



Annual Financial Statements

For the year ended 30 June 2020



Ku-ring-gai Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

"...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 2020

"...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 2020

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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 2020

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 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's 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.

Ku-ring-gai Council

General Purpose Financial Statements for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 September 2020.



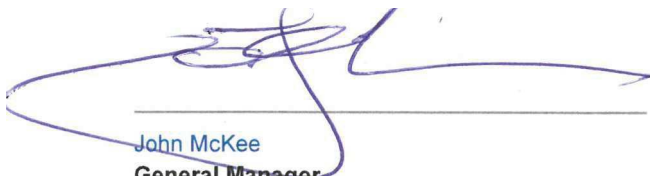
Jennifer Anderson
Mayor

22 September 2020



Cedric Spencer
Deputy Mayor

22 September 2020



John McKee
General Manager

22 September 2020



Angela Apostol
Responsible Accounting Officer

22 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
87,700	Rates and annual charges	3a	88,273	85,483
21,199	User charges and fees	3b	19,753	21,474
5,588	Other revenues	3c	4,654	13,116
8,316	Grants and contributions provided for operating purposes	3d,3e	8,971	8,021
19,303	Grants and contributions provided for capital purposes	3d,3e	14,917	13,861
5,119	Interest and investment income	4	5,052	5,887
750	Net gains from the disposal of assets	6	1,057	–
–	Fair value increment on investment properties	12	5,027	1,991
6,011	Rental income	15e	6,134	–
153,986	Total income from continuing operations		153,838	149,833
	Expenses from continuing operations			
42,871	Employee benefits and on-costs	5a	41,713	39,410
718	Borrowing costs	5b	439	700
44,867	Materials and contracts	5c	50,675	45,797
17,279	Depreciation, amortisation and impairment	5d	17,438	16,895
18,282	Other expenses	5e	16,480	17,484
–	Net losses from the disposal of assets	6	–	156
124,017	Total expenses from continuing operations		126,745	120,442
29,969	Operating result from continuing operations		27,093	29,391
29,969	Net operating result for the year		27,093	29,391
10,666	Net operating result for the year before grants and contributions provided for capital purposes		12,176	15,530

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		27,093	29,391
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	11	99,337	41
Total items which will not be reclassified subsequently to the operating result		99,337	41
Total other comprehensive income for the year		99,337	41
Total comprehensive income for the year		126,430	29,432

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	20,554	38,357	17,142
Investments	7(b)	67,500	41,250	73,501
Receivables	8	17,074	10,622	9,709
Inventories	9a	207	164	190
Other	9b	3,040	2,515	2,057
Current assets classified as 'held for sale'	10	–	380	–
Total current assets		108,375	93,288	102,599
Non-current assets				
Investments	7(b)	110,500	113,000	86,750
Receivables	8	102	111	107
Infrastructure, property, plant and equipment	11	1,553,427	1,434,352	1,424,765
Investment property	12	46,170	39,866	37,500
Intangible Assets	13	927	224	294
Right of use assets	15a	1,739	–	–
Total non-current assets		1,712,865	1,587,553	1,549,416
Total assets		1,821,240	1,680,841	1,652,015
LIABILITIES				
Current liabilities				
Payables	16	15,899	15,060	14,955
Income received in advance	16	–	2,504	1,713
Contract liabilities	14	11,652	–	–
Lease liabilities	15b	65	–	–
Borrowings	16	560	19,603	1,065
Provisions	17	11,487	10,402	10,644
Total current liabilities		39,663	47,569	28,377
Non-current liabilities				
Lease liabilities	15b	1,690	–	–
Borrowings	16	21,420	1,081	20,685
Provisions	17	285	302	496
Total non-current liabilities		23,395	1,383	21,181
Total liabilities		63,058	48,952	49,558
Net assets		1,758,182	1,631,889	1,602,457
EQUITY				
Accumulated surplus	18	898,374	871,418	842,027
Revaluation reserves	18	859,808	760,471	760,430
Total equity		1,758,182	1,631,889	1,602,457

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance		871,418	760,471	1,631,889	842,027	744,261	1,586,288
Correction of prior period errors	18b	–	–	–	–	16,169	16,169
Changes due to AASB 1058 and AASB 15 adoption	18c-ii	(137)	–	(137)	–	–	–
Changes due to AASB 16 adoption	18c-iii	–	–	–	–	–	–
Restated opening balance		871,281	760,471	1,631,752	842,027	760,430	1,602,457
Net operating result for the year		27,093	–	27,093	29,391	–	29,391
Net operating result for the period		27,093	–	27,093	29,391	–	29,391
Other comprehensive income							
– Gain on revaluation of IPP&E	11	–	99,337	99,337	–	41	41
Other comprehensive income		–	99,337	99,337	–	41	41
Total comprehensive income		27,093	99,337	126,430	29,391	41	29,432
Equity – balance at end of the reporting period		898,374	859,808	1,758,182	871,418	760,471	1,631,889

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
87,106	Rates and annual charges		87,819	84,729
21,199	User charges and fees		21,938	24,107
19,093	Investment and interest revenue received		5,430	5,511
27,619	Grants and contributions		24,784	23,040
–	Bonds, deposits and retention amounts received		3,629	3,004
11,499	Other		16,402	18,096
Payments:				
(42,491)	Employee benefits and on-costs		(40,727)	(40,136)
(38,126)	Materials and contracts		(54,701)	(50,101)
(718)	Borrowing costs		(439)	(700)
–	Bonds, deposits and retention amounts refunded		(3,641)	(1,810)
(23,716)	Other		(18,750)	(20,977)
61,465	Net cash provided in operating activities	19b	41,744	44,763
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		65,250	88,501
750	Sale of infrastructure, property, plant and equipment		2,546	892
Payments:				
–	Purchase of investment securities		(89,000)	(82,501)
–	Purchase of investment property		(1,277)	(375)
(59,978)	Purchase of infrastructure, property, plant and equipment		(37,530)	(28,981)
–	Purchase of intangible assets		(776)	(18)
(59,228)	Net cash (used in) investing activities		(60,787)	(22,482)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		2,000	–
Payments:				
(1,213)	Repayment of borrowings and advances		(704)	(1,066)
–	Lease liabilities (principal repayments)		(56)	–
(1,213)	Net cash flow (used in) financing activities		1,240	(1,066)
1,024	Net increase (decrease) in cash and cash equivalents		(17,803)	21,215
6,596	Plus: cash and cash equivalents – beginning of year	19a	38,357	17,142
7,620	Cash and cash equivalents – end of the year	19a	20,554	38,357
151,935	plus: Investments on hand – end of year	7(b)	178,000	154,250
159,555	Total cash, cash equivalents and investments		198,554	192,607

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 September 2020.

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 23 – Material budget variations

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- estimated fair values of investment properties refer Note 12,
- estimated fair values of infrastructure, property, plant and equipment refer Note 11,
- employee benefit provisions refer Note 17.

Significant judgements in applying the council's accounting policies

- Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 8.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

COVID 19 Impact

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had a financial impact for Council in the financial year ended 30 June 2020, which was reported to Council in April and May 2020, and is expected to further impact the following financial year. As at the end of the current reporting period Council estimated a loss from COVID 19 of approximately \$1.8m, mainly from the use of halls, facilities, sporting ovals and events; commercial arrangements including Council's aquatic centre, leases and licenses for community and commercial buildings, income from parking, other fines and others. Council provided rental relief packages to commercial and community leasing portfolio based on evaluation of requests received. The financial impact of the rent relief packages has been accounted for and reflected in the financial statements under relevant income category. No material changes have been noted in asset values and collection of rates.

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.

Volunteer services

Council makes use of volunteers for library services, community events, programs etc. These services have not been recognised in the Financial Statements as they are not significant and cannot be measured reliably.

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

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

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

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets ¹	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Access, Traffic and Transport	3,387	3,117	1,938	2,181	1,449	936	782	119	825	157
Community, People and Culture	11,902	13,106	23,349	24,286	(11,447)	(11,180)	2,851	2,199	64,989	59,990
Leadership and Governance	83,953	78,217	21,000	17,510	62,953	60,707	3,883	3,792	334,808	336,256
Local Economy and Employment	–	3	159	158	(159)	(155)	–	–	11,666	12,690
Natural Environment	21,979	22,784	27,507	26,204	(5,528)	(3,420)	286	372	12,293	10,469
Places, Spaces and Infrastructure	32,617	32,606	52,792	50,103	(20,175)	(17,497)	4,128	1,298	1,396,659	1,261,279
Total functions and activities	153,838	149,833	126,745	120,442	27,093	29,391	11,930	7,780	1,821,240	1,680,841

(1) This column has been restated

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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, 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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	30,947	30,045
Business	1058 (1)	4,746	4,377
Less: pensioner rebates		(607)	(615)
Pensioner rate subsidies received	1058 (1)	245	252
Total ordinary rates		35,331	34,059
Special rates			
Environmental levy	1058 (1)	3,080	2,802
Infrastructure levy	1058 (1)	27,891	26,952
Less: pensioner rebates		(166)	(166)
Total special rates		30,805	29,588
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	21,296	20,998
Stormwater management services	1058 (1)	1,009	999
Section 611 charges	1058 (1)	85	100
Less: pensioner rebates		(423)	(439)
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	170	178
Total annual charges		22,137	21,836
TOTAL RATES AND ANNUAL CHARGES		88,273	85,483

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 Accounting Policy

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	2,123	2,180
Certificates	15 (1)	716	629
DA advertising fees	15 (1)	53	59
Driveway application fees	15 (1)	683	505
Outstanding notices	15 (1)	190	190
Regulatory application fees	15 (1)	457	511
Tree preservation charges	15 (1)	114	80
Total fees and charges – statutory/regulatory		4,336	4,154
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Art centre	15 (1)	375	503
Bus shelters	15 (1)	432	343
Compliance Levy	15 (1)	770	1,071
Golf courses (Gordon and Turramurra)	15 (1)	1,763	1,462
Halls	15 (1)	320	402
Holiday activities	15 (1)	441	459
Leaseback fees – Council vehicles	15 (1)	399	357
Library	15 (1)	69	93
Restoration charges	15 (1)	1,422	1,485
Nursery and wildflower garden	15 (1)	63	56
Parks	15 (1)	899	1,120
Sale of documents	15 (1)	1	2
Showground	15 (1)	597	537
Swimming centre	15 (1)	4,097	5,209
Tennis courts	15 (1)	311	302
Thomas Carlyle children centre and family day care	15 (1)	923	1,260
Trade waste charges	15 (1)	1,803	1,823
Other	15 (1)	732	836
Total fees and charges – other		15,417	17,320
<u>TOTAL USER CHARGES AND FEES</u>		<u>19,753</u>	<u>21,474</u>

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

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

Accounting policy for user charges and fees

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

2019 Accounting Policy

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

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

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property		–	1,702
Rental income – other council properties (2019 only)		–	4,579
Fines – parking	1058 (1)	1,873	1,998
Fines – other	1058 (1)	785	869
Legal fees recovery – rates and charges (extra charges)	15 (1)	31	52
Legal fees recovery – other	15 (1)	260	253
Commissions and agency fees	15 (1)	10	10
Credit card surcharge	15 (1)	191	175
Dog registration fees	15 (1)	148	56
Insurance claims recoveries	15 (1)	39	–
Domestic waste other income	15 (1)	211	193
Other	15 (1)	499	381
Licence income	15 (1)	223	213
Program fees	15 (1)	179	225
Recycling income (non-domestic)	15 (1)	122	522
Legal proceedings settlements	1058 (1)	83	1,148
Recovered costs from doubtful debts	1058 (1)	–	740
<u>TOTAL OTHER REVENUE</u>		<u>4,654</u>	<u>13,116</u>

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

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

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

Accounting policy for other revenue

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

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

2019 Accounting Policy

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

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

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

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	1,871	1,839	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	1,983	1,907	–	–
Total general purpose		3,854	3,746	–	–
Specific purpose					
Better waste and recycling fund	1058 (2)	141	146	–	26
Community care	1058 (1)	29	29	56	–
Community centres	1058 (1)	2,352	1,786	–	–
Library	1058 (1)	328	251	38	42
Environmental protection	1058 (2)	140	256	–	–
LIRS subsidy	1058 (1)	4	18	–	–
Recreation and culture	1058 (2)	118	35	2,596	517
NSW rural fire services	1058 (1)	70	62	–	–
Road safety	1058 (1)	372	63	711	–
Street lighting	1058 (1)	305	299	–	–
Transport	1058 (1)	107	437	709	67
Total specific purpose		3,966	3,382	4,110	652
Total grants		7,820	7,128	4,110	652
Grant revenue is attributable to:					
– Commonwealth funding		6,152	5,822	717	13
– State funding		1,668	1,306	3,393	639
		7,820	7,128	4,110	652

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

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

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services						
	1058 (1)		–	–	9,921	12,907
Total developer contributions – cash			–	–	9,921	12,907
Total developer contributions	27		–	–	9,921	12,907
Other contributions:						
Cash contributions						
Contribution to works	1058 (1)		1,151	893	63	302
Total other contributions – cash			1,151	893	63	302

continued on next page ...

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

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Non-cash contributions						
Roads and bridges			–	–	823	–
Total other contributions – non-cash			<u>–</u>	<u>–</u>	<u>823</u>	<u>–</u>
Total contributions			<u>1,151</u>	<u>893</u>	<u>10,807</u>	<u>13,209</u>
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>			<u>8,971</u>	<u>8,021</u>	<u>14,917</u>	<u>13,861</u>

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include events, programs, specific projects etc. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

Note 3. Revenue from continuing operations (continued)

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

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

Accounting policy prior to 1 July 2019

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(f).

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

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating & Capital grants

Unexpended at the close of the previous reporting period	661	371
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	2,279	1,479
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(469)	(1,189)
Less: operating grants received in a previous reporting period now spent and recognised as income	(120)	–
Unexpended and held as externally restricted assets (operating & capital grants)	2,351	661

Contributions

Unexpended at the close of the previous reporting period	134,510	125,137
Add: contributions recognised as income in the current period but not yet spent	1,837	9,373
Unexpended and held as externally restricted assets (contributions)	136,347	134,510

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

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	174	129
– Cash and investments	4,878	5,759
Amortisation of premiums and discounts		
– ‘Held to maturity’ investments	–	(1)
Total Interest and investment income	<u>5,052</u>	<u>5,887</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	174	129
General Council cash and investments	649	1,042
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,397	3,974
Restricted investments/funds – internal:		
Internally restricted assets	832	742
Total interest and investment revenue recognised	<u>5,052</u>	<u>5,887</u>

Accounting policy for interest and investment revenue

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	33,563	30,761
Employee leave entitlements (ELE)	5,408	5,781
Superannuation	3,828	3,677
Workers' compensation insurance	827	505
Fringe benefit tax (FBT)	269	243
Other	163	85
Total employee costs	44,058	41,052
Less: capitalised costs	(2,345)	(1,642)
TOTAL EMPLOYEE COSTS EXPENSED	41,713	39,410

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 17 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
Interest bearing liability costs		
Interest on leases	38	–
Interest on loans	401	700
Total interest bearing liability costs expensed	439	700
TOTAL BORROWING COSTS EXPENSED	439	700

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 General Purpose Financial Statements for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	3,735	3,657
Contractor and consultancy costs	43,409	38,633
Auditors remuneration ²	61	72
Lease expense	244	331
Legal expenses:		
– Legal expenses: planning and development	2,079	2,378
– Legal expenses: other	284	156
Expenses from short-term leases (2020 only)	14	–
Expenses from leases of low value assets (2020 only)	325	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	379
Other	524	191
TOTAL MATERIALS AND CONTRACTS	50,675	45,797

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Computers	–	379
	–	379

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	61	72
Remuneration for audit and other assurance services	61	72
Total Auditor-General remuneration	61	72

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

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,229	1,003
Office equipment		163	164
Furniture and fittings		43	35
Land improvements (depreciable)		147	158
Infrastructure:	11		
– Buildings – non-specialised		149	133
– Buildings – specialised		3,037	2,939
– Other structures		237	233
– Roads		6,353	6,245
– Bridges		158	164
– Footpaths		697	694
– Stormwater drainage		1,682	1,659
– Swimming pools		30	28
– Other open space/recreational assets		2,711	2,704
Right of use assets	15	72	–
Other assets:			
– Library books		591	576
– Other		66	72
Intangible assets	13	73	88
Total depreciation and amortisation costs		17,438	16,895
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		17,438	16,895

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

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 13 for intangible assets and Note 15 for right of use assets.

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

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	351	501
Training costs (other than salaries and wages)	242	228
Bad and doubtful debts	86	8
Bank charges	331	344
Commissions and management fees	440	514
Computer software charges	1,395	1,309
Conferences	144	127
Contributions/levies to other levels of government		
– Department of planning levy	441	432
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,324	2,073
Corporate events	42	39
Councillor expenses – mayoral fee	69	67
Councillor expenses – councillors' fees	258	246
Councillors' expenses (incl. mayor) – other (excluding fees above)	48	46
Donations, contributions and assistance to other organisations (Section 356)	296	222
Election expenses	3	120
Electricity and heating	986	1,157
External plant hire	111	60
Family day care (child care assistance)	750	768
Insurance	1,513	1,441
Insurance excess	28	54
Postage	281	294
Rate issue costs	36	43
Rental rebates	1,784	2,406
Street lighting	1,605	2,010
Subscriptions and publications	291	304
Sydney water	351	365
Telephone and communications	358	314
Valuation fees	226	225
Vehicle registration	189	181
Other	1,501	1,586
<u>TOTAL OTHER EXPENSES</u>	<u>16,480</u>	<u>17,484</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 General Purpose Financial Statements for the year ended 30 June 2020

Note 6. Gains or losses from the disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	11		
Proceeds from disposal – plant and equipment		1,052	892
Less: carrying amount of plant and equipment assets sold and written off		(869)	(1,005)
Net gain on disposal		<u>183</u>	<u>(113)</u>
Infrastructure	11		
Less: carrying amount of infrastructure assets sold and written off		(118)	(43)
Net loss on disposal		<u>(118)</u>	<u>(43)</u>
Financial Assets	7(b)		
Proceeds from disposal/redemptions/maturities – financial assets		65,250	88,501
Less: carrying amount of financial assets sold/redeemed/matured		(65,250)	(88,501)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
Non-current assets classified as ‘held for sale’	10		
Proceeds from disposal – non-current assets ‘held for sale’		1,374	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(403)	–
Net gain on disposal		<u>971</u>	<u>–</u>
Community Land			
Proceeds from disposal – land assets		120	–
Less: carrying amount of land assets sold/written off		(21)	–
Net gain on disposal		<u>99</u>	<u>–</u>
Buildings - Specialised			
Less: carrying amount of Buildings - Specialised assets sold/written off		(78)	–
Net loss on disposal		<u>(78)</u>	<u>–</u>
NET GAIN ON DISPOSAL OF ASSETS		<u>1,057</u>	<u>(156)</u>

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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	20,554	38,357
Total cash and cash equivalents	20,554	38,357

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.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	67,500	110,500	41,250	113,000
Total Investments	67,500	110,500	41,250	113,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	88,054	110,500	79,607	113,000
Financial assets at amortised cost				
Long term deposits	53,000	81,000	37,000	81,000
FRN's (with maturities > 3 months)	14,500	29,500	4,250	32,000
Total	67,500	110,500	41,250	113,000

Accounting policy for investments

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

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

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.

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	88,054	110,500	79,607	113,000
attributable to:				
External restrictions	45,095	110,500	39,689	113,000
Internal restrictions	37,809	–	36,182	–
Unrestricted	5,150	–	3,736	–
	88,054	110,500	79,607	113,000

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	2,005	–
External restrictions – included in liabilities	2,005	–

External restrictions – other

Developer contributions – general	136,347	134,510
Specific purpose unexpended grants (recognised as revenue) – general fund	346	661
Environmental levy	3,591	3,340
Specific purpose unexpended loan – LIRS	–	54
Domestic waste management	13,306	14,124
External restrictions – other	153,590	152,689

Total external restrictions

	155,595	152,689
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Internal restrictions

Employees leave entitlement	2,289	2,140
Carry over works	2,575	1,443
Deposits, retentions and bonds	670	1,718
Infrastructure and facilities	27,712	25,959
Other	4,563	4,922
Total internal restrictions	37,809	36,182

TOTAL RESTRICTIONS

	193,404	188,871
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Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,428	56	2,960	70
Interest and extra charges	248	46	222	41
User charges and fees	3,383	–	2,612	–
Accrued revenues				
– Interest on investments	1,832	–	2,241	–
– Other income accruals	957	–	1,885	–
Government grants and subsidies	6,547	–	110	–
Net GST receivable	886	–	1,146	–
Other debtors	440	–	7	–
Total	17,721	102	11,183	111
Less: provision of impairment				
User charges and fees	(647)	–	(561)	–
Total provision for impairment – receivables	(647)	–	(561)	–
<u>TOTAL NET RECEIVABLES</u>	<u>17,074</u>	<u>102</u>	<u>10,622</u>	<u>111</u>

There are no restrictions applicable to the above assets.

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	561	1,668
New provisions recognised during the year	86	(1,107)
Balance at the end of the year	647	561

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% (2019 7.5%)
- (iv) Please refer to Note 22 for issues concerning credit risk and fair value disclosures.

Impairment

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

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

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

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

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

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

COVID 19

Council's rate and annual charges collections have not been significantly impacted by the Covid 19 Pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cash flows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalment payments can be deferred until September 30 and no interest on outstanding rates can be charged for the first 6 months. The impact this may have is not able to be measured at this stage, however, it is not expected to be significant.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	170	–	149	–
Trading stock	37	–	15	–
Total inventories at cost	207	–	164	–
<u>TOTAL INVENTORIES</u>	<u>207</u>	<u>–</u>	<u>164</u>	<u>–</u>
(b) Other assets				
Prepayments	3,040	–	2,515	–
<u>TOTAL OTHER ASSETS</u>	<u>3,040</u>	<u>–</u>	<u>2,515</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.

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land assets	–	–	380	–
Total non-current assets 'held for sale'	–	–	380	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>–</u>	<u>–</u>	<u>380</u>	<u>–</u>

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale (continued)

(ii) Reconciliation of non-current assets 'held for sale'

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	380	–
Less: carrying value of assets/operations sold	(403)	–
Balance still unsold after 12 months:	(23)	–
Less: assets no longer classified as 'held for sale'	(23)	–
Closing balance of 'held for sale' non-current assets and operations	–	380

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 General Purpose Financial Statements
for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19 ¹			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other adjustments	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	19,024	–	19,024	3,415	10,621	–	–	(5,209)	–	–	–	27,851	–	27,851
Plant and equipment	14,268	(5,470)	8,798	2,692	36	(869)	(1,229)	52	–	–	–	14,254	(4,774)	9,480
Office equipment	1,481	(672)	809	217	15	–	(163)	–	–	–	–	1,713	(835)	878
Furniture and fittings	594	(346)	248	14	25	–	(43)	–	–	–	–	633	(389)	244
Land:														
– Operational land	159,230	–	159,230	–	1,730	–	–	–	–	–	–	160,960	–	160,960
– Community land	402,905	–	402,905	–	–	(21)	–	–	–	–	–	402,884	–	402,884
– Crown land	138,653	–	138,653	–	–	–	–	–	–	–	–	138,653	–	138,653
– Land under roads (post 30/6/08)	1,173	–	1,173	–	–	–	–	–	–	–	–	1,173	–	1,173
Land improvements – depreciable	2,946	(1,083)	1,863	–	–	–	(147)	–	–	1	–	2,946	(1,229)	1,717
Infrastructure:														
– Buildings – non-specialised	7,865	(4,114)	3,751	10	786	–	(149)	–	–	1	–	8,662	(4,263)	4,399
– Buildings – specialised	152,422	(62,198)	90,224	2,598	114	(78)	(3,037)	14	–	–	–	154,977	(65,142)	89,835
– Other structures	15,936	(6,372)	9,564	354	76	(36)	(237)	193	(20)	1	543	17,626	(7,188)	10,438
– Roads	487,541	(231,577)	255,964	7,393	1,728	(14)	(6,353)	2,667	(1,922)	1	67,820	548,195	(220,911)	327,284
– Bridges	14,501	(6,463)	8,038	–	–	(68)	(158)	–	–	1	2,210	15,322	(5,299)	10,023
– Footpaths	50,662	(17,438)	33,224	283	954	–	(697)	655	27	–	13,514	71,816	(23,856)	47,960
– Bulk earthworks (non-depreciable)	59,894	–	59,894	247	–	–	–	–	–	–	15,250	75,391	–	75,391
– Stormwater drainage	238,543	(77,293)	161,250	681	627	–	(1,682)	223	1,402	–	–	242,009	(79,508)	162,501
– Swimming pools	2,985	(511)	2,474	22	–	–	(30)	–	–	–	–	3,007	(541)	2,466
– Other open space/recreational assets	127,200	(54,423)	72,777	1,412	1,919	–	(2,711)	863	513	–	–	131,713	(56,940)	74,773
Other assets:														
– Library books	6,708	(3,655)	3,053	685	–	–	(591)	–	–	–	–	7,393	(4,246)	3,147
– Other	5,919	(4,483)	1,436	–	–	–	(66)	–	–	–	–	5,919	(4,549)	1,370
Total Infrastructure, property, plant and equipment	1,910,450	(476,098)	1,434,352	20,023	18,631	(1,086)	(17,293)	(542)	–	5	99,337	2,033,097	(479,670)	1,553,427

(1) This column has been restated

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

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

Note 11. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18 ¹			Asset movements during the reporting period								as at 30/06/19 ²			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ³	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other adjustments	Tfrs from/(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	13,345	(5,567)	7,778	2,894	18	(889)	(1,003)	–	–	–	–	–	14,268	(5,470)	8,798
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	138,653	–	138,653	–	–	–	–	–	–	–	–	–	138,653	–	138,653
– 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	15,787	(6,158)	9,629	84	12	–	(233)	72	–	–	–	–	15,936	(6,372)	9,564
– Roads	483,407	(229,663)	253,744	6,977	70	–	(6,245)	2,333	(915)	–	–	–	487,541	(231,577)	255,964
– Bridges	14,499	(6,299)	8,200	2	–	–	(164)	–	–	–	–	–	14,501	(6,463)	8,038
– Footpaths	50,192	(16,744)	33,448	196	189	–	(694)	85	–	–	–	–	50,662	(17,438)	33,224
– Bulk earthworks (non-depreciable)	58,708	–	58,708	–	–	–	–	200	986	–	–	–	59,894	–	59,894
– 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	1,889,873	(465,108)	1,424,765	17,340	10,466	(1,049)	(16,807)	(3)	1	(22)	(380)	41	1,910,450	(476,098)	1,434,352

(1) This column has been restated

(2) This column has been restated

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 11. 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 100
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	20 to 100	Other Asset (Art Works)	NA
Road pavements	60 to 80	Library Books	10
Road structures	10 to 120		
Bridge	3 to 70	Buildings	
Other structure (Car Park)	25 to 60	Buildings	25 to 100
Kerb and Gutter	60 to 100		
Footpaths	40 to 80		

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 General Purpose Financial Statements for the year ended 30 June 2020

Note 12. Investment properties

	2020	2019
Owned investment property		
Investment property on hand at fair value	46,170	39,866
Total owned investment property	46,170	39,866

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	39,866	37,500
– Acquisitions	1,277	375
– Net gain from fair value adjustments	5,027	1,991
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	46,170	39,866

(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 2020 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 (2019 only)

Refer to Note 21 for disclosures relating to any capital and service obligations that have been contracted.

\$ '000	2020	2019
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(d) Leasing arrangements – Council as lessor (2019 only)

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
Later than 1 year but less than 5 years	–	1,524
Total minimum lease payments receivable	–	2,798

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

Rental income from investment property:

– Minimum lease payments	–	1,702
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Direct operating expenses on investment property:

– that generated rental income	–	(680)
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Net revenue contribution from investment property	–	1,022
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plus:

Fair value movement for year	–	1,991
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Total income attributable to investment property	–	3,013
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Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 13. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	1,750	1,732
Accumulated amortisation	(1,526)	(1,438)
Net book value – opening balance	224	294
Movements for the year		
– Purchases	776	18
– Amortisation charges	(73)	(88)
Closing values at 30 June		
Gross book value	2,526	1,750
Accumulated amortisation	(1,599)	(1,526)
Total software – net book value	927	224
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>927</u>	<u>224</u>

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 General Purpose Financial Statements for the year ended 30 June 2020

Note 14. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	8,111	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	141	–
Total grants received in advance		8,252	–
User fees and charges received in advance:			
Upfront fees	(iii)	2,157	–
Other		1,243	–
Total user fees and charges received in advance		3,400	–
Total contract liabilities		11,652	–

Notes

(i) Council has received funding to construct assets including sporting facilities, carparks, parks and other infrastructure. The funds received are under an enforceable contract which requires Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding receivable which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

(iii) Upfront membership fees for various program and classes do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when the benefit or services are provided.

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	8,253	–
Contract liabilities relating to externally restricted assets	8,253	–
Total contract liabilities relating to restricted assets	8,253	–
Total contract liabilities relating to unrestricted assets	3,399	–
Total contract liabilities	11,652	–

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

Note 14. Contract assets and liabilities (continued)

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Operating grants (received prior to performance obligation being satisfied)	120
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	120

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 15. Leases

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

(i) Council as a lessee

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

Office and IT equipment

Leases for office and IT equipment are for multi-function devices. The lease term is for 5 years, the payments are fixed with renewal options available at the expiry of the lease term.

Land

Council leases Crown land from the State of New South Wales within the meaning of CLA. The term of the lease is 25 years with no renewal option but to continue the arrangement on a month to month basis on the expiration of the term of the lease.

\$ '000	Office and IT Equipment	Land	Total
Opening balance at 30 June 2019	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	54	1,757	1,811
Depreciation charge	(2)	(70)	(72)
<u>RIGHT OF USE ASSETS</u>	<u>52</u>	<u>1,687</u>	<u>1,739</u>

\$ '000	2020 Current	2020 Non-current
Lease liabilities	65	1,690
<u>TOTAL LEASE LIABILITIES</u>	<u>65</u>	<u>1,690</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	65	335	1,355	1,755	1,755

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Total lease liabilities relating to unrestricted assets	65	1,690
Total lease liabilities	65	1,690

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	38
Depreciation of right of use assets	72
Expenses relating to short-term leases	14
Expenses relating to low-value leases	325
	<u>449</u>

(d) Statement of Cash Flows

Total cash outflow for leases	(94)
	<u>(94)</u>

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

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

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

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

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

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

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

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

Exceptions to lease accounting

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

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to community and commercial groups. These leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 12) and IPP&E (refer note 11).

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income relating to variable lease payments not dependent on an index or a rate	2,159
Other lease income	
Community rental	3,975
Total income relating to operating leases	6,134
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	(845)
Total expenses relating to operating leases	(845)
(iii) Repairs and maintenance: investment property	
Contractual obligations for future repairs and maintenance	104
Total repairs and maintenance: investment property	104
(iv) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	2,042
1–2 years	1,566
2–3 years	1,287
3–4 years	1,060
4–5 years	1,092
Total undiscounted contractual lease income receivable	7,047

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	6,643	–	5,564	–
Goods and services – capital expenditure	1,418	–	1,631	–
Security bonds, deposits and retentions	7,291	–	7,303	–
Other	547	–	562	–
Total payables	15,899	–	15,060	–
Income received in advance (2019 only)				
Payments received in advance	–	–	2,504	–
Total income received in advance	–	–	2,504	–
Borrowings				
Loans – secured ³	560	21,420	19,603	1,081
Total borrowings	560	21,420	19,603	1,081
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>16,459</u>	<u>21,420</u>	<u>37,167</u>	<u>1,081</u>

⁽³⁾ 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 22

\$ '000	2020	2019
(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	5,456	26,127
Total payables and borrowings	5,456	26,127

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

Note 16. Payables and borrowings (continued)

(b) Changes in borrowings arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	20,684	(704)	2,000	–	–	–	21,980
Lease liabilities	–	1,755	–	–	–	–	1,755
TOTAL	20,684	1,051	2,000	–	–	–	23,735

\$ '000	2020	2019
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(c) Financing arrangements

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

Bank Facility	18,900	22,000
Credit cards	100	100
Total financing arrangements	19,000	22,100

Drawn facilities as at balance date:

– Bank Facility	18,900	18,932
– Credit cards	95	95
Total drawn financing arrangements	18,995	19,027

Undrawn facilities as at balance date:

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

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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 17. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	3,393	–	2,923	–
Sick leave	296	–	292	–
Long service leave	7,798	285	7,187	302
Sub-total – aggregate employee benefits	11,487	285	10,402	302
TOTAL PROVISIONS	11,487	285	10,402	302

(a) Provisions relating to restricted assets

Refer to Note 7c for restricted assets (internal) related to provisions.

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

(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	7,465	6,761
	7,465	6,761

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2020					
At beginning of year	2,923	292	7,489	–	10,704
Additional provisions	2,834	4	1,425	–	4,263
Payments	(2,364)	–	(831)	–	(3,195)
Total ELE provisions at end of year	3,393	296	8,083	–	11,772
2019					
At beginning of year	3,119	269	7,271	481	11,140
Additional provisions	2,543	123	1,677	–	4,343
Payments	(2,739)	(100)	(1,940)	–	(4,779)
Transfers	–	–	481	(481)	–
Total ELE provisions at end of year	2,923	292	7,489	–	10,704

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 17. 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 \$527,685.40. 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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 17. 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 \$335,800.00 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 2020 was \$527,375.42. The last formal valuation of the Fund was performed by the Fund Actuary, Mr Richard Boyfield, FIAA as at 30 June 2019.

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 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

(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 General Purpose Financial Statements for the year ended 30 June 2020

Note 17. 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 2020 is:

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

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

The 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 2020.

(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 2019 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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

(b) Correction of errors relating to a previous reporting period**Nature of prior-period error**

As part of the revaluation of Infrastructure assets, Council undertook a detailed review of all the assets classified as Infrastructure Assets. As a result, Council has identified a number of Infrastructure assets which are not recognised in Council's Asset register. The newly identified assets have been recognised in the Asset Register by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to Asset Revaluation Reserve at that date.

Crown Land – In 2017/18 Council identified and recognised a number of Crown land reserves which are under Council care, management and control. Subsequently additional assets of \$10.9m have been identified and added as Crown Land assets in Council's Asset Register.

RFS Assets - The Rural Fires Act 1997 vests control of certain assets, including firefighting equipment, in the Council where the relevant assets are located. In line with the Australian Accounting Standards requirements, Council recorded these assets of \$1.08m in the Asset Register.

Infrastructure Assets – During the financial year Council completed a comprehensive revaluation of Roads and Transport assets. As a result, an adjustment of \$4.1m has been made to the Assets Revaluation Reserve in the prior period to bring to account assets not previously recognised.

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

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure Property, Plant and Equipment	1,408,596	16,169	1,424,765
Total assets	1,635,846	16,169	1,652,015
Net Assets	1,586,288	16,169	1,602,457
Asset Revaluation Reserve	744,261	16,169	760,430
Total equity	1,586,288	16,169	1,602,457

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Adjustments to the comparative figures for the year ended 30 June 2019****Statement of Financial Position**

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure Property, Plant and Equipment	1,418,183	16,169	1,434,352
Total assets	1,664,672	16,169	1,680,841
Net Assets	1,615,720	16,169	1,631,889
Asset Revaluation Reserve	744,302	16,169	760,471
Total equity	1,615,720	16,169	1,631,889

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

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

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

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

(ii) AASB 15 and AASB 1058

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

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases,

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Licences

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

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

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

Grants – capital

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	137
– Under AASB 1058	–
Total Contract liabilities	137

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	20,554	–	–	20,554	
Investments	67,500	–	–	67,500	
Receivables	17,074	–	–	17,074	
Inventories	207	–	–	207	
Other	3,040	–	–	3,040	
Total current assets	108,375	–	–	108,375	
Current liabilities					
Payables	15,899	9,647	–	25,546	
Contract liabilities	11,652	–	(11,652)	–	
Lease liabilities	65	–	–	65	
Borrowings	560	–	–	560	
Provisions	11,487	–	–	11,487	
Total current liabilities	39,663	9,647	(11,652)	37,658	
Non-current assets					
Investments	110,500	–	–	110,500	
Receivables	102	–	–	102	
Infrastructure, property, plant and equipment	1,553,427	–	–	1,553,427	
Investment property	46,170	–	–	46,170	
Intangible assets	927	–	–	927	
Right of use assets	1,739	–	–	1,739	
Total non-current assets	1,712,865	–	–	1,712,865	
Non-current liabilities					
Lease liabilities	1,690	–	–	1,690	
Borrowings	21,420	–	–	21,420	
Provisions	285	–	–	285	
Total Non-current liabilities	23,395	–	–	23,395	
Net assets	1,758,182	(9,647)	11,652	1,760,187	
Equity					
Accumulated surplus	898,374	–	2,005	900,379	
Revaluation reserves	859,808	–	–	859,808	
Council equity interest	1,758,182	–	2,005	1,760,187	
Total equity	1,758,182	–	2,005	1,760,187	

continued on next page ...

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	88,273	–	–	88,273	
User charges and fees	19,753	–	–	19,753	
Other revenues	4,654	–	–	4,654	
Grants and contributions provided for operating purposes	8,971	141	–	9,112	
Grants and contributions provided for capital purposes	14,917	1,864	–	16,781	
Interest and investment income	5,052	–	–	5,052	
Net gains from the disposal of assets	1,057	–	–	1,057	
Fair value increment on investment properties	5,027	–	–	5,027	
Rental income	6,134	–	–	6,134	
Total Income from continuing operations	153,838	2,005	–	155,843	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	41,713	–	–	41,713	
Borrowing costs	439	–	–	439	
Materials and contracts	50,675	–	–	50,675	
Depreciation and amortisation	17,438	–	–	17,438	
Other expenses	16,480	–	–	16,480	
Total Expenses from continuing operations	126,745	–	–	126,745	
Total Operating result from continuing operations	27,093	2,005	–	29,098	
Net operating result for the year	27,093	2,005	–	29,098	
Total comprehensive income	126,430	–	–	126,430	

Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	137	137
Total liabilities	47,569	137	47,706
Accumulated surplus	871,418	(137)	871,281
Total equity	(47,569)	(137)	(47,706)

(iii) AASB 16 Leases

Council as a lessee

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

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

Council as a lessor

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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 19. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	20,554	38,357
Balance as per the Statement of Cash Flows		20,554	38,357
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		27,093	29,391
Adjust for non-cash items:			
Depreciation and amortisation		17,438	16,895
Net loss on disposal of assets		(1,057)	156
Non-cash capital grants and contributions		(823)	–
Adoption of AASB 15/1058		(137)	–
Gains recognised on fair value re-measurements through the P&L:			
– Investment property		(5,027)	(1,991)
Amortisation of premiums, discounts and prior period fair valuations			
– Financial assets at amortised cost / held to maturity (2019)		–	1
+/- Movement in operating assets and liabilities and other cash items:			
Increase/(decrease) in receivables		(6,529)	190
Increase/(decrease) in provision for doubtful debts		86	(1,107)
Increase/(decrease) in inventories		(43)	26
(Decrease) in other assets		(525)	(458)
Increase in payables– operating		1,079	142
Increase/(decrease) in other liabilities		(2,531)	1,954
Increase in contract liabilities		11,652	–
Increase/(decrease) in employee leave entitlements		1,068	(436)
Net cash provided from operating activities from the Statement of Cash Flows		41,744	44,763

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
(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	809	432
Other	19,613	7,062
Total commitments	20,422	7,494
These expenditures are payable as follows:		
Within the next year	20,422	7,494
Total payable	20,422	7,494
Sources for funding of capital commitments:		
Unrestricted general funds	20,422	7,494
Total sources of funding	20,422	7,494

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

Within the next year	–	239
Later than one year and not later than 5 years	–	283
Total non-cancellable operating lease commitments	–	522

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

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

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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) 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.

(ii) 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.

Where agreement is reached independent valuations guide the acquisition process in accordance with Council's Acquisition and Divestment of Land Policy. At reporting date, independent valuations have not yet been secured to accurately determine the value of any potential liability to Council (and subsequent land asset) from all such potential acquisitions.

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.

(ii) Storm damage

During 2019/20 Council's LGA suffered from two major natural disasters (November and February storms). As a result, significant expenditure has been incurred on clean-up and restoration costs. Council is eligible for natural disaster funding from the NSW Government as part of the Disaster Recovery Funding Arrangements (DRFA) model. An application of \$1.7m has been lodged with the Department for reimbursement of costs incurred; however, at this stage the result of the application and the final amount approved is unknown. As such, a receivable has not been recognised in the current Financial Statements.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	20,554	38,357	20,554	38,357
Receivables	17,176	10,733	17,176	10,733
Investments				
– 'Financial assets at amortised cost'	178,000	154,250	178,308	154,617
Total financial assets	215,730	203,340	216,038	203,707
Financial liabilities				
Payables	15,899	15,060	15,899	15,060
Loans/advances	21,980	20,684	21,980	20,684
Lease liabilities	1,755	–	1,755	–
Total financial liabilities	39,634	35,744	39,634	35,744

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 it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 22. 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
2020				
Possible impact of a 10% movement in market values	4,400	4,400	(4,400)	(4,400)
Possible impact of a 1% movement in interest rates	440	440	(440)	(440)
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)

(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 General Purpose Financial Statements for the year ended 30 June 2020

Note 22. Financial risk management (continued)

Credit risk profile

Receivables – rates and annual charges

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	2,839	448	140	57	3,484
2019						
Gross carrying amount	–	2,310	328	202	190	3,030

Receivables - non-rates and annual charges

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	12,014	525	111	1,395	294	14,339
2019						
Gross carrying amount	6,976	127	134	1,027	–	8,264

(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 can be utilised as required.

The contractual undiscounted cash outflows (i.e.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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	7,291	8,730	–	–	16,021	15,899
Loans and advances	1.61%	–	560	20,420	1,000	21,980	21,980
Total financial liabilities		7,291	9,290	20,420	1,000	38,001	37,879
2019							
Trade/other payables	0.00%	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

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Capital grants and contributions	19,303	14,917	(4,386)	(23)% U
Unfavourable variance mainly due to less than forecast development contributions received.				
Net gains from disposal of assets	750	1,057	307	41% F
Favourable variance mainly due to a "Held for Sale" parcel of land (Babbage road, Roseville) disposed off during the financial year.				
Expenses				
Borrowing costs	718	439	279	39% F
Favourable variance due to lower actual loan balance and lower interest rates achieved compared to projected assumptions.				
Materials and contracts	44,867	50,675	(5,808)	(13)% U
Unfavourable mainly due to significant expenses incurred as a result of two unforeseen natural disaster events (November 2019 & February 2020 storms) combined with more than projected expenditure on legal matters, waste recycling and agency costs.				
Other expenses	18,282	16,480	1,802	10% F
Favourable variance mainly due to lower than forecast street lighting cost, electricity costs and rental rebates.				
STATEMENT OF CASH FLOWS				
Cash flows from financing activities	(1,213)	1,240	2,453	(202)% F
The variance is mainly due to low interest rates and a new loan drawn.				

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2020					
Investment property					
Investment properties	30/06/20	–	46,170	–	46,170
Total investment property		–	46,170	–	46,170
Infrastructure, property, plant and equipment					
Operational Land	30/06/18	–	–	160,960	160,960
Community Land	30/06/16	–	–	402,884	402,884
Land Under Roads	30/06/19	–	–	1,173	1,173
Land Improvements Depreciable	30/06/16	–	–	1,717	1,717
Stormwater Drainage	30/06/18	–	–	162,501	162,501
Structure (Car Parks)	30/06/20	–	–	10,438	10,438
Buildings – Non Specialised	30/06/18	–	–	4,399	4,399
Buildings – Specialised	30/06/18	–	–	89,835	89,835
Furniture & Fittings	30/06/15	–	–	244	244
Library Books	30/06/15	–	–	3,147	3,147
Office Equipment	30/06/15	–	–	878	878
Plant & Equipment (e.g. Fleet & Small Plant)	30/06/15	–	–	9,480	9,480
Crown Land	30/06/18	–	–	138,653	138,653
Other (Artworks, Sculptures)	30/06/16	–	–	1,370	1,370
Roads and Bulk earthworks	30/06/20	–	–	301,206	301,206
Bridges	30/06/20	–	–	10,023	10,023
Footpaths	30/06/20	–	–	47,960	47,960
Kerb & Gutter	30/06/20	–	–	93,165	93,165
Road Structure & Street Furniture	30/06/20	–	–	8,304	8,304
Recreational Facilities	30/06/15	–	–	74,773	74,773
Swimming Pools	30/06/18	–	–	2,466	2,466
Total infrastructure, property, plant and equipment		–	–	1,525,576	1,525,576

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

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment property					
Investment properties	30/06/19	–	39,866	–	39,866
Total investment property		–	39,866	–	39,866
Infrastructure, property, plant and equipment					
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	–	–	9,564	9,564
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	–	–	8,798	8,798
Crown Land	30/06/18	–	–	138,653	138,653
Other (Artworks, Sculptures)	30/06/16	–	–	1,436	1,436
Roads and Bulk earthworks	30/06/15	–	–	242,136	242,136
Bridges	30/06/15	–	–	8,038	8,038
Footpaths	30/06/15	–	–	33,224	33,224
Kerb & Gutter	30/06/15	–	–	67,551	67,551
Road Structure & Street Furniture	30/06/15	–	–	6,171	6,171
Recreational Facilities	30/06/15	–	–	72,777	72,777
Swimming Pools	30/06/18	–	–	2,474	2,474
Total infrastructure, property, plant and equipment		–	–	1,415,328	1,415,328
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

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

The 2019 figures have been restated

(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 General Purpose Financial Statements for the year ended 30 June 2020

Note 24. 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 2020 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 General Purpose Financial Statements for the year ended 30 June 2020

Note 24. 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 (Car Park)

Council's car parks are componentised into the pavement, surface, formation and kerb & gutter for inspection and valuation. Council undertook the full revaluation of car park assets in the current financial year.

The condition of each asset was determined by engineers completing field inspections using the rate 1 (Excellent) to 5 (Very Poor). Replacement costs (unit rate) of Council's car park assets were determined using technical knowledge from council engineers and managers based on current contractor cost 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.

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.

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. Council undertook the full revaluation of road assets in current financial year.

The condition of Council's roads is determined utilising a pavement condition index which is based on surface cracking, surface texture and roughness, rutting. The condition is assessed completed by external consultant Infrastructure Management Group through field inspection. This pavement condition index is converted into road technical ratings condition 1 (Excellent) to 5 (Very Poor). The replacement costs (unit rates) are determined based on current contractor cost information for different road classes and materials. Useful lives were reviewed by Council's roads engineer based on Austroads 2009 guide. Remaining useful life is based on the new condition rate and Austroads Health Indices calculated by the Council's pavement management system SMEC.

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

Bridges

Council's bridges register consists of pedestrian, road, culvert, and vehicle access bridges. Council undertook the full revaluation of bridge assets in current financial year. The bridges were inspected and valued by an independent consultant Aurecon Australasia Pty Ltd. In order to apply fair valuation and condition based depreciation, the following information was determined by the consultant for each component:

- Condition assessment - Bridge site inspection is at component level, based on which the average condition rating at decimal format is calculated for the component. The rate is then round up or down based on Aurecon Australasia's professional methodology.
- The useful life and remaining useful life - Useful life of a component is based on primary material that the component in question is comprised of. The remaining useful life (RUL) is calculated by taking into account both condition and age and subtracting that from the design life.
- Replacement cost - The cost to replace a component to a current day equivalent.
- Residual value - For the purposes of calculating Fair Value for all bridge components at the end of their Useful Life, the RV has been assumed to be \$0 since generally there is no significant re-sale value potential for bridge components.
- Depreciation Method - For the purposes of the fair value calculation, a straight-line depreciation is adopted.

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 engineer completed the full valuation of the Footpath assets internally in current financial year.

Replacement costs (unit rates) are determined based on invoices for footpath construction 2019-2020 and Council's Minor Works Tender Schedule of Rates. Useful lives are reviewed using technical knowledge with no changes being implemented to existing adopted useful lives. 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 are the latest condition rate is Council's asset system. The condition rates are updated per a five-year condition assessment program. Besides this, footpaths are also inspected with conditions updated as part of customer requests, authorised road opening work and Council's capital works program. Council models the footpath defects to determine an overall footpath condition rating for each footpath segment.

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 staff performed the valuation of the assets internally in this current financial year.

The condition rates are assessed by external consultant Infrastructure Management Group through inspection and engineer's desktop assessment. Replacement costs (unit rates) are based on current contractor cost information. Useful lives are reviewed using technical knowledge with no changes being implemented to existing adopted useful lives. 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.

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

Note 24. 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.

Road Structure and Street Furniture

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

The condition of these assets are monitored during Council's routine suburbs audit, and maintained if necessary. In addition, their conditions are updated regularly following customers' requests and completion of Council's capital works program. The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

Replacement costs (unit rates) are based on current invoices, quotations Council's Minor Works Tender and Schedule of Rates and capital works handover spreadsheets. The useful lives of Council's road structures and street furniture are reviewed and updated using technical knowledge from Council engineers based on 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.

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.

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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 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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. 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 improvement s depreciable	Stormwater drainage	Structures (car parks) Restated
2019					
Opening balance	402,905	1,132	2,021	160,905	9,629
Purchases (GBV)	–	–	–	2,004	168
Depreciation and impairment	–	–	(158)	(1,659)	(233)
Revaluation	–	41	–	–	–
Closing balance	402,905	1,173	1,863	161,250	9,564
2020					
Opening balance	402,905	1,173	1,864	161,250	9,565
Transfers from/(to) another asset class	–	–	–	1,402	(20)
Purchases (GBV)	–	–	–	1,531	623
Disposals (WDV)	(21)	–	–	–	(36)
Depreciation and impairment	–	–	(147)	(1,682)	(237)
Revaluation	–	–	–	–	543
Closing balance	402,884	1,173	1,717	162,501	10,438

\$ '000	Building specialised	Other	Roads Restated	Bridges Restated	Footpaths Restated
2019					
Opening balance	90,582	1,520	238,944	8,200	33,448
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	242,135	8,038	33,224
2020					
Opening balance	90,224	1,436	242,136	8,039	33,224
Transfers from/(to) another asset class	–	–	(1,656)	–	27
Purchases (GBV)	2,726	–	9,255	–	1,892
Disposals (WDV)	(78)	–	–	(68)	–
Depreciation and impairment	(3,037)	(66)	(5,231)	(158)	(697)
Revaluation	–	–	56,702	2,210	13,514
Closing balance	89,835	1,370	301,206	10,023	47,960

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Kerb and gutter Restated	Road structure and street furniture Restated	Recreational facilities	Swimming pools	Held for sale (comm land and LIMP)
2019					
Opening balance	67,827	5,681	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	67,551	6,171	72,777	2,474	380
2020					
Opening balance	67,551	6,171	72,777	2,474	380
Transfers from/(to) another asset class	(94)	(172)	513	–	–
Purchases (GBV)	1,277	1,505	4,194	22	24
Disposals (WDV)	–	(14)	–	–	–
Depreciation and impairment	(974)	(148)	(2,711)	(30)	(404)
Revaluation	25,405	962	–	–	–
Closing balance	93,165	8,304	74,773	2,466	–

\$ '000	Crown land Restated	Buildings non-specialised	Furniture and fittings	Office equipment	Plant and equipment
2019					
Opening balance	138,653	3,646	163	841	7,778
Purchases (GBV)	–	238	120	248	2,912
Disposals (WDV)	–	–	–	(116)	(889)
Depreciation and impairment	–	(133)	(35)	(164)	(1,003)
Closing balance	138,653	3,751	248	809	8,798
2020					
Opening balance	138,653	3,752	248	809	8,798
Purchases (GBV)	–	796	39	232	2,780
Disposals (WDV)	–	–	–	–	(869)
Depreciation and impairment	–	(149)	(43)	(163)	(1,229)
Closing balance	138,653	4,399	244	878	9,480

Notes to the General Purpose Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Operational Land	Library books	Total
2019			
Opening balance	159,549	2,967	1,411,946
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	1,415,707
2020			
Opening balance	159,230	3,053	1,415,712
Purchases (GBV)	1,730	685	29,311
Disposals (WDV)	-	-	(1,086)
Depreciation and impairment	-	(591)	(17,697)
Revaluation	-	-	99,336
Closing balance	160,960	3,147	1,525,576

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Bridges	10,023	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 2 - 5 Good to Very poor
Community Land	402,884	NSW Valuer General	Useful life 3-70 years Unimproved Capital Value provided by Valuer General
Buildings - Specialised	89,835	Cost Approach	Total area (6,986,004 m2) Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 4 Excellent to Poor Useful life 25-100 years
Buildings Non Specialised	4,399	Cost Approach	Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical 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

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

Note 24. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Crown Land	138,653	NSW Valuer General	Unimproved Capital Value provided by Valuer General
Footpaths	47,960	Cost Approach	Replacement Cost - Unit Rates \$110 - \$480 vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 40- 80 years Cost vary from asset to asset
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	244	Cost Approach	Useful life 2-10 years Residual Value \$nil - \$10
Kerb and Gutter	93,165	Cost Approach	Replacement Cost - Unit Rate \$150 - \$250 vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 60-100 years Replacement Cost - Unit Rates vary from asset to asset
Land Improvements Depreciable	1,717	Cost Approach	Asset Condition rating 1 - 5 Excellent to Very poor Useful life 20 years Total area (85,374,620m2) Total area LUR (19,421m2)
Land Under Roads	1,173	Cost Approach / Englobo valuation	Englobo valuation basis (AASB116) Replacement Costs vary from asset to asset Asset Condition rating 1-5 Excellent to Very poor Useful life 10 years Residual Value \$nil - \$10
Library Books	3,147	Cost Approach	Total area (82,222m2) Replacement costs vary from asset to asset Replacement Costs vary from asset to asset Asset Condition rating 1 - 4 Excellent to poor Useful life 25-60 years Replacement Costs vary from asset to asset
Operational Land	160,960	Market Value / Cost Approach	Asset Condition rating 1 - 5 Excellent to Very poor Useful life 5-150 years
Other (Artworks, Sculptures)	1,370	Cost Approach	
Other Structures (Car park)	10,438	Cost Approach	
Recreational Facilities	74,773	Cost Approach	

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

Note 24. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Road Structure and Street Furniture	8,304	Cost Approach	Replacement Costs vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Roads	301,206	Cost Approach	Useful life 10-120 years Unit Rates Surface:\$25-\$35 Pavement:\$5-\$350 Asset Condition rating 1 - 5 Excellent to Very poor Pavement useful life 60 - 80 years Surface useful life 20 - 100 years Replacement Cost Unit Rates vary from asset to asset
Stormwater Drainage	162,501	Cost Approach	Asset Condition rating 1 - 5 Excellent to Very poor Useful life 10-150 years Replacement Costs vary from asset to asset
Swimming Pools	2,466	Cost Approach	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 General Purpose Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. 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	2020	2019
Compensation:		
Short-term benefits	3,597	2,989
Other long-term benefits	34	30
Termination benefits	–	228
Total	3,631	3,247

(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.

Council does not use Other transactions with KMP and their related parties.

Note 26. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had a financial impact for Council in the financial year ended 30 June 2020, which was reported to Council, and is expected to further impact the following financial year.

The scale, timing and duration of the potential impacts on Council is unknown, however, it is expected that there will be a decrease in projected revenue.

In the period after balance sheet date to signing of this report, Council was financially sound and there have not been any additional significant adverse operational or financial impacts as a result of COVID-19 Pandemic or other circumstances and any known impacts to date have been reflected in the 30 June 2020 financial statements.

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

Note 27. 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 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	28,805	2,905	823	773	(3,836)	266	28,913	–
Parking	901	–	–	22	(14)	–	909	–
Open space	90,850	4,013	–	2,235	(5,969)	(266)	90,863	–
Community facilities	7,844	534	–	191	(853)	–	7,716	–
Other	23	–	–	–	(233)	–	(210)	–
S7.11 contributions – under a plan	128,423	7,452	823	3,221	(10,905)	–	128,191	–
S7.12 levies – under a plan	6,087	2,469	–	176	(576)	–	8,156	–
Total S7.11 and S7.12 revenue under plans	134,510	9,921	823	3,397	(11,481)	–	136,347	–
Total contributions	134,510	9,921	823	3,397	(11,481)	–	136,347	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – 1993 Plan

Parking	901	–	–	22	(14)	–	909	–
Total	901	–	–	22	(14)	–	909	–

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

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN – 2000 to 2003 Residential Plan								
Open space	1,534	–	–	34	(788)	–	780	–
Community facilities	46	–	–	1	–	–	47	–
Total	1,580	–	–	35	(788)	–	827	–
CONTRIBUTION PLAN – 2004/2009 Residential Plan								
Open space	1,733	–	–	43	(39)	–	1,737	–
Community facilities	3,288	–	–	80	(171)	–	3,197	–
Other	23	–	–	–	(23)	–	–	–
Total	5,044	–	–	123	(233)	–	4,934	–
CONTRIBUTION PLAN – 2010 Plan								
Traffic facilities	28,805	2,905	823	773	(3,836)	266	28,913	–
Open space	87,239	4,013	–	2,150	(5,142)	(266)	87,994	–
Community facilities	4,510	534	–	110	(682)	–	4,472	–
Other	–	–	–	–	(210)	–	(210)	–
Total	120,554	7,452	823	3,033	(9,870)	–	121,169	–
CONTRIBUTION PLAN – Ku-ring-gai SEPP 5 Plan								
Open space	344	–	–	8	–	–	352	–
Total	344	–	–	8	–	–	352	–
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER – Section 7.12 levies								
Indirect contribution	6,087	2,469	–	176	(576)	–	8,156	–
Total	6,087	2,469	–	176	(576)	–	8,156	–

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

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

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ¹	6,092	4.59%	10.22%	4.03%	8.97%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	132,837					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	123,866	83.83%	85.20%	76.97%	82.42%	>60.00%
Total continuing operating revenue ¹	147,754					
3. Unrestricted current ratio						
Current assets less all external restrictions ²	63,280	3.42x	3.65x	3.05x	3.21x	>1.50x
Current liabilities less specific purpose liabilities ³	18,489					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	23,969	19.99x	17.72x	13.96x	13.46x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,199					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	3,778	4.12%	3.73%	2.96%	3.27%	<5.00%
Rates, annual and extra charges collectible	91,771					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	154,554	16.54	16.35	16.80	13.90	>3.00
Monthly payments from cash flow of operating and financing activities	9,344	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.

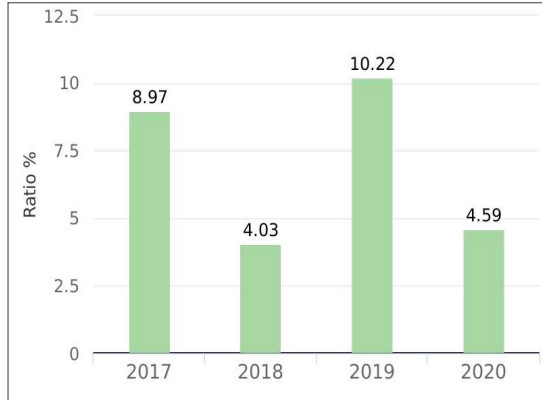
(2) Refer Note 7-9 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Note 16 and 17 - excludes all payables and provisions not expected to be paid in the next 12 months (incl.ELE).

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

Note 28(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 2019/20 result

2019/20 ratio 4.59%

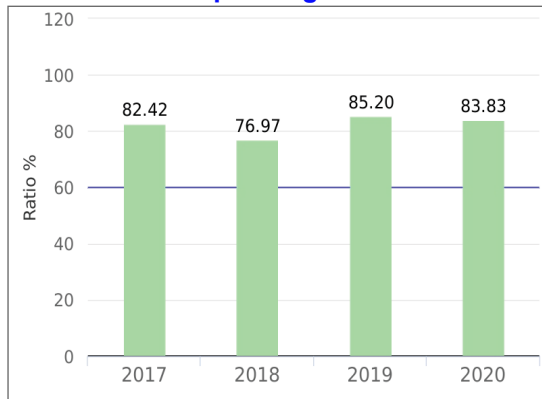
Council's Performance Ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The decrease from previous year is mainly due to reduced income and higher operational expenditure, as a result of COVID-19 Pandemic revenue loss and additional expenditure from two storms during the year.

Benchmark: — > 0.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 83.83%

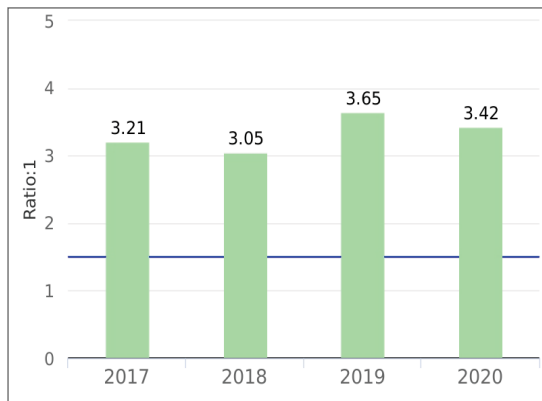
Council's Own Source Operating Revenue Ratio has remained above the benchmark of (>60%) in the last four years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.

Benchmark: — > 60.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.42x

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 ratio remains stable with only a minor decrease from previous year.

Benchmark: — > 1.50x

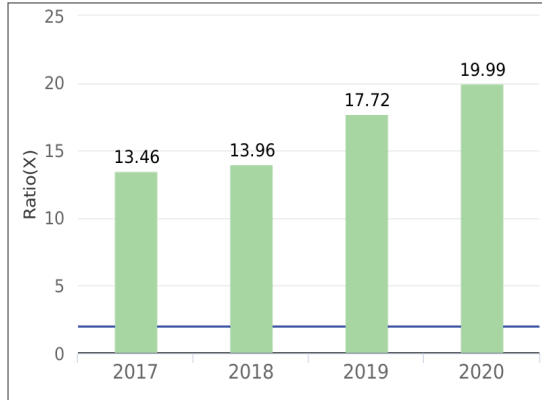
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark
Ratio is outside benchmark

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

Note 28(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 2019/20 result

2019/20 ratio 19.99x

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 during the financial year compared to the previous year.

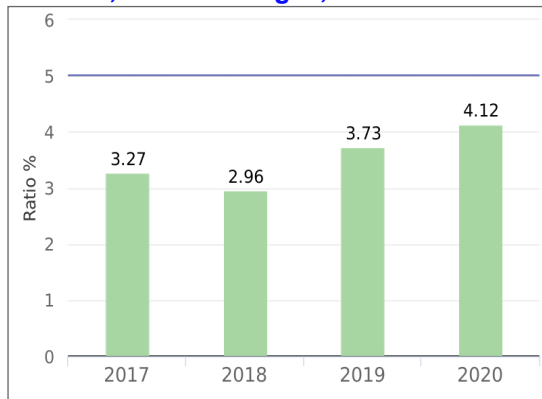
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 4.12%

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 4.12% is satisfactory and is better than the benchmark of "less than 5%". A modest increase from previous year is noticed mainly due to additional uncollected rates as a result of the impact of Covid-19 Pandemic on some ratepayers.

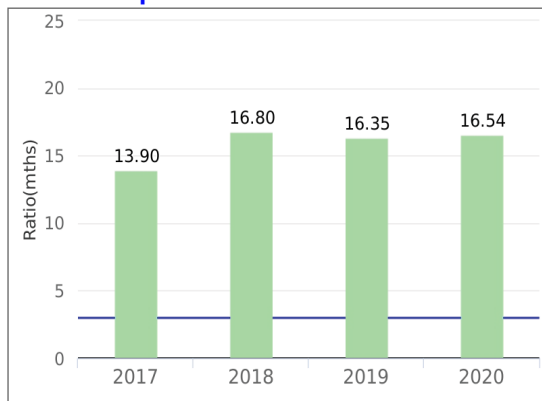
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 16.54 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 as a result of reduced current cash and investments compared to last year.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

I have audited the accompanying financial statements of Ku-ring-gai Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

23 September 2020
SYDNEY



Ms Jennifer Anderson
Mayor
Ku-ring-gai Council
Locked Bag 1006
GORDON NSW 2072

Contact: Chariee Bultitude
Phone no: 02 9275 7104
Our ref: D2020047/1748

23 September 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Ku-ring-gai Council**

I have audited the general purpose financial statements (GPFS) of the Ku-ring-gai Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

We did not identify any significant audit issues and observations during the audit of the Council's financial statements.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	88.3	85.4	↑ 3
Grants and contributions revenue	23.9	21.8	↑ 9
Operating result from continuing operations	27.1	29.3	↓ 8
Net operating result before capital grants and contributions	12.2	15.5	↓ 21

The Council's operating result from continuing operations (\$27.1 million including depreciation and amortisation expense of \$17.4 million) was \$2.2 million lower than the 2018–19 result. This result includes a decrease in user charges and fees (\$1.7 million), an increase in rates and annual charges (\$2.9 million), an increase in grants and contribution revenue (\$2.1 million), a decrease in other revenues (\$2.3 million), net gain from disposal of assets (\$1.1 million), and a gain on the fair value of investment properties (\$3.0 million).

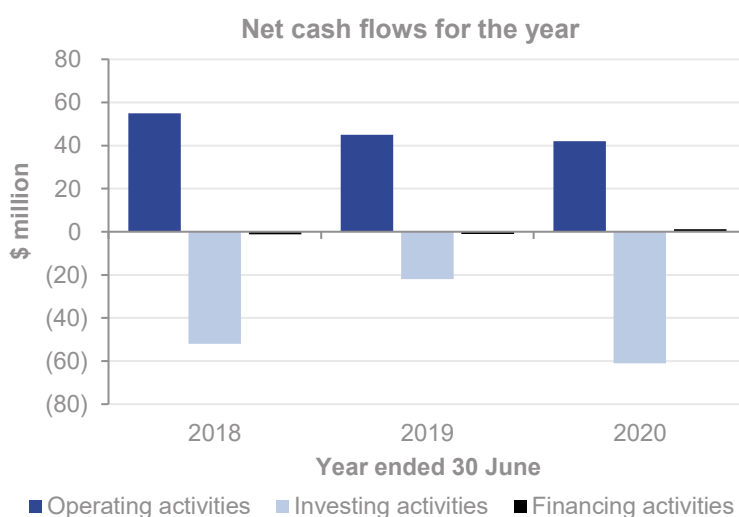
The net operating result before capital grants and contributions (\$12.2 million) was \$3.3 million lower than the 2018–19 result. This result includes an increase in materials and contracts (\$4.8 million).

Rates and annual charges revenue was \$88.3 million (\$85.4 million for the year ended 30 June 2019). The increase of \$2.9 million (3 per cent) is mainly due to the rate peg and natural growth rateable properties.

Grants and contributions revenue (\$23.9 million) increased by \$2.1 million (9 per cent) in 2019–20 due to additional grant funding received.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities decreased from 2018-19 due to an increase in payments for materials and contracts.
- Council's cash outflows from investing activities increased because of an increase in payments for infrastructure, property, plant and equipment and also a decrease in receipts for sale of investment securities.
- Net cash from financing activities has been steady over the previous three years.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	155.6	152.6	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted funds increased as a result of a build-up of unspent s7.11 contributions and s7.12 levies revenue under a plan.
Internal restrictions	37.8	36.2	
Unrestricted	5.2	3.7	
Cash and investments	198.6	192.5	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in the use by resolution or by a policy of Council to reflect identified programs of works and any forward plans identified by Council. Internal restrictions for infrastructure and facilities have increased. Council's unrestricted cash balance is relatively consistent and healthy.

Debt

At 30 June 2020, Council recognised \$21.9 million in loans (30 June 2019: \$20.6 million). The increase is primarily for the purpose of refurbishment of certain infrastructure, property, and plant equipment under the operational plan. Council's loans are secured over the general rating income of Council.

PERFORMANCE

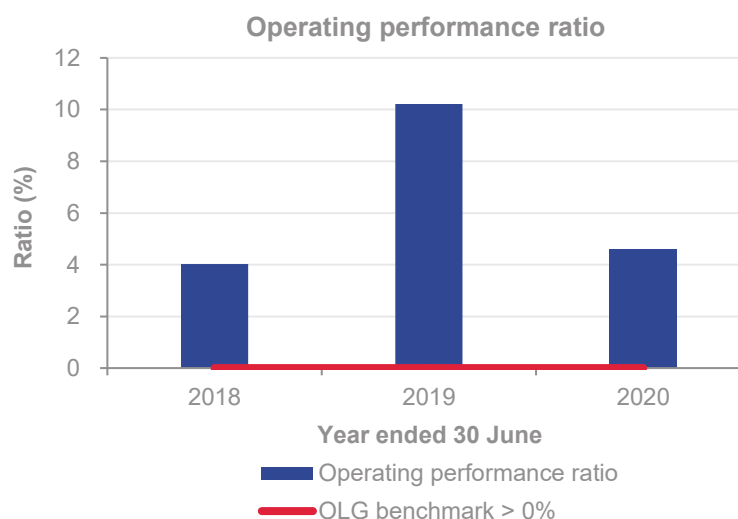
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

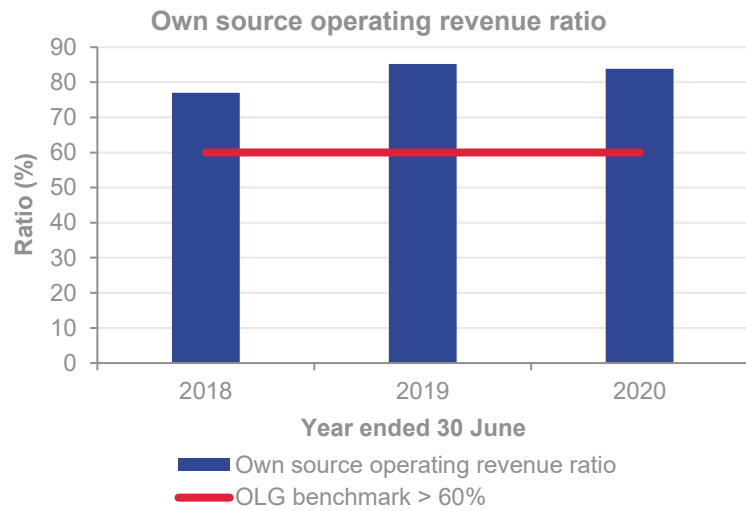
The Council exceeded the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

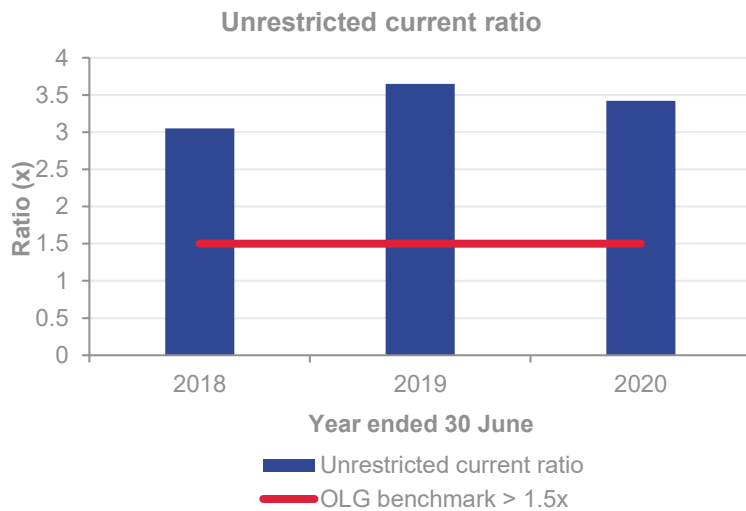
The Council exceeded the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

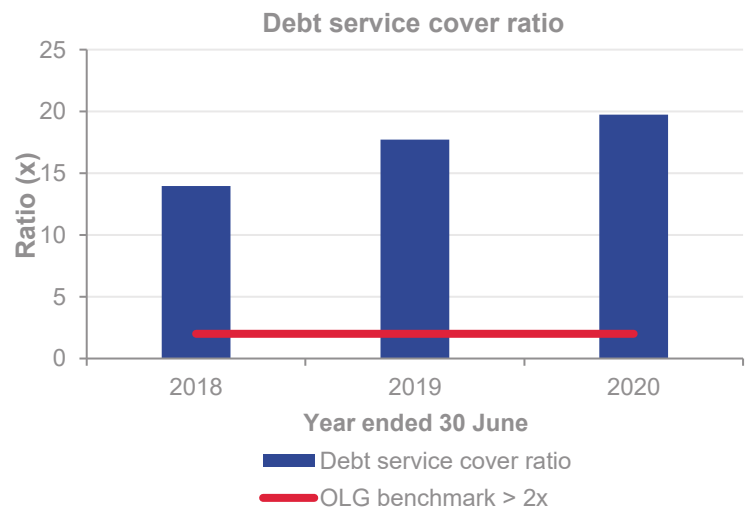
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

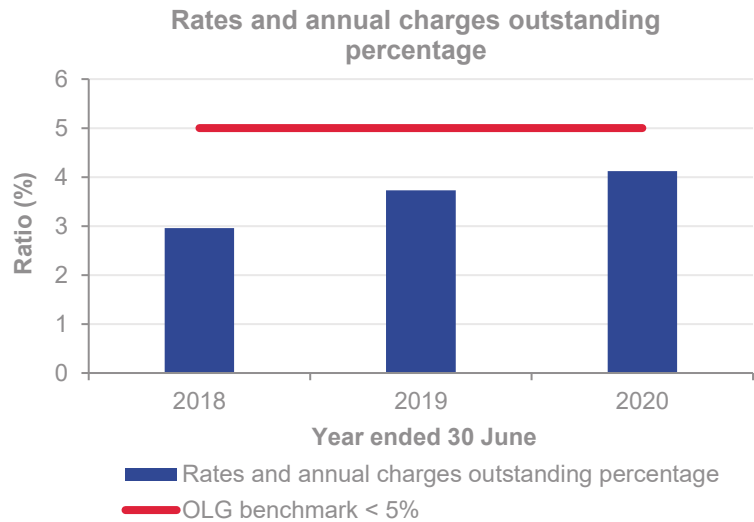
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

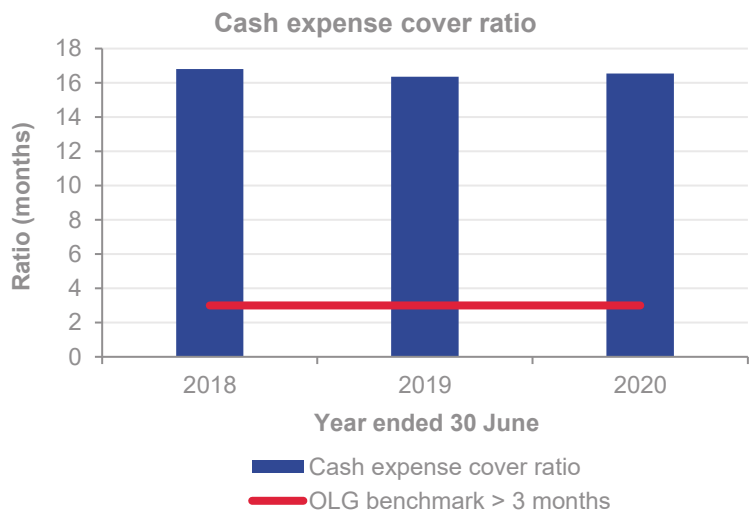
The Council exceeded the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

During the 30 June 2020 financial year, Council recognised \$20.0 million in asset renewals (30 June 2019: \$17.3 million). Council performed a comprehensive revaluation of infrastructure assets, including other structures (car parks), roads, bridges, footpaths, and bulk earthworks. The revaluation process included a condition assessment of these infrastructure assets. An increase in asset renewals during the 30 June 2020 financial year can be attributable to the requirement to replace and/or refurbish existing assets identified during the revaluation process.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$137,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 18.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$1.7 million and lease liabilities of \$1.8 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 18.

Legislative compliance

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

cc: Mr John McKee, General Manager
Mr Stephen Coates, Chair of Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

"...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 2020

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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).

Ku-ring-gai Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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.

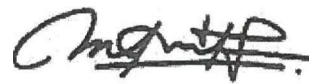
Signed in accordance with a resolution of Council made on 22 September 2020.



Jennifer Anderson

Mayor

22 September 2020



Cedric Spencer

Deputy Mayor

22 September 2020



John McKee

General Manager

22 September 2020



Angela Apostol

Responsible Accounting Officer

22 September 2020

Income Statement – Thomas Carlyle Children Centre

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	735	1,016
Grants and contributions provided for non-capital purposes	1,005	656
Total income from continuing operations	1,740	1,672
Expenses from continuing operations		
Employee benefits and on-costs	1,294	1,238
Materials and contracts	78	167
Depreciation, amortisation and impairment	40	39
Other expenses	82	91
Total expenses from continuing operations	1,494	1,535
Surplus (deficit) from continuing operations before capital amounts	246	137
Surplus (deficit) from continuing operations after capital amounts	246	137
Surplus (deficit) from all operations before tax	246	137
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(68)	(38)
SURPLUS (DEFICIT) AFTER TAX	178	99
Plus accumulated surplus	1,170	1,097
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	68	38
Less:		
– Dividend paid	(377)	(64)
Closing accumulated surplus	1,039	1,170
Return on capital %	19.4%	10.4%

Income Statement – Art Centre

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	388	511
Total income from continuing operations	388	511
Expenses from continuing operations		
Employee benefits and on-costs	313	292
Materials and contracts	247	322
Depreciation, amortisation and impairment	48	47
Other expenses	41	44
Total expenses from continuing operations	649	705
Surplus (deficit) from continuing operations before capital amounts	(261)	(194)
Surplus (deficit) from continuing operations after capital amounts	(261)	(194)
Surplus (deficit) from all operations before tax	(261)	(194)
SURPLUS (DEFICIT) AFTER TAX	(261)	(194)
Plus accumulated surplus	4,099	4,093
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	276	200
Closing accumulated surplus	4,114	4,099
Return on capital %	(4.6)%	(3.4)%
Subsidy from Council	311	268

Income Statement – Trade Waste

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	1,803	1,822
Other income	99	102
Total income from continuing operations	1,902	1,924
Expenses from continuing operations		
Employee benefits and on-costs	46	57
Materials and contracts	1,136	1,176
Total expenses from continuing operations	1,182	1,233
Surplus (deficit) from continuing operations before capital amounts	720	691
Surplus (deficit) from continuing operations after capital amounts	720	691
Surplus (deficit) from all operations before tax	720	691
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(198)	(190)
SURPLUS (DEFICIT) AFTER TAX	522	501
Plus accumulated surplus	616	819
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	198	190
Less:		
– Dividend paid	(810)	(894)
Closing accumulated surplus	526	616
Return on capital %	93.1%	88.9%

Income Statement – Gordon Golf Course

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	944	723
Other income	–	82
Total income from continuing operations	944	805
Expenses from continuing operations		
Employee benefits and on-costs	749	715
Materials and contracts	368	367
Depreciation, amortisation and impairment	118	113
Other expenses	332	253
Total expenses from continuing operations	1,567	1,448
Surplus (deficit) from continuing operations before capital amounts	(623)	(643)
Surplus (deficit) from continuing operations after capital amounts	(623)	(643)
Surplus (deficit) from all operations before tax	(623)	(643)
SURPLUS (DEFICIT) AFTER TAX	(623)	(643)
Plus accumulated surplus	7,408	7,533
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	616	518
Closing accumulated surplus	7,401	7,408
Return on capital %	(7.8)%	(8.1)%
Subsidy from Council	694	748

Income Statement – Turramurra Golf Course

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	1,008	872
Other income	–	2
Total income from continuing operations	<u>1,008</u>	<u>874</u>
Expenses from continuing operations		
Employee benefits and on-costs	470	463
Materials and contracts	390	308
Depreciation, amortisation and impairment	401	397
Other expenses	473	297
Total expenses from continuing operations	<u>1,734</u>	<u>1,465</u>
Surplus (deficit) from continuing operations before capital amounts	<u>(726)</u>	<u>(591)</u>
Surplus (deficit) from continuing operations after capital amounts	(726)	(591)
Surplus (deficit) from all operations before tax	(726)	(591)
SURPLUS (DEFICIT) AFTER TAX	<u>(726)</u>	<u>(591)</u>
Plus accumulated surplus	17,624	17,112
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	364	1,103
Closing accumulated surplus	<u>17,262</u>	<u>17,624</u>
Return on capital %	(2.7)%	(2.2)%
Subsidy from Council	962	950

Income Statement – Tennis Courts

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	325	325
Total income from continuing operations	<u>325</u>	<u>325</u>
Expenses from continuing operations		
Employee benefits and on-costs	2	5
Materials and contracts	12	4
Depreciation, amortisation and impairment	330	364
Other expenses	24	45
Total expenses from continuing operations	<u>368</u>	<u>418</u>
Surplus (deficit) from continuing operations before capital amounts	(43)	(93)
Surplus (deficit) from continuing operations after capital amounts	<u>(43)</u>	<u>(93)</u>
Surplus (deficit) from all operations before tax	<u>(43)</u>	<u>(93)</u>
SURPLUS (DEFICIT) AFTER TAX	<u>(43)</u>	<u>(93)</u>
Plus accumulated surplus	3,778	3,869
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	(191)	2
Closing accumulated surplus	<u>3,544</u>	<u>3,778</u>
Return on capital %	(0.8)%	(1.6)%
Subsidy from Council	91	168

Income Statement – Swimming Pool

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	4,097	5,209
Total income from continuing operations	4,097	5,209
Expenses from continuing operations		
Materials and contracts	3,636	4,264
Depreciation, amortisation and impairment	454	483
Other expenses	473	642
Total expenses from continuing operations	4,563	5,389
Surplus (deficit) from continuing operations before capital amounts	(466)	(180)
Surplus (deficit) from continuing operations after capital amounts	(466)	(180)
Surplus (deficit) from all operations before tax	(466)	(180)
SURPLUS (DEFICIT) AFTER TAX	(466)	(180)
Plus accumulated surplus	20,033	20,154
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	(211)	59
Closing accumulated surplus	19,356	20,033
Return on capital %	(2.4)%	(0.9)%
Subsidy from Council	637	445

Income Statement – Commercial Leasing

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	2,620	2,250
Other Income	383	337
Fair Value Increment	5,027	1,991
Total income from continuing operations	8,030	4,578
Expenses from continuing operations		
Employee benefits and on-costs	332	226
Borrowing costs	37	–
Materials and contracts	467	558
Depreciation, amortisation and impairment	129	46
Other expenses	418	264
Total expenses from continuing operations	1,383	1,094
Surplus (deficit) from continuing operations before capital amounts	6,647	3,484
Surplus (deficit) from continuing operations after capital amounts	6,647	3,484
Surplus (deficit) from all operations before tax	6,647	3,484
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,828)	(958)
SURPLUS (DEFICIT) AFTER TAX	4,819	2,526
Plus accumulated surplus	42,309	39,454
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	1,828	958
Less:		
– Dividend paid	(374)	(629)
Closing accumulated surplus	48,582	42,309
Return on capital %	254.5%	82.1%

Statement of Financial Position – Thomas Carlyle Children Centre

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	1,271	1,312
Total non-current assets	1,271	1,312
TOTAL ASSETS	1,271	1,312
LIABILITIES		
Current liabilities		
Payables	3	9
Provisions	168	72
Total current liabilities	171	81
TOTAL LIABILITIES	171	81
NET ASSETS	1,100	1,231
EQUITY		
Accumulated surplus	1,039	1,170
Revaluation reserves	61	61
TOTAL EQUITY	1,100	1,231

Statement of Financial Position – Art Centre

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,629	5,627
Total non-current assets	5,629	5,627
TOTAL ASSETS	5,629	5,627
LIABILITIES		
Current liabilities		
Payables	85	118
Provisions	52	32
Total current liabilities	137	150
TOTAL LIABILITIES	137	150
NET ASSETS	5,492	5,477
EQUITY		
Accumulated surplus	4,114	4,099
Revaluation reserves	1,378	1,378
TOTAL EQUITY	5,492	5,477

Statement of Financial Position – Trade Waste

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	773	777
Total non-current assets	<u>773</u>	<u>777</u>
TOTAL ASSETS	<u>773</u>	<u>777</u>
LIABILITIES		
Current liabilities		
Payables	114	116
Provisions	133	45
Total current liabilities	<u>247</u>	<u>161</u>
TOTAL LIABILITIES	<u>247</u>	<u>161</u>
NET ASSETS	<u>526</u>	<u>616</u>
EQUITY		
Accumulated surplus	526	616
TOTAL EQUITY	<u>526</u>	<u>616</u>

Statement of Financial Position – Gordon Golf Course

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	3	5
Total current assets	3	5
Non-current assets		
Infrastructure, property, plant and equipment	8,014	7,966
Total non-current assets	8,014	7,966
TOTAL ASSETS	8,017	7,971
LIABILITIES		
Current liabilities		
Payables	23	35
Provisions	105	40
Total current liabilities	128	75
TOTAL LIABILITIES	128	75
NET ASSETS	7,889	7,896
EQUITY		
Accumulated surplus	7,401	7,408
Revaluation reserves	488	488
TOTAL EQUITY	7,889	7,896

Statement of Financial Position – Turramurra Golf Course

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	28	16
Total current assets	28	16
Non-current assets		
Infrastructure, property, plant and equipment	26,818	27,176
Total non-current assets	26,818	27,176
TOTAL ASSETS	26,846	27,192
LIABILITIES		
Current liabilities		
Payables	4	22
Provisions	154	120
Total current liabilities	158	142
TOTAL LIABILITIES	158	142
NET ASSETS	26,688	27,050
EQUITY		
Accumulated surplus	17,262	17,624
Revaluation reserves	9,426	9,426
TOTAL EQUITY	26,688	27,050

Statement of Financial Position – Tennis Courts

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,423	5,655
Total non-current assets	<u>5,423</u>	<u>5,655</u>
TOTAL ASSETS	<u>5,423</u>	<u>5,655</u>
LIABILITIES		
Current liabilities		
Payables	42	40
Total current liabilities	<u>42</u>	<u>40</u>
TOTAL LIABILITIES	<u>42</u>	<u>40</u>
NET ASSETS	<u>5,381</u>	<u>5,615</u>
EQUITY		
Accumulated surplus	3,544	3,778
Revaluation reserves	1,837	1,837
TOTAL EQUITY	<u>5,381</u>	<u>5,615</u>

Statement of Financial Position – Swimming Pool

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	66	381
Total current assets	66	381
Non-current assets		
Infrastructure, property, plant and equipment	19,391	20,098
Total non-current assets	19,391	20,098
TOTAL ASSETS	19,457	20,479
LIABILITIES		
Current liabilities		
Payables	101	446
Total current liabilities	101	446
TOTAL LIABILITIES	101	446
NET ASSETS	19,356	20,033
EQUITY		
Accumulated surplus	19,356	20,033
<u>TOTAL EQUITY</u>	<u>19,356</u>	<u>20,033</u>

Statement of Financial Position – Commercial Leasing

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	2,626	2,581
Investment property	46,170	39,866
Total non-current assets	48,796	42,447
TOTAL ASSETS	48,796	42,447
LIABILITIES		
Current liabilities		
Payables	136	128
Provisions	78	10
Total current liabilities	214	138
TOTAL LIABILITIES	214	138
NET ASSETS	48,582	42,309
EQUITY		
Accumulated surplus	48,582	42,309
TOTAL EQUITY	48,582	42,309

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 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 2020

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 2020

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 0.88% at 30/6/20.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Ku-ring-gai Council

To the Councillors of the Ku-ring-gai Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Ku-ring-gai Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

The scope of my audit does not include, nor provide assurance:

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

23 September 2020
SYDNEY

Ku-ring-gai Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

"...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 2020

Contents

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Special Schedules

Permissible income for general rates	3
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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

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	66,563	64,151
Plus or minus adjustments ²	b	581	466
Notional general income	c = a + b	67,144	64,617
Permissible income calculation			
Special variation percentage ³	d	0.00%	7.70%
Or rate peg percentage	e	2.60%	0.00%
Less expiring special variation amount	g	–	(2,801)
Plus special variation amount	h = d x (c + g)	–	4,760
Or plus rate peg amount	i = e x (c + g)	1,746	–
Sub-total	k = (c + g + h + i + j)	68,890	66,576
Plus (or minus) last year's carry forward total	l	(1)	(1)
Less valuation objections claimed in the previous year	m	–	(13)
Sub-total	n = (l + m)	(1)	(14)
Total permissible income	o = k + n	68,889	66,562
Less notional general income yield	p	68,889	66,563
Catch-up or (excess) result	q = o – p	–	(1)
Carry forward to next year ⁵	t = q + r + s	–	(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.
- (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.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Ku-ring-gai Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

23 September 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^c	2019/20 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	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	All Council Buildings	1,283	7,332	3,270	4,048	94,234	163,639	25.4%	25.5%	44.6%	4.5%	0.0%	
	Sub-total	1,283	7,332	3,270	4,048	94,234	163,639	25.4%	25.5%	44.6%	4.5%	0.0%	
Other structures	Other structures	195	1,112	720	270	10,438	17,626	28.6%	25.0%	40.1%	6.3%	0.0%	
	Sub-total	195	1,112	720	270	10,438	17,626	28.6%	25.0%	40.1%	6.3%	0.0%	
Roads	Roads	18,410	68,183	2,310	1,476	225,815	350,557	6.8%	47.6%	26.2%	14.8%	4.6%	
	Bridges	287	1,057	80	183	10,023	15,322	0.0%	82.2%	10.9%	5.2%	1.7%	
	Footpaths	897	4,338	1,390	899	47,960	71,816	26.6%	20.4%	46.9%	5.6%	0.5%	
	Other Road Assets (Incl. Bulk Earthworks)	2,270	9,402	1,030	1,294	176,861	273,029	28.5%	8.2%	59.8%	2.9%	0.6%	
	Sub-total	21,864	82,980	4,810	3,852	460,658	710,724	17.0%	30.5%	40.9%	9.1%	2.6%	

Report on Infrastructure Assets (continued)
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^c	2019/20 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
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Stormwater drainage	632	2,783	850	1,586	162,501	242,009	11.7%	69.8%	17.3%	1.0%	0.2%
	Sub-total	632	2,783	850	1,586	162,501	242,009	11.7%	69.8%	17.3%	1.0%	0.2%
Open space / recreational assets	Swimming Pools & Recreational Assets	742	4,057	6,030	8,124	77,239	134,720	36.5%	30.4%	30.1%	3.0%	0.1%
	Sub-total	742	4,057	6,030	8,124	77,239	134,720	36.5%	30.4%	30.1%	3.0%	0.1%
TOTAL - ALL ASSETS		24,716	98,264	15,680	17,880	805,070	1,268,718	19.3%	37.3%	35.7%	6.3%	1.5%

(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 2020

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods		Benchmark
				2018	2017	
Infrastructure asset performance indicators consolidated *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	13,000					
Depreciation, amortisation and impairment	15,054	86.36%	66.07%	61.25%	76.00%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	24,716					
Net carrying amount of infrastructure assets	805,070	3.07%	2.49%	2.90%	4.00%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	17,880					
Required asset maintenance	15,680	114.03%	113.73%	114.62%	104.00%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	98,264					
Gross replacement cost	1,268,718	7.75%	6.27%	6.20%	7.00%	

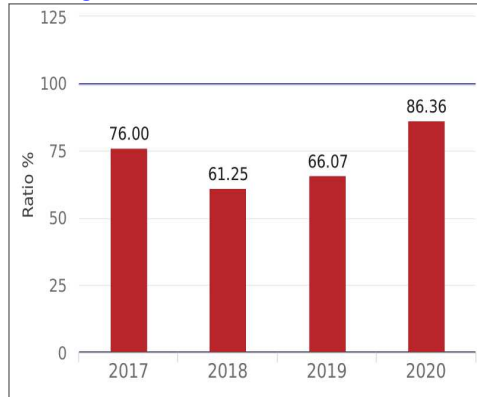
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP) - If WIP is included then the Building and infrastructure renewals ratio achieves 109%.

(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 2020

Buildings and infrastructure renewals ratio



Buildings and 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

19/20 ratio 86.36%

The ratio is an improvement from previous year due to additional renewal expenditure on major projects capitalised during the year. Part of the renewal expenditure has been recognised in work in progress. 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.

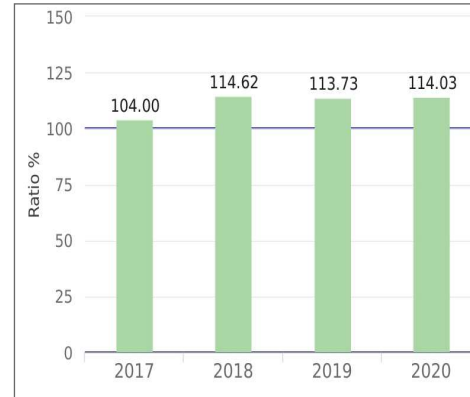
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

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

19/20 ratio 114.03%

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.

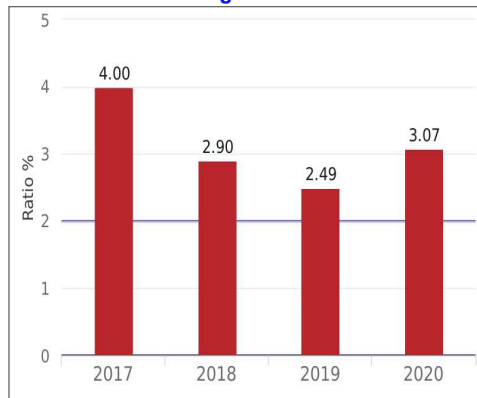
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 3.07%

Council achieved a backlog ratio of 3.07% at the end of 2019/20 financial year, which is an increase from the last financial year, mainly due to reassessment of asset conditions within the kerb & gutter assets register. 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.

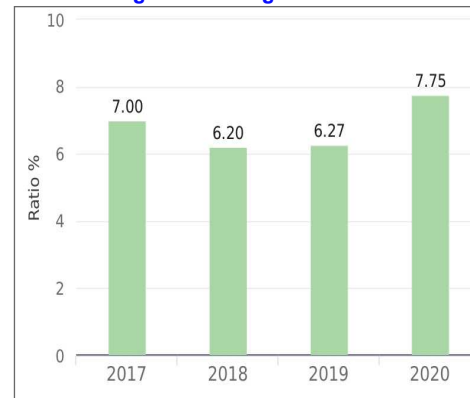
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

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

19/20 ratio 7.75%

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. The ratio is an increase on prior year mainly due to reassessment of asset conditions within the infrastructure assets class. 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.

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