020
TOTAL EQUITY	5,615	5,889

Statement of Financial Position – Swimming Pool

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Receivables	381	367
Total current assets	381	367
Non-current assets		
Infrastructure, property, plant and equipment	20,098	20,336
Total non-current assets	20,098	20,336
TOTAL ASSETS	20,479	20,703
LIABILITIES		
Current liabilities		
Payables	446	549
Total current liabilities	446	549
TOTAL LIABILITIES	446	549
NET ASSETS	20,033	20,154
EQUITY		
Accumulated surplus	20,033	20,154
TOTAL EQUITY	20,033	20,154

Statement of Financial Position – Commercial Leasing

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Receivables	–	108
Total current assets	–	108
Non-current assets		
Infrastructure, property, plant and equipment	2,581	2,004
Investment property	39,866	37,500
Total non-current assets	42,447	39,504
TOTAL ASSETS	42,447	39,612
LIABILITIES		
Current liabilities		
Payables	128	126
Provisions	10	32
Total current liabilities	138	158
TOTAL LIABILITIES	138	158
NET ASSETS	42,309	39,454
EQUITY		
Accumulated surplus	42,309	39,454
TOTAL EQUITY	42,309	39,454

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. Swimming Pool

Comprising the whole of the operations and assets of Council's Swimming Pool.

b. Commercial Leasing

Comprising the whole of the operations and assets of Commercial Leasing.

Category 2

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

a. Thomas Carlyle Children Centre

Comprising the whole of the operations and assets of Thomas Carlyle Children Centre.

b. Art Centre

Comprising the whole of the operations and assets of the Art Centre.

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

Note 1. Significant Accounting Policies (continued)

c. Trade Waste

Comprising the whole of the operations and assets of Trade Waste.

d. Gordon Golf Course

Comprising the whole of the operations and assets of the Gordon Golf Course.

e. Turramurra Golf Course

Comprising the whole of the operations and assets of Turramurra Golf Course.

f. Tennis Courts

Comprising the whole of the operations and assets of Council's Tennis Courts.

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:

Corporate income tax rate – 27.5%

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.

Loan and debt guarantee fees

There are no loans applicable to the business activities in the operating statement.

(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.

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

Note 1. Significant Accounting Policies (continued)

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.

Ku-ring-gai Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Special Schedules

for the year ended 30 June 2019

Contents

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Special Schedules

Permissible income for general rates	3
Report on Infrastructure Assets	4

Special Schedules are not audited (with the exception of the Permissible income for general rates Statement).

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as:

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS)
- the Office of Local Government (OLG)

(ii) The financial data is collected for various users including:

- the allocation of Financial Assistance Grants
- the incorporation of Local Government financial figures in national statistics
- the monitoring of loan approvals
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	64,151	61,665
Plus or minus adjustments ²	b	466	1,031
Notional general income	$c = a + b$	64,617	62,696
Permissible income calculation			
Special variation percentage ³	d	7.70%	—
Or rate peg percentage	e	—	2.30%
Less expiring special variation amount	g	(2,801)	—
Plus special variation amount	$h = d \times (c - g)$	4,760	—
Or plus rate peg amount	$i = c \times e$	—	1,442
Sub-total	$k = (c + g + h + i + j)$	66,576	64,138
Plus (or minus) last year's carry forward total	l	(1)	—
Less valuation objections claimed in the previous year	m	(13)	(1)
Sub-total	$n = (l + m)$	(14)	(1)
Total permissible income	$o = k + n$	66,562	64,137
Less notional general income yield	p	66,563	64,151
Catch-up or (excess) result	$q = o - p$	(1)	(14)
Plus income lost due to valuation objections claimed ⁴	r	—	13
Carry forward to next year ⁵	$t = q + r - s$	(1)	(1)

Notes

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

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^c	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 ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5
Buildings	All Council Buildings	1,235	7,055	3,210	3,480	93,975	160,287	25.4%	25.6%	44.6%	4.4%	0.0%
	Sub-total	1,235	7,055	3,210	3,480	93,975	160,287	25.4%	25.6%	44.6%	4.4%	0.0%
Other structures	Other Structures	388	1,537	580	223	8,463	14,196	23.4%	30.0%	35.8%	8.7%	2.1%
	Sub-total	388	1,537	580	223	8,463	14,196	23.4%	30.0%	35.8%	8.7%	2.1%
Roads	Roads	13,605	53,493	2,280	1,554	183,026	345,562	13.0%	40.2%	31.2%	12.4%	3.1%
	Bridges	49	154	60	–	6,234	11,756	3.1%	50.8%	44.8%	0.9%	0.5%
	Footpaths	739	3,500	950	1,011	31,810	48,876	28.4%	18.8%	45.7%	6.5%	0.7%
	Other Road Assets (Incl. Bulk Earthworks)	311	1,663	750	1,304	133,001	203,001	34.6%	6.3%	58.3%	0.8%	0.0%
	Sub-total	14,704	58,810	4,040	3,869	354,071	609,195	21.3%	27.4%	41.7%	7.8%	1.8%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^b	2018/19 Required maintenance ^c	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
Stormwater drainage	Stormwater Drainage	373	1,312	830	1,477	161,250	238,543	12.3%	69.9%	17.3%	0.4%	0.2%
	Sub-total	373	1,312	830	1,477	161,250	238,543	12.3%	69.9%	17.3%	0.4%	0.2%
Open space / recreational assets	Swimming Pools & Recreational Assets	679	3,587	5,820	7,419	75,251	130,185	38.1%	30.7%	28.5%	2.7%	0.1%
	Sub-total	679	3,587	5,820	7,419	75,251	130,185	38.1%	30.7%	28.5%	2.7%	0.1%
TOTAL - ALL ASSETS		17,379	72,301	14,480	16,468	693,010	1,152,406	21.9%	36.3%	35.5%	5.2%	1.0%

(a) The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community.

(b) The estimated cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by Council.

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
Infrastructure asset performance indicators consolidated *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	9,778					
Depreciation, amortisation and impairment	14,799	66.07%	61.25%	76.00%	82.00%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	17,379					
Net carrying amount of infrastructure assets	693,010	2.51%	2.90%	4.00%	6.00%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	16,468					
Required asset maintenance	14,480	113.73%	114.62%	104.00%	107.00%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	72,301					
Gross replacement cost	1,152,406	6.27%	6.20%	7.00%	8.00%	>0.00%

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

(1) Excludes Work In Progress (WIP) - If WIP is included then the Building and infrastructure renewals ratio achieves 91%.

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio

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

Commentary on result

18/19 ratio 66.07%

A ratio of 66% indicates that amount spent on renewing infrastructures assets is lower than the amount of depreciation on those assets. This is due to incomplete projects at end of year. Council's long term financial plan provides for infrastructure renewal to meet the benchmark of 100% in future years. Council will continue to focus on appropriate asset standards for renewal and maintenance of its assets and prioritise renewal capital work programs.

Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 113.73%

A ratio of above 100% indicates that the Council is investing enough funds within the year to ensure assets reach their useful lives. The benchmark is greater than 100%. Council is committed to increase expenditure on asset maintenance in future to maintain its infrastructure assets in satisfactory condition in the long term.

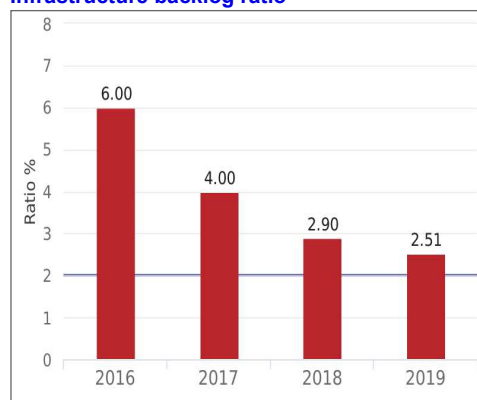
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 2.51%

Council achieved a backlog ratio of 2.5% at the end of 2018/19 financial year, which is an improvement from the last financial year. The ratio indicates that Council still has an infrastructure backlog. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.

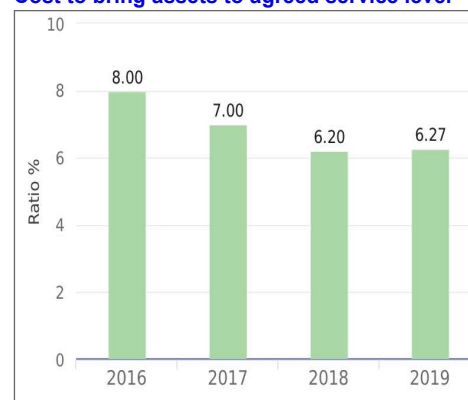
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

18/19 ratio 6.27%

The cost to bring to level of service is an estimate of the cost to renew existing assets that have reached the condition-based intervention level. Council is committed to increase expenditure on assets renewal in future years and reduce the cost to bring to level of service and this is reflected in Council's Long Term Financial Plan and Asset Management Strategy.

Benchmark: — $> 0.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

(1) Excludes Work In Progress (WIP) - If WIP is included then the Building and infrastructure renewals ratio achieves 91%.

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