

Georges River Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

*A leading, people-focused organisation delivering
outstanding results for our community and city.*



Georges River Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*A leading, people-focused organisation delivering
outstanding results for our community and city.*



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	73

Overview

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

Corner MacMahon and Dora Streets
Hurstville NSW 2220

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

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

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

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

Georges River Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

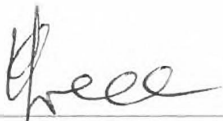
- the Local Government Act 1993 (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 23 September 2019.



Mayor **KEVIN GREENE**
23 September 2019



Councillor **CON HINDLE**
23 September 2019



Gail Connolly
General Manager
23 September 2019



David Tuxford
Responsible Accounting Officer
23 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
93,439	Rates and annual charges	3a	93,795	90,314
14,606	User charges and fees	3b	14,654	14,797
5,626	Interest and investment revenue	3c	5,891	6,466
9,042	Other revenues	3d	11,899	8,668
8,132	Grants and contributions provided for operating purposes	3e,3f	10,141	8,433
14,613	Grants and contributions provided for capital purposes	3e,3f	36,304	23,128
<u>Other income:</u>				
1,052	Net gains from the disposal of assets	5	550	681
–	Fair value increment on investment properties	10	–	1,455
146,510	Total income from continuing operations		173,234	153,942
Expenses from continuing operations				
58,730	Employee benefits and on-costs	4a	56,508	54,722
96	Borrowing costs	4b	74	90
42,976	Materials and contracts	4c	42,454	39,332
19,481	Depreciation and amortisation	4d	19,557	18,434
21,346	Other expenses	4e	21,363	19,005
–	Fair value decrement on investment properties	10	243	–
142,629	Total expenses from continuing operations		140,199	131,583
<u>3,881</u>	Operating result from continuing operations		<u>33,035</u>	<u>22,359</u>
<u>3,881</u>	Net operating result for the year		<u>33,035</u>	<u>22,359</u>
3,881	Net operating result attributable to council		33,035	22,359
(10,732)	Net operating result for the year before grants and contributions provided for capital purposes		(3,269)	(769)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		33,035	22,359
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	80,617	10,519
Total items which will not be reclassified subsequently to the operating result		80,617	10,519
Total other comprehensive income for the period		80,617	10,519
Total comprehensive income for the year		113,652	32,878
Total comprehensive income attributable to Council		113,652	32,878

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	18,211	16,509
Investments	6(b)	108,502	107,988
Receivables	7	10,169	11,273
Inventories	8a	155	126
Other	8b	455	514
Total current assets		<u>137,492</u>	<u>136,410</u>
Non-current assets			
Investments	6(b)	40,000	57,541
Infrastructure, property, plant and equipment	9	1,366,709	1,234,259
Investment property	10a	17,660	17,800
Intangible assets	11	1,362	1,839
Total non-current assets		<u>1,425,731</u>	<u>1,311,439</u>
TOTAL ASSETS		<u>1,563,223</u>	<u>1,447,849</u>
LIABILITIES			
Current liabilities			
Payables	12	23,492	22,072
Income received in advance	12	596	358
Borrowings	12	500	500
Provisions	13	14,262	13,668
Total current liabilities		<u>38,850</u>	<u>36,598</u>
Non-current liabilities			
Borrowings	12	1,125	1,625
Provisions	13	431	461
Total non-current liabilities		<u>1,556</u>	<u>2,086</u>
TOTAL LIABILITIES		<u>40,406</u>	<u>38,684</u>
Net assets		<u>1,522,817</u>	<u>1,409,165</u>
EQUITY			
Accumulated surplus	14a	1,419,106	1,386,071
Revaluation reserves	14a	103,711	23,094
Council equity interest		<u>1,522,817</u>	<u>1,409,165</u>
Total equity		<u>1,522,817</u>	<u>1,409,165</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,386,071	23,094	1,409,165	1,363,712	12,575	1,376,287
Net operating result for the year		33,035	–	33,035	22,359	–	22,359
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	80,617	80,617	–	10,519	10,519
Other comprehensive income		–	80,617	80,617	–	10,519	10,519
Total comprehensive income		33,035	80,617	113,652	22,359	10,519	32,878
Equity – balance at end of the reporting period		1,419,106	103,711	1,522,817	1,386,071	23,094	1,409,165

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
93,126	Rates and annual charges		93,684	89,381
14,605	User charges and fees		13,538	15,622
5,626	Investment and interest revenue received		5,669	5,529
22,608	Grants and contributions		46,936	32,365
–	Bonds, deposits and retention amounts received		2,286	2,546
8,950	Other		12,026	16,679
<u>Payments</u>				
(59,470)	Employee benefits and on-costs		(57,741)	(53,298)
(41,609)	Materials and contracts		(43,418)	(43,665)
(96)	Borrowing costs		(74)	(90)
–	Bonds, deposits and retention amounts refunded		–	(938)
(21,423)	Other		(21,198)	(21,240)
22,317	Net cash provided (or used in) operating activities	15b	51,708	42,891
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		65,839	47,519
1,052	Sale of infrastructure, property, plant and equipment		3,504	1,288
<u>Payments</u>				
–	Purchase of investment securities		(48,500)	(64,553)
–	Purchase of investment property		(103)	–
(28,142)	Purchase of infrastructure, property, plant and equipment		(70,266)	(35,948)
–	Purchase of intangible assets		20	–
(27,090)	Net cash provided (or used in) investing activities		(49,506)	(51,694)
Cash flows from financing activities				
<u>Payments</u>				
(500)	Repayment of borrowings and advances		(500)	(500)
(500)	Net cash flow provided (used in) financing activities		(500)	(500)
(5,273)	Net increase/(decrease) in cash and cash equivalents		1,702	(9,303)
25,000	Plus: cash and cash equivalents – beginning of year	15a	16,509	25,812
19,727	Cash and cash equivalents – end of the year	15a	18,211	16,509
Additional Information:				
157,528	plus: Investments on hand – end of year	6(b)	148,502	165,529
177,255	Total cash, cash equivalents and investments		166,713	182,038

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	23
5	Gains or losses from the disposal, replacement and de-recognition of assets	27
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	31
8	Inventories and other assets	33
9	Infrastructure, property, plant and equipment	34
10	Investment property	37
11	Intangible assets	38
12	Payables and borrowings	39
13	Provisions	42
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	44
15	Statement of cash flows – additional information	45
16	Commitments	46
17	Contingencies and other assets/liabilities not recognised	47
18	Financial risk management	50
19	Material budget variations	54
20	Fair Value Measurement	56
21	Related Party Transactions	64
22	Statement of developer contributions	66
23(a)	Statement of performance measures – consolidated results	69
	Additional Council disclosures (unaudited)	
23(b)	Statement of performance measures – consolidated results (graphs)	70
24	Council information and contact details	72

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 September 2019. Council has the power to amend and reissue these financial statements.

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

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

Basis of preparation

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

AASB 16 Leases

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

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

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

Council staff have reviewed all of the council's existing operating leasing arrangements that are in place as of 30/6/2019 and have determined that only the office equipment leases fall within the scope of the standard. The majority of office equipment leases are low-value leases that carry fair values of less than \$5,000 each and are therefore exempt under the low-value exemption.

It is therefore believed that the provision of this standard will apply to only the items outside the low-value threshold. The value of the assets affected by this change is not material and hence Council does not expect any significant impact in the financial statements.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

AASB 15 Revenue from Contracts with Customers and associated amending standards.

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

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

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

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

AASB15 will not have a material impact on the financial statements of Council as the existing contractual arrangements do not meet the "sufficiently specific" criteria in AASB15.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

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

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

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

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

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

The specific impacts of AASB1058 for Council are expected to be in relation to capital grants and contributions. Council will recognise a liability for the cash or other financial assets received. Income will be recognised when (or as) the obligations under the transfers are satisfied. For any isolated instances where the receipt of a grant satisfies the stringent requirements of AASB1058, Council will record the amount received in excess of the fair value of the asset as a liability and recognise that portion as income during the period of construction of the asset.

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
A HARMONIOUS AND PROUD COMMUNITY WITH STRONG SOCIAL SERVICES AND INFRASTRUCTURE	12,024	13,884	23,707	22,520	(11,683)	(8,636)	3,342	2,275	10,097	8,304
QUALITY, WELL PLANNED DEVELOPMENT	3,454	3,902	7,471	6,164	(4,017)	(2,262)	–	–	80,901	75,641
A DIVERSE AND PRODUCTIVE ECONOMY	32,409	24,474	5,523	3,871	26,886	20,603	780	5	37,834	56,256
A PROTECTED ENVIRONMENT AND GREEN OPEN SPACES	34,530	29,314	34,227	32,264	303	(2,950)	6,192	2,505	104,990	95,521
LEADERSHIP AND TRANSPARENCY	74,122	71,923	44,411	44,708	29,711	27,215	5,438	4,892	30,813	38,833
ACTIVE AND ACCESSIBLE PLACES AND SPACES	16,695	10,442	24,860	22,053	(8,165)	(11,611)	6,199	2,322	1,298,588	1,173,294
Total functions and activities	173,234	153,939	140,199	131,580	33,035	22,359	21,951	11,999	1,563,223	1,447,849

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

A HARMONIOUS AND PROUD COMMUNITY WITH STRONG SOCIAL SERVICES AND INFRASTRUCTURE

- We create and support events that celebrate community and cultural identity and benefit the economy.
- Affordable and quality housing options are available.
- The community is socially and culturally connected.
- Diverse, vibrant community facilities and spaces are connected, well maintained and accessible.
- The community is safe and healthy.

QUALITY, WELL PLANNED DEVELOPMENT

- Sustainable development delivers better amenity and liveability of the community and the environment.
- The community helps to plan the LGA's future.
- Council-led development and assets provide quality, long-term benefits to everyone.

A DIVERSE AND PRODUCTIVE ECONOMY

- Local businesses are supported to help protect jobs and create employment opportunities.
- Outcomes from an Employment Lands Study ensure sufficient land is available for future employment growth.
- The ambitions for Hurstville and Kogarah as strategic centres are realised.

A PROTECTED ENVIRONMENT AND GREEN OPEN SPACES

- Council's environmentally sustainable practices inspire everyone to protect and nurture the natural environment.
- The LGA's waterways are healthy and accessible.
- Everyone has access to beautiful parks and open spaces.
- Local heritage is protected and promoted.

LEADERSHIP AND TRANSPARENCY

- The community is involved and listened to.
- Open, informed and transparent decision-making supports the interests of the community.
- Leadership focuses on innovation and improving the customer experience.
- Council's assets and resources are managed responsibly and with accountability.
- The workforce is inspiring, diverse and engaged.
- Council has a regional-approach to service delivery and facilities.

ACTIVE AND ACCESSIBLE PLACES AND SPACES

- The LGA has a range of transport options to connect people, goods and businesses.
- Roads, footpaths and cycleways are safe, accessible and free of congestion.
- Everyone, including people with disability, navigates the LGA in safety.
- Everyone has access to a range of active and passive recreation facilities.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	56,997	55,433
Business	9,629	9,492
Less: pensioner rebates	(1,680)	(1,751)
Rates levied to ratepayers	64,946	63,174
Pensioner rate subsidies received	714	710
Total ordinary rates	65,660	63,884
Special rates		
Town improvement	648	617
Rates levied to ratepayers	648	617
Total special rates	648	617
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	24,917	23,325
Stormwater management services	1,178	1,170
Waste management services (non-domestic)	1,704	1,635
Section 611 charges	90	88
Less: pensioner rebates	(698)	(700)
Annual charges levied	27,191	25,518
Pensioner subsidies received:		
– Domestic waste management	296	295
Total annual charges	27,487	25,813
TOTAL RATES AND ANNUAL CHARGES	93,795	90,314

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Waste management services (non-domestic)	71	81
Total specific user charges	71	81
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	3,561	4,320
Regulatory fees	508	546
Section 10.7 certificates (EP&A Act)	294	350
Section 603 certificates	150	172
Total fees and charges – statutory/regulatory	4,513	5,388
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	2,302	3,817
Leaseback fees – Council vehicles	493	488
Leisure centre	1,806	1,729
Restoration charges	1,494	912
Community services	1	6
Golf course	705	650
Library	70	86
Parks income	684	577
Public halls	798	680
Tennis courts	107	108
Other - Jubilee oval ticket sales	1,274	139
Other	336	136
Total fees and charges – other	10,070	9,328
TOTAL USER CHARGES AND FEES	14,654	14,797

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	182	200
– Cash and investments	5,336	5,880
Fair value adjustments		
– Movements in investments at fair value through profit and loss	373	386
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>5,891</u>	<u>6,466</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	129	200
General Council cash and investments	2,486	2,743
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1,824	2,220
– Section 7.4 VPAs	338	–
Domestic waste management operations	587	556
Other externally restricted assets Town Improvement Rates	64	70
Other externally restricted assets LIRS Jubilee Park	–	36
Other externally restricted assets Stormwater Management	2	3
Restricted investments/funds – internal:		
Internally restricted assets	461	638
Total interest and investment revenue	<u>5,891</u>	<u>6,466</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	1,821	1,712
Rental income – other council properties		2,825	2,318
Ex gratia rates		2	–
Fines		545	476
Fines – parking		4,135	2,445
Legal fees recovery – rates and charges (extra charges)		224	53
Legal fees recovery – other		900	351
Commissions and agency fees		402	87
Insurance claims recoveries		270	454
Sponsorships		166	171
Other		609	601
<u>TOTAL OTHER REVENUE</u>		<u>11,899</u>	<u>8,668</u>

Accounting policy for other revenue

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

Fine income is recognised as revenue when payment is received from the Office of State Revenue or the fine recipient.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	2,236	2,044	–	–
Payment in advance - future year allocation				
Financial assistance	2,320	2,131	–	–
Total general purpose	4,556	4,175	–	–
Specific purpose				
Child care	2,794	1,596	–	–
Environmental programs	–	–	75	932
Library	289	277	81	101
LIRS subsidy	81	93	–	–
Street lighting	335	328	–	–
Transport (roads to recovery)	–	1,000	–	–
Transport (other roads and bridges funding)	17	–	81	210
Waste management	155	152	–	–
Parks	191	–	1,304	1,787
Stronger communities fund	–	–	9,500	–
Community services	44	121	110	146
Other	1,076	73	250	5
Total specific purpose	4,982	3,640	11,401	3,181
Total grants	9,538	7,815	11,401	3,181
Grant revenue is attributable to:				
– Commonwealth funding	2,961	6,735	375	1,110
– State funding	6,577	1,080	10,602	2,071
– Other funding	–	–	424	–
	9,538	7,815	11,401	3,181

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	6,888	4,670
S 7.11 – contributions towards amenities/services		–	32	8,766	13,673
Total developer contributions – cash		–	32	15,654	18,343
Total developer contributions	22	–	32	15,654	18,343
Other contributions:					
Cash contributions					
Kerb and gutter		–	–	18	29
RMS contributions (regional roads, block grant)		476	466	851	1,253
Other		127	91	16	38
Developer constructed assets		–	–	8,114	–
Contributions to legal and consultant fees		–	29	–	–
Parks – contribution by sporting club		–	–	250	284
Total other contributions – cash		603	586	9,249	1,604
Total other contributions		603	586	9,249	1,604
Total contributions		603	618	24,903	19,947
TOTAL GRANTS AND CONTRIBUTIONS		10,141	8,433	36,304	23,128

Accounting policy for grants and contributions

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

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

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

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

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

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

The developer constructed asset of \$8.1m in 2018/19 was a contribution of land in lieu of a cash VPA contribution. Australis Asset Advisory Group performed an independent valuation of the land as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018 ¹
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	670	853
Add: operating grants recognised in the current period but not yet spent	625	126
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(374)	(309)
Unexpended and held as restricted assets (operating grants)	<u>921</u>	<u>670</u>
Capital grants		
Unexpended at the close of the previous reporting period	2,844	923
Add: capital grants recognised in the current period but not yet spent	81	269
Add: capital grants received for the provision of goods and services in a future period	–	1,815
Less: capital grants recognised in a previous reporting period now spent	(2,128)	(163)
Unexpended and held as restricted assets (capital grants)	<u>797</u>	<u>2,844</u>
Contributions		
Unexpended at the close of the previous reporting period	70,400	58,328
Add: contributions recognised in the current period but not yet spent	(1) 17,379	20,869
Less: contributions recognised in a previous reporting period now spent	(12,117)	(8,797)
Unexpended and held as restricted assets (contributions)	<u>75,662</u>	<u>70,400</u>

(1) Council has adjusted the 2018 amount to include Section 7.4 contributions of \$4.9m that were not disclosed in Note 3(g) in the General Purpose Financial Statements for the year ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	45,043	41,915
Employee termination costs (where material – other than vested leave paid)	164	1,055
Travel expenses	413	355
Employee leave entitlements (ELE)	5,552	5,539
Superannuation	4,076	3,748
Superannuation – defined benefit plans	1,019	1,067
Workers' compensation insurance	766	1,472
Fringe benefit tax (FBT)	94	237
Training costs (other than salaries and wages)	668	463
Other	–	53
Total employee costs	57,795	55,904
Less: capitalised costs	(1,287)	(1,182)
TOTAL EMPLOYEE COSTS EXPENSED	56,508	54,722
Number of 'full-time equivalent' employees (FTE) at year end	567	565

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.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	74	90
Total interest bearing liability costs expensed	74	90
TOTAL BORROWING COSTS EXPENSED	74	90

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	1,991	2,317
Contractor and consultancy costs – waste services	20,179	19,242
Contractor and consultancy costs – contractors (various services)	8,913	7,490
Contractor and consultancy costs – consultancy costs	4,421	3,934
Auditors remuneration ²	113	117
Legal expenses:		
– Legal expenses: planning and development	592	528
– Legal expenses: other	1,472	750
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	222	135
IT expenses	2,529	2,658
Motor vehicle expenses	1,284	1,259
Other maintenance of assets	165	578
Other	573	324
Total materials and contracts	42,454	39,332
TOTAL MATERIALS AND CONTRACTS	42,454	39,332

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	109	83
Other	113	52
	222	135

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	113	115
Remuneration for audit and other assurance services	113	115
Total Auditor-General remuneration	113	115

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements	–	2
Remuneration for audit and other assurance services	–	2
Total remuneration of non NSW Auditor-General audit firms	–	2
Total Auditor remuneration	113	117

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		2,255	2,345
Office equipment		497	365
Furniture and fittings		278	251
Infrastructure:			
– Buildings – non-specialised		2,112	2,069
– Buildings – specialised		2,351	2,317
– Other structures		383	374
– Roads		6,033	5,996
– Footpaths		973	942
– Stormwater drainage		1,196	508
– Other open space/recreational assets		2,609	2,425
Other assets:			
– Library books		399	355
– Other		14	14
Intangible assets	11	457	473
Total gross depreciation and amortisation costs		19,557	18,434
Total depreciation and amortisation costs		19,557	18,434
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>19,557</u>	<u>18,434</u>

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

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

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	266	215
Bad and doubtful debts	248	87
Bank charges	20	80
Contributions/levies to other levels of government		
– Department of planning levy	407	289
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,114	2,099
– Other contributions/levies	20	7
Councillor expenses – mayoral fee/administrator fee	65	118
Councillor expenses – councillors' fees	467	346
Councillors' expenses (incl. mayor) – other (excluding fees above)	13	17
Donations, contributions and assistance to other organisations (Section 356)	998	933
Election expenses	–	623
Electricity and heating	1,607	1,354
Insurance	1,170	1,670
Postage	186	92
Printing and stationery	415	345
Street lighting	2,447	2,144
Telephone and communications	429	311
Valuation fees	253	282
Catering food and beverage	298	272
Commission charges	1,023	725
Exhibitions, festivals and events	1,007	970
Property expenses – utilities	1,129	1,069
Property expenses – other	6,000	4,068
Memberships and subscriptions	578	395
Other recruitment and staff well being	82	242
Other	121	252
Total other expenses	21,363	19,005
TOTAL OTHER EXPENSES	21,363	19,005

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Plant and equipment			
Proceeds from disposal – plant and equipment		1,699	1,273
Less: carrying amount of plant and equipment assets sold/written off		(1,020)	(806)
Net gain/(loss) on disposal		679	467
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		–	(639)
Net gain/(loss) on disposal		–	(639)
Investments			
Proceeds from disposal/redemptions/maturities – investments		65,839	47,519
Less: carrying amount of investments sold/redeemed/matured		(65,900)	(47,519)
Net gain/(loss) on disposal		(61)	–
Office Equipment			
Proceeds from disposal – Office equipment		–	15
Less: carrying amount of Office equipment assets sold/written off		(8)	(3)
Net gain/(loss) on disposal		(8)	12
Library Collection			
Proceeds from disposal – Library collection		–	–
Less: carrying amount of Library collection assets sold/written off		(65)	(51)
Net gain/(loss) on disposal		(65)	(51)
Land			
Proceeds from disposal – Land		5	1,800
Less: carrying amount of Land assets sold/written off		–	(908)
Net gain/(loss) on disposal		5	892
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		550	681

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	8,019	7,544
Cash-equivalent assets		
– Deposits at call	10,192	8,965
Total cash and cash equivalents	18,211	16,509

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	57,461	–	73,488	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	51,041	40,000	34,500	57,541
Total Investments	108,502	40,000	107,988	57,541
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	126,713	40,000	124,497	57,541
Financial assets at fair value through the profit and loss				
Managed funds	6,301	–	5,565	–
Floating Rate Notes (with maturities > 3 months)	51,160	–	67,923	–
Total	57,461	–	73,488	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	51,041	40,000	34,500	57,541
Total	51,041	40,000	34,500	57,541

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in Floating Rate Notes (FRNs) and Negotiable Certificate of Deposits (NCDs) in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

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

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

Recognition and de-recognition

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

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	126,713	40,000	124,497	57,541
attributable to:				
External restrictions	64,091	40,000	38,507	57,541
Internal restrictions	60,871	–	77,118	–
Unrestricted	1,751	–	8,872	–
	<u>126,713</u>	<u>40,000</u>	<u>124,497</u>	<u>57,541</u>

\$ '000	2019	2018
---------	------	------

Details of restrictions

External restrictions – other

Developer contributions – general	63,972	65,456
Specific purpose unexpended grants	1,718	3,514
Domestic waste management	21,932	18,344
Environmental and stormwater levies	1,863	1,380
Town improvement levy	2,586	1,955
Special rate levy	331	455
Voluntary planning agreements	11,689	4,944
External restrictions – other	<u>104,091</u>	<u>96,048</u>
Total external restrictions	<u>104,091</u>	<u>96,048</u>

Internal restrictions

Plant and vehicle replacement	4,276	3,190
Employees leave entitlement	9,513	9,113
Deposits, retentions and bonds	5,240	5,240
Childcare equipment	1,209	235
Election reserve	923	573
Hurstville golf course	75	264
CDO recovery	–	5,971
Asset management	9,345	10,937
Commercial property	6,202	18,474
Strategic centres	7,743	8,103
Financial assistance grant	2,320	2,131
Environmental sustainability	530	447
Stronger communities fund	8,757	7,091
Aquatic facilities	1,544	1,939
Merger Initiatives Allocation	3,194	1,515
New council implementation fund	–	1,895
Total internal restrictions	<u>60,871</u>	<u>77,118</u>
TOTAL RESTRICTIONS	<u>164,962</u>	<u>173,166</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,559	–	2,462	–
Interest and extra charges	422	–	322	–
User charges and fees	3,126	–	1,772	–
Contributions to works	1	–	1	–
Capital debtors (being sale of assets)				
– Other asset sales	–	–	1,800	–
Accrued revenues				
– Interest on investments	1,888	–	2,139	–
– Other income accruals	465	–	560	–
Government grants and subsidies	644	–	1,135	–
Net GST receivable	1,412	–	1,349	–
Other debtors	190	–	23	–
Total	10,707	–	11,563	–
Less: provision of impairment				
Rates and annual charges	–	–	(14)	–
Other debtors	(538)	–	(276)	–
Total provision for impairment – receivables	(538)	–	(290)	–
TOTAL NET RECEIVABLES	10,169	–	11,273	–
Externally restricted receivables				
Domestic waste management	849	–	779	–
Town improvement	18	–	24	–
Stormwater management	45	–	43	–
Total external restrictions	912	–	846	–
Unrestricted receivables	9,257	–	10,427	–
TOTAL NET RECEIVABLES	10,169	–	11,273	–

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	290	263
+ new provisions recognised during the year	248	88
– amounts already provided for and written off this year	–	(61)
Balance at the end of the period	538	290

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

An ECL model focuses on the risk that a financial asset will default rather than whether a loss has been incurred. It also aims to reflect the general pattern of deterioration, or improvement, in the credit quality of financial instruments.

AASB 9 establishes a general approach for measuring impairment and a simplified approach for certain financial assets.

The Council applies a simplified approach for trade receivables or contract assets that result from transactions in the scope of AASB 118 / AASB 15, and lease receivables that result from transactions in the scope of AASB 117 / AASB 16. Under the simplified approach, the loss allowance is always equal to lifetime ECLs.

In calculating the loss allowance, the Council has followed the following principles:

- Provide in full (100%) in respect of all debts brought forward from Kogarah and Hurstville City Councils as at 16 May 2016 and still outstanding.
- Provide in full (100%) in respect of all debts relating to "Food Inspections & Annual Administration" and "Annual Fire Safety Statement" in excess of 60 days.
- Provide in full (100%) in respect of all debts outstanding in excess of 90 days and in value less than \$100.
- Provide 50% of the value of all other debts that are outstanding in excess of 90 days.

The use of provision matrix to calculate ECLs is not deemed appropriate considering the fact that all debts are treated as collectible due to the legally enforceable right of the Council to collect all outstanding debts from the community. Hence, the use of principles outlined above represents a more realistic approach in estimating the expected loss allowance.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	155	–	126	–
Total inventories at cost	155	–	126	–
<u>TOTAL INVENTORIES</u>	<u>155</u>	<u>–</u>	<u>126</u>	<u>–</u>
(b) Other assets				
Prepayments	418	–	477	–
Deposit to supplier	37	–	37	–
<u>TOTAL OTHER ASSETS</u>	<u>455</u>	<u>–</u>	<u>514</u>	<u>–</u>

(i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development				
Movements:				
Real estate assets at beginning of the year	–	–	147	–
– Transfers in from (out to) Note 9	–	–	(147)	–
Total real estate for resale	–	–	–	–

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

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

Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	12,800	–	12,800	10,225	11,495	–	–	(6,274)	–	–	–	28,245	–	28,245
Plant and equipment	19,735	(11,478)	8,257	2,475	–	(1,020)	(2,255)	–	–	–	–	19,008	(11,551)	7,457
Office equipment	4,637	(3,244)	1,393	595	233	(8)	(497)	–	–	–	–	5,346	(3,631)	1,715
Furniture and fittings	3,729	(2,136)	1,593	285	109	–	(278)	–	–	–	–	4,123	(2,415)	1,708
Land:														
– Operational land	225,104	–	225,104	43	977	–	–	–	(7,417)	(9,660)	–	209,047	–	209,047
– Community land	177,410	–	177,410	–	12,381	–	–	–	7,417	–	–	197,208	–	197,208
– Council controlled land	15,160	–	15,160	–	–	–	–	–	–	–	–	15,160	–	15,160
– Land under roads (post 30/6/08)	727	–	727	–	–	–	–	–	–	–	–	727	–	727
Infrastructure:														
– Buildings – non-specialised	109,455	(34,487)	74,968	2,202	168	–	(2,112)	–	–	–	52	110,172	(34,893)	75,279
– Buildings – specialised	123,001	(41,903)	81,098	3,212	17,199	–	(2,351)	–	–	–	4,873	146,957	(42,924)	104,033
– Other structures	15,602	(5,917)	9,685	–	–	–	(383)	–	–	–	140	15,836	(6,394)	9,442
– Roads	545,252	(190,940)	354,312	4,724	299	–	(6,033)	–	–	–	56,227	589,246	(179,718)	409,528
– Footpaths	73,962	(38,732)	35,230	3,345	369	–	(973)	–	–	–	27,552	103,824	(38,302)	65,522
– Bulk earthworks (non-depreciable)	115,030	–	115,030	–	–	–	–	–	–	(2,099)	–	112,932	–	112,932
– Stormwater drainage	143,306	(72,088)	71,218	2,808	–	–	(1,196)	–	–	–	2,838	149,530	(73,861)	75,669
– Other open space/recreational assets	74,305	(25,076)	49,229	–	4,700	–	(2,609)	–	–	–	547	79,642	(27,774)	51,868
Other assets:														
– Library books	5,510	(4,539)	971	455	–	(65)	(399)	–	–	–	147	4,249	(3,140)	1,109
– Other	444	(370)	74	–	–	–	(14)	–	–	–	–	444	(384)	60
Total Infrastructure, property, plant and equipment	1,665,169	(430,910)	1,234,259	30,369	47,930	(1,093)	(19,100)	(6,274)	–	(11,759)	92,376	1,791,696	(424,987)	1,366,709

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

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

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	2,657	–	2,657	4,155	6,705	–	–	(717)	–	–	–	12,800	–	12,800
Plant and equipment	19,547	(11,131)	8,416	2,992	–	(806)	(2,345)	–	–	–	–	19,735	(11,478)	8,257
Office equipment	4,043	(2,901)	1,142	615	2	(3)	(365)	–	2	–	–	4,637	(3,244)	1,393
Furniture and fittings	3,467	(1,885)	1,582	57	207	–	(251)	–	(2)	–	–	3,729	(2,136)	1,593
Land:														
– Operational land	213,257	–	213,257	–	1,181	(908)	–	–	908	147	10,519	225,104	–	225,104
– Community land	175,916	–	175,916	2,402	–	–	–	–	(908)	–	–	177,410	–	177,410
– Land under roads (post 30/6/08)	727	–	727	–	–	–	–	–	–	–	–	727	–	727
– Council controlled land	15,160	–	15,160	–	–	–	–	–	–	–	–	15,160	–	15,160
Infrastructure:														
– Buildings – non-specialised	108,151	(32,417)	75,734	669	903	–	(2,069)	–	(268)	–	–	109,455	(34,487)	74,968
– Buildings – specialised	121,842	(39,585)	82,257	706	–	–	(2,317)	185	268	–	–	123,001	(41,903)	81,098
– Other structures	15,490	(6,118)	9,372	95	153	–	(374)	–	439	–	–	15,602	(5,917)	9,685
– Roads	538,412	(184,946)	353,466	6,301	384	–	(5,996)	157	–	–	–	545,252	(190,940)	354,312
– Footpaths	71,930	(37,790)	34,140	2,005	22	–	(942)	5	–	–	–	73,962	(38,732)	35,230
– Bulk earthworks (non-depreciable)	115,030	–	115,030	–	–	–	–	–	–	–	–	115,030	–	115,030
– Stormwater drainage	143,118	(71,581)	71,537	188	1	–	(508)	–	–	–	–	143,306	(72,088)	71,218
– Other open space/recreational assets	73,622	(25,096)	48,526	1,245	2,590	(638)	(2,425)	370	(439)	–	–	74,305	(25,076)	49,229
Other assets:														
– Library books	5,649	(4,772)	877	501	–	(51)	(355)	–	–	–	–	5,510	(4,539)	971
– Other	444	(356)	88	–	–	–	(14)	–	–	–	–	444	(370)	74
Total Infrastructure, property, plant and equipment	1,628,462	(418,578)	1,209,884	21,931	12,148	(2,406)	(17,961)	–	–	147	10,519	1,665,169	(430,910)	1,234,259

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. 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.

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 4		
Vehicles	3 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 60
		Stormwater assets	
Transportation assets		Drains	80 to 150
Sealed roads: surface	25 to 40	Culverts	50 to 150
Sealed roads: structure	50 to 120	Flood control structures	80 to 100
Unsealed roads	20		
Bridge: concrete	100	Other infrastructure assets	
Bridge: other	50	Bulk earthworks	Infinite
Road pavements	60 to 80	Swimming pools	50 to 75
Kerb, gutter and footpaths	40 to 120	Other open space/recreational assets	5 to 100
		Other infrastructure	5 to 100

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Crown reserves

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	17,660	17,800
Reconciliation of annual movement:		
Opening balance	17,800	16,345
– Net gain/(loss) from fair value adjustments	(243)	1,455
– Other movements	103	–
CLOSING BALANCE – INVESTMENT PROPERTY	17,660	17,800

(b) Valuation basis

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

The 2019 revaluations were based on independent assessments made by Australis Asset Advisory Group. The Valuers qualifications are as follows:

- AAPI, Certified Practising Valuer
- Registered Property Valuer in Queensland, New South Wales, Western Australia, New Zealand
- Bachelor of Information Technology, Postgraduate Degree in Property
- Bachelor of Business Management, Valuation Certificate

(c) Leasing arrangements – Council as lessor

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

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

Within 1 year	1,393	1,544
Later than 1 year but less than 5 years	1,202	1,865
Total minimum lease payments receivable	2,595	3,409

(d) Investment property income and expenditure – summary**Rental income from investment property:**

– Minimum lease payments	1,821	1,712
--------------------------	-------	-------

Direct operating expenses on investment property:

– that generated rental income	(910)	(541)
--------------------------------	-------	-------

Net revenue contribution from investment property	911	1,171
--	------------	--------------

plus:

Fair value movement for year	(243)	1,455
-------------------------------------	-------	-------

Total income attributable to investment property	668	2,626
---	------------	--------------

Accounting policy for investment property

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	3,947	3,513
Accumulated amortisation	(2,108)	(1,635)
Net book value – opening balance	1,839	1,878
Movements for the year		
– Purchases	–	434
– Prior year classification adjustment	(20)	–
– Amortisation charges	(457)	(473)
Closing values at 30 June		
Gross book value	3,927	3,947
Accumulated amortisation	(2,565)	(2,108)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	1,362	1,839
The net book value of intangible assets represents:		
– Software	1,362	1,839
	1,362	1,839

Accounting policy for intangible assets

IT development and software

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	3,845	–	4,780	–
Goods and services – capital expenditure	4,311	–	2,551	–
Accrued expenses:				
– Salaries and wages	24	–	1,957	–
– Other expenditure accruals	4,092	–	3,722	–
Security bonds, deposits and retentions	10,842	–	8,556	–
ATO fringe benefits tax	30	–	59	–
Other	348	–	447	–
Total payables	23,492	–	22,072	–
Income received in advance				
Payments received in advance	596	–	358	–
Total income received in advance	596	–	358	–
Borrowings				
Loans – secured ¹	500	1,125	500	1,625
Total borrowings	500	1,125	500	1,625
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>24,588</u>	<u>1,125</u>	<u>22,930</u>	<u>1,625</u>

(1) 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 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	1,676	–	1,276	–
Payables and borrowings relating to externally restricted assets	1,676	–	1,276	–
Total payables and borrowings relating to restricted assets	1,676	–	1,276	–
Total payables and borrowings relating to unrestricted assets	22,912	1,125	21,654	1,625
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>24,588</u>	<u>1,125</u>	<u>22,930</u>	<u>1,625</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
---------	------	------

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

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

Payables – security bonds, deposits and retentions	8,842	3,254
Total payables and borrowings	8,842	3,254

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	2,125	(500)	–	–	–	1,625	
TOTAL	2,125	(500)	–	–	–	1,625	

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	2,625	(500)	–	–	–	2,125	
TOTAL	2,625	(500)	–	–	–	2,125	

\$ '000	2019	2018
---------	------	------

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

Bank overdraft facilities ¹	650	650
Credit cards/purchase cards	250	250
Other - Bank Guarantee	1,310	700
Total financing arrangements	2,210	1,600

Drawn facilities as at balance date:

– Credit cards/purchase cards	45	1
– Other - Bank Guarantee	1,310	410
Total drawn financing arrangements	1,355	411

Undrawn facilities as at balance date:

– Bank overdraft facilities	650	650
– Credit cards/purchase cards	205	249
– Other - Bank Guarantee	–	290
Total undrawn financing arrangements	855	1,189

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

Payables

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

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	4,105	–	3,871	–
Sick leave	495	–	473	–
Long service leave	9,055	425	8,489	447
Gratuities	146	–	142	–
Other leave – RDO and TOIL	185	–	289	–
Sub-total – aggregate employee benefits	13,986	425	13,264	447
Other provisions				
Other - Workers Compensation	203	6	404	14
Other	73	–	–	–
Sub-total – other provisions	276	6	404	14
TOTAL PROVISIONS	14,262	431	13,668	461

\$ '000	2019	2018
---------	------	------

(a) 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	8,488	6,929
	8,488	6,929

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2019					
At beginning of year	3,871	473	8,936	431	13,711
Additional provisions	3,619	7	1,607	126	5,359
Amounts used (payments)	(3,485)	(22)	(1,529)	(234)	(5,270)
Remeasurement effects	100	37	666	8	811
Other – LSL Receipts	–	–	(200)	–	(200)
Total ELE provisions at end of period	4,105	495	9,480	331	14,411
2018					
At beginning of year	4,029	496	9,532	342	14,399
Additional provisions	3,158	13	1,309	199	4,679
Amounts used (payments)	(3,226)	(31)	(2,031)	(169)	(5,457)
Remeasurement effects	87	10	161	10	268
Other	(177)	(15)	(275)	49	(418)
Other – LSL Receipts	–	–	240	–	240
Total ELE provisions at end of period	3,871	473	8,936	431	13,711

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Other - Workers Compensation

To recognise liabilities for Workers Compensation expense in relation to the Employee Benefits provisions.

Other

To recognise liabilities for outstanding legal settlements for Council.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

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

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

Classification of financial assets

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

- measured at amortised cost
- fair value through profit or loss

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	18,211	16,509
Balance as per the Statement of Cash Flows		18,211	16,509
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		33,035	22,359
Adjust for non-cash items:			
Depreciation and amortisation		19,557	18,434
Net losses/(gains) on disposal of assets		(550)	(681)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(373)	(386)
– investment property		243	(1,455)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(944)	(399)
Increase/(decrease) in provision for impairment of receivables		248	27
Decrease/(increase) in inventories		(29)	27
Decrease/(increase) in other current assets		59	68
Increase/(decrease) in payables		(935)	(427)
Increase/(decrease) in other accrued expenses payable		(1,563)	3,603
Increase/(decrease) in other liabilities		2,396	1,991
Increase/(decrease) in provision for employee benefits		700	(270)
Increase/(decrease) in other provisions		(136)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		51,708	42,891

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

\$ '000	2019	2018
---------	------	------

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	7,006	12,123
Plant and equipment	374	252
Parks	5,714	1,209
Infrastructure	5,308	5,603
Software	243	80
Total commitments	18,645	19,267

These expenditures are payable as follows:

Within the next year	18,645	19,267
Total payable	18,645	19,267

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	194	21
Later than one year and not later than 5 years	590	27
Total non-cancellable operating lease commitments	784	48

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

Office equipment - computers, scanners, printer / photocopier fleet

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

Conditions relating to finance and 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 etc.

(c) Investment property commitments

Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual obligations – repairs and maintenance	333	558
Total commitments	333	558

These expenditures are payable as follows:

Within the next year	133	186
Later than one year and not later than 5 years	200	372
Total payable	333	558

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements, including the method used to determine Council's rate of contributions 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 future service employer contribution rates are:

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

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

The past service contribution for each Polled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$912,604.19. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

The expected contributions to the Fund by Council for the next annual reporting period are \$855,999.52

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

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

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

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

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

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2019.

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to Georges River Council is 1.14%.

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.

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.

An employer's past service contribution per annum (it is estimated that there are \$909,200.00 past service contributions remaining) as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Mutual

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future benefits as a result of past events that Council will share in respectively.

Council does not share in any liabilities. The Statewide Liability Mutual is fully reinsured and there would be no call on Members to fund accumulated losses of the Liability Mutual.

(iii) StateCover Limited

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

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

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

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) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	18,211	16,509	18,211	16,509
Receivables	10,169	11,273	10,169	11,273
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	91,041	92,041	91,041	92,041
Fair value through profit and loss				
Investments				
– 'Held for trading'	57,461	73,488	57,461	73,488
Total financial assets	176,882	193,311	176,882	193,311
Financial liabilities				
Payables	23,492	22,072	23,492	22,072
Loans/advances	1,625	2,125	1,625	2,125
Total financial liabilities	25,117	24,197	25,117	24,197

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	5,746	5,746	(5,746)	(5,746)
Possible impact of a 1% movement in interest rates	1,684	1,684	(1,684)	(1,684)
2018				
Possible impact of a 10% movement in market values	625	625	(625)	(625)
Possible impact of a 1% movement in interest rates	1,821	1,821	(1,821)	(1,821)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	(348)	1,942	972	(16)	9	2,559
2018						
Gross carrying amount	–	2,501	239	44	–	2,784

Receivables - non-rates and annual charges

Council measures credit losses for non-rates and annual charges debtors from the perspective of possible default events that may occur in the ensuing 12 months after the reporting date of 30 June 2019.

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	6,458	312	60	175	1,143	8,148
2018						
Gross carrying amount	7,765	174	143	47	650	8,779

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	10,842	12,650	–	–	23,492	23,492
Loans and advances	3.23%	–	516	1,225	–	1,741	1,625
Total financial liabilities		10,842	13,166	1,225	–	25,233	25,117
2018							
Trade/other payables	0.00%	8,556	13,516	–	–	22,072	22,072
Loans and advances	3.68%	–	585	1,729	–	2,314	2,125
Total financial liabilities		8,556	14,101	1,729	–	24,386	24,197

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	93,439	93,795	356	0% F
User charges and fees	14,606	14,654	48	0% F
Interest and investment revenue	5,626	5,891	265	5% F
Other revenues	9,042	11,899	2,857	32% F
Material Budget Variations were attributed to several areas performing greater than the anticipated budgets for the year, they include: additional property rental income as a result (\$630,000), fines - including parking and compliance/regulatory generating greater revenue than budgeted (\$490,000) largely due to the department operating at full capacity compared with 2018 where there were a number of vacancies. Legal costs recoverable which were greater than the original budget (\$1m).				
Operating grants and contributions	8,132	10,141	2,009	25% F
Material Budget Variation were a result of successful grant bids and higher than estimated grants received (\$1.2m), that came from , but not limited to, State Library NSW, additional federal child care grants and an increase in the Commonwealth Federal Assistance Grant.				
Capital grants and contributions	14,613	36,304	21,691	148% F
Material Budget Variations for Capital Grants and Contributions were recognised in three areas, they include: higher than anticipated developer contributions (\$10.9m), State Government awarded Stronger Community Grant (\$9.5m)				
Net gains from disposal of assets	1,052	550	(502)	(48)% U
The estimate for the Net loss from the disposal of assets is only a general allocation in the original budget each year as it is difficult to forecast the level of sales and acquisition of fixed assets for the coming year. The unfavourable result was a result of a prior planned sale of property (\$940,000) not proceeding. The full impact of this change was partially offset by a favourable variance from the sale of heavy and light vehicles (\$570,000)				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	58,730	56,508	2,222	4% F
Borrowing costs	96	74	22	23% F
Favourable variance on Council's single loan's interest expense (\$22,000)				
Materials and contracts	42,976	42,454	522	1% F
Though the result for materials and contracts was favourable, during the financial year there was unplanned expenditure on asbestos removal (\$230,000) following the discovery of fragments of bonded asbestos at Croot Park and Olds Park. Georges River Council takes the matter of asbestos very seriously and therefore allocated funds to ensure the material did not pose any risk to the community.				
Depreciation and amortisation	19,481	19,557	(76)	0% U
Other expenses	21,346	21,363	(17)	0% U
Fair value decrement on investment property	-	243	(243)	∞ U

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	22,317	51,708	29,391	132% F
---	--------	--------	--------	--------

The budget for the Cash Flow Statement is based on a number of assumptions that are difficult to accurately predict. The combination of higher capital grants and contributions, increased investment income, along with payments for employee costs being less than budgeted for.

Net cash provided from (used in) investing activities	(27,090)	(49,506)	(22,416)	83% U
---	----------	----------	----------	-------

The sale and purchase of investment securities is difficult to estimate as they are based on forecasts prior to year-end actuals being finalised and therefore only a notional amount is included in the original cash flow budget.

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

Note 20. 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
- Financial assets and liabilities

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

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Held for trading'		30/06/19	–	–	57,461	57,461
Total financial assets			–	–	57,461	57,461
Investment property						
Properties held with the primary purpose of external lease	10	30/06/19	–	17,660	–	17,660
Total investment property			–	17,660	–	17,660
Infrastructure, property, plant and equipment						
Plant and equipment	9		–	–	7,457	7,457
Office equipment			–	–	1,715	1,715
Furniture and fittings			–	–	1,708	1,708
Operational land		30/06/19	–	–	209,047	209,047
Community land		30/06/17	–	–	197,208	197,208
Council controlled land		30/06/17	–	–	15,160	15,160
Land under roads (post 30/6/08)		30/06/15	–	–	727	727
Buildings – non-specialised		30/06/19	–	–	75,279	75,279
Buildings – specialised		30/06/19	–	–	104,033	104,033
Other structures		30/06/19	–	–	9,442	9,442
Roads and bridges		30/06/19	–	–	522,460	522,460
Footpaths		30/06/19	–	–	65,522	65,522
Open space		30/06/19	–	–	51,868	51,868
Stormwater drainage		30/06/19	–	–	75,669	75,669
Library books			–	–	1,109	1,109
Other assets			–	–	60	60
Total infrastructure, property, plant and equipment			–	–	1,338,464	1,338,464

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/18	–	–	73,488	73,488
Total financial assets			–	–	73,488	73,488
Investment property						
Properties held with the primary purpose of external lease	10	30/06/18	–	17,800	–	17,800
Total investment property			–	17,800	–	17,800
Infrastructure, property, plant and equipment						
Plant and equipment			–	–	8,257	8,257
Office equipment			–	–	1,393	1,393
Furniture and fittings			–	–	1,593	1,593
Operational land		30/06/18	–	–	225,104	225,104
Community land		30/06/17	–	–	177,410	177,410
Council controlled land		30/06/17	–	–	15,160	15,160
Land under roads (post 30/6/08)		30/06/15	–	–	727	727
Buildings – non-specialised		30/06/17	–	–	74,968	74,968
Buildings – specialised		30/06/17	–	–	81,098	81,098
Other structures		30/06/17	–	–	9,685	9,685
Roads and bridges		30/06/17	–	–	469,342	469,342
Footpaths		30/06/17	–	–	35,230	35,230
Open space		30/06/17	–	–	49,229	49,229
Stormwater drainage		30/06/17	–	–	71,218	71,218
Library books			–	–	971	971
Other assets			–	–	74	74
Total infrastructure, property, plant and equipment			–	–	1,221,459	1,221,459

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

- **Financial assets**

Council obtains valuations from independent investment advisors (CPG Research and Advisory Pty Ltd) on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuations. Council holds various FRNs, covered and fixed interest bonds that are considered level 3 assets. Council obtains valuations from the arranger/issuer/bank on a monthly basis and/or at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations sourced from the arranger/issuer/bank are based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices, which are variable (unobservable inputs), in the secondary market.

- **Investment property**

Council undertakes valuations of its investment property portfolio on an annual basis and at the end of each reporting period the financial statements reflect the most up-to-date valuation.

The best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in an active market for similar assets or similar properties in less active markets
 - Discounted cash flow projections based on estimates of future cash inflows and outflows
- All investment properties are included in level 2 of the hierarchy with the key observable input to the valuation being the price per square metre.

The fair value of investment properties is determined by independent, qualified valuers who have experience in the location of the property. The revaluation of council's investment properties building component was performed by Australis Asset Advisory Group as at 30 June 2019.

- **Land (Operational, Community, Council Controlled and Land Under Roads)**

Council obtains independent valuations of its Operational Land portfolio on a cyclic basis. Suitably qualified internal staff ensure that the fair value reported does not differ materially from actual fair value.

In order to ascertain appropriate values to the Operational and Community Land, Council have primarily applied the Direct Comparison Approach. This approach involves investigation of vacant land sales evidence with comparable or similar characteristics. The various land components are analysed in order to derive a fair market value.

For community and other special purpose land where there are a limited number of market transactions, Council have considered the market evidence of parcels of land of similar characteristics (but not restricted in use) with an appropriate discount applied for the property's current zoning.

The best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in active markets for similar assets or similar land parcels in less active markets
- Community and other special purpose land assets are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre. Operational Land values are at indexation to reflect the inherent utility afforded from the 2015/16 valuation.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

- Australis Asset Advisory Group performed an independent valuation of Operational Land assets for the period ending 30 June 2019. Valuations for Community and Council Controlled Land have been valued using Valuer General (VG) price per square metre for the period ending 30 June 2017. Land Under Roads (post 2008) was last valued using VG valuation as at 30 June 2015 following a boundary change with the former Canterbury City Council.

▪ Buildings

Specialised buildings are assets which, due to their particular design, application or use, are not normally traded within an established market and thus the basis for valuation of these buildings is the cost approach.

Depreciated replacement cost is a method of valuation that is based on an estimate of the current cost of replacing the asset with a similar asset, less an allowance for the effect of depreciation (accrued physical wear and tear), and economic and functional obsolescence. Thus the following inputs and assumptions are used in determining fair value:

- Breakdown of building into relevant components comprising some or all of; External walls, windows and doors; Roof including framing and guttering; Electricals & lighting; Fire Equipment; Air Conditioning; Hot Water System; Lifts; Fitout, Fixtures & Fittings; Exterior Works & Landscaping; and Residual Structure.
- The straight line method of depreciation has been adopted which is based on the premise that the loss in value is in equal amounts over the full extent of the components/assets life.
- The effective lives of component/asset are the estimated life of that component/asset, assuming use in its present function, as part of a continuing business.

Specialised buildings are included in level 3 of the hierarchy with the key unobservable inputs being the effective lives and component condition / allowance for depreciation.

Australis Asset Advisory Group performed an independent valuation of building assets as at 30 June 2019.

Non-specialised buildings are those for which a market exists and as such the best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in an active market for similar assets or similar properties in less active markets.
- Comprehensive reference on building costs and useful lives.

Non-specialised buildings are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre.

Australis Asset Advisory Group performed an independent valuation of building assets as at 30 June 2019.

▪ Other Structures, land improvements, other recreational-open space assets, roads, footpaths, bulk earthworks and stormwater drainage

Council obtains independent valuations on a cyclic basis and utilises suitably qualified internal staff to undertake interim revaluations as appropriate to ensure that reported fair value does not differ materially from actual fair value. These classes of assets are specialised in nature and not readily bought or sold on the open market thus the valuation technique adopted is the cost approach utilising the depreciated replacement cost concept. The following inputs are used where necessary:

- Pattern of Consumption
- Components
- Useful life
- Asset Condition
- Dimensions and specifications
- Relationship between condition rating and value (determining remaining life, useful life, etc.)
- Unit Rates

The asset classes other structures, land improvements, other recreational-open space assets, roads, footpaths, bulk earthworks and stormwater drainage are included in level 3 of the hierarchy with the key unobservable inputs being condition rating, useful life and remaining life.

Other structures and land improvements (subsequently reclassified to include other recreational-open space assets) were last independently re-valued by JLL Public Sector Valuations Pty Ltd as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Roads, Bridges, Footpaths (subsequently reclassified to roads, footpaths and bulk earthworks) and Stormwater were last independently valued by APV Valuers and Asset Management as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

\$ '000	Financial assets	Investment property	IPP&E	Total
2018				
Opening balance	72,068	16,345	1,209,884	1,298,297
Purchases (GBV)	8,551	–	34,076	42,627
Disposals (WDV)	(7,500)	–	(2,406)	(9,906)
Depreciation and impairment	–	–	(17,961)	(17,961)
FV gains – other comprehensive income	–	–	10,519	10,519
FV gains – Income Statement ¹	369	1,455	–	1,824
Other movement	–	–	147	147
Closing balance	73,488	17,800	1,234,259	1,325,547
2019				
Opening balance	73,488	17,800	1,234,259	1,325,547
Purchases (GBV)	2,000	103	72,026	74,129
Disposals (WDV)	(18,400)	–	(1,093)	(19,493)
Depreciation and impairment	–	–	(19,100)	(19,100)
FV gains – other comprehensive income	–	–	80,617	80,617
FV gains – Income Statement ¹	373	(243)	–	130
Closing balance	57,461	17,660	1,366,709	1,441,830

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.			
Financial Assets	57,461	Market Approach	<input type="checkbox"/> Unit Price
Investment property	17,660	Income or Market Approach	<input type="checkbox"/> Estimated rental value (per sq metre) <input type="checkbox"/> Rental Yield <input type="checkbox"/> Open Market Value
<input type="checkbox"/> Plant and Equipment <input type="checkbox"/> Office Equipment <input type="checkbox"/> Furniture and Fittings <input type="checkbox"/> Library Collection	12,050	Cost Approach	<input type="checkbox"/> Gross Replacement Cost <input type="checkbox"/> Remaining Useful Life <input type="checkbox"/> Residual Value
Land:	422,142	Market Approach	<input type="checkbox"/> Price per square metre <input type="checkbox"/> Discount rate to account for zoning and other constraints on development and the potential for alternative use.
<input type="checkbox"/> Operational Land <input type="checkbox"/> Community Land <input type="checkbox"/> Council Controlled Land <input type="checkbox"/> Land Under Roads		VG value (price per square metre) for Community Land	
<input type="checkbox"/> Other Structures <input type="checkbox"/> Land Improvements <input type="checkbox"/> Other Recreational and Open Space Assets	61,311	Cost Approach	<input type="checkbox"/> Condition <input type="checkbox"/> Useful and Remaining Life <input type="checkbox"/> Unit Rates
Buildings:	185,218	Cost Approach	<input type="checkbox"/> Condition <input type="checkbox"/> Useful and Remaining Life <input type="checkbox"/> Component replacement rates <input type="checkbox"/> Allowance for economic and functional obsolescence
<input type="checkbox"/> Specialised <input type="checkbox"/> Non-Specialised			
Infrastructure:	587,982	Cost Approach	<input type="checkbox"/> Condition <input type="checkbox"/> Useful and Remaining Life <input type="checkbox"/> Residual Value <input type="checkbox"/> Unit Rates
<input type="checkbox"/> Roads <input type="checkbox"/> Footpaths <input type="checkbox"/> Bulk Earthworks			
<input type="checkbox"/> Stormwater drainage	75,669	Cost Approach	<input type="checkbox"/> Condition <input type="checkbox"/> Useful and Remaining Life <input type="checkbox"/> Unit Rates <input type="checkbox"/> Residual Value

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

d. The valuation process for level 3 fair value measurements

Asset Category/ Class	Comprehensive Valuation Frequency	Description of processes	Valuer	Responsibility
Financial Assets	Monthly	Monthly Valuation using the current price in an active market for similar assets	External	Finance Department
Investment Properties	Annually	Full external valuation every year	External	Strategic Property / Finance
Infrastructure	3 years per asset class	3 year valuation cycle - 1 Comprehensive and 2 Desktop	Internal/External	Assets & Infrastructure Directorate/Finance
Plant and equipment, office equipment and furniture and fittings	Annually	Assessment of remaining useful life undertaken annually which impacts on the fair value	Internal	Assets & Infrastructure Directorate/Finance
Operational land	3 years	3 year valuation cycle - 1 Comprehensive and 2 Desktop	External	Assets & Infrastructure Directorate/Finance
Community land	3 years	Valuer-General land values or average unit rate for similar properties if not available	Valuer General / Internal	Finance
Buildings – non specialised and specialised	3 years	3 year valuation cycle - 1 comprehensive and 2 desktop	External	Assets & Infrastructure Directorate/Finance
Land improvement non-depreciable	3 years	Full valuation every 5 years or index applied	Internal	Assets & Infrastructure Directorate/Finance
Other structures	3 years	3 year valuation cycle - 1 Comprehensive and 2 Desktop	External	Assets & Infrastructure Directorate/Finance
Library books	N/A	Assessment of remaining useful life undertaken annually which impacts on the fair value	Internal	Library/Finance

(4) Highest and best use

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

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

Note 21. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	2,345	2,432
Post-employment benefits	146	146
Other long-term benefits	–	117
Termination benefits	220	–
Total	2,711	2,695

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2018					
Supply of Storage system	22	–	30 day terms on invoice	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

(c) Other related party transactions

\$ '000	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2018					
Patron of District Cricket Association	1	-		-	-
Patron of District Cricket Association	2	-		-	-

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
Drainage	298	–	–	7	–	–	305	–
Roads	78	187	–	4	–	–	269	–
Traffic facilities	2,006	177	–	76	(15)	–	2,244	–
Parking	747	–	–	21	(58)	–	710	–
Open space	25,186	1,614	–	927	(1,920)	–	25,807	–
Community facilities	11,107	400	–	264	(910)	–	10,861	–
Library	3,848	–	–	74	(330)	–	3,592	–
Urban space	143	–	–	–	(140)	–	3	–
Management	289	–	–	5	(164)	–	130	–
Open space, recreation and public domain facilities	18,373	2,312	–	294	(7,096)	–	13,883	–
Deficient car parking	427	–	–	9	–	–	436	–
Non residential development in CBD	329	2,221	–	52	(171)	–	2,431	–
S7.11 contributions – under a plan	62,831	6,911	–	1,733	(10,804)	–	60,671	–
S7.12 levies – under a plan	2,624	1,855	–	89	(1,267)	–	3,301	–
Total S7.11 and S7.12 revenue under plans	65,455	8,766	–	1,822	(12,071)	–	63,972	–
S7.4 planning agreements	4,862	6,888	8,114	338	(399)	–	11,689	–
Total contributions	70,317	15,654	8,114	2,160	(12,470)	–	75,661	–

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

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018					as at 30/6/2019		
	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					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN – repealed from 14 March 2013								
Drainage	282	–	–	6	–	–	288	–
Traffic facilities	318	–	–	6	(15)	–	309	–
Parking	395	–	–	8	–	–	403	–
Open space	2,117	–	–	43	(126)	–	2,034	–
Community facilities	5,558	–	–	113	(910)	–	4,761	–
Library	3,848	–	–	74	(330)	–	3,592	–
Urban space	143	–	–	–	(140)	–	3	–
Management	289	–	–	5	(164)	–	130	–
Total	12,950	–	–	255	(1,685)	–	11,520	–
CONTRIBUTION PLAN – commenced 14 March 2013								
Community facilities	3,601	327	–	76	–	–	4,004	–
Open space, recreation and public domain facilities	18,373	2,312	–	294	(7,096)	–	13,883	–
Deficient car parking	427	–	–	9	–	–	436	–
Non residential development in CBD	329	2,221	–	52	(171)	–	2,431	–
Total	22,730	4,860	–	431	(7,267)	–	20,754	–
CONTRIBUTION PLAN – NUMBER 1 – Roads & Traffic Management								
Roads	78	187	–	4	–	–	269	–
Total	78	187	–	4	–	–	269	–
CONTRIBUTION PLAN NUMBER 3 – Car Parking – Hurstville Town Centre								
Parking	352	–	–	13	(58)	–	307	–
Total	352	–	–	13	(58)	–	307	–
CONTRIBUTION PLAN NUMBER 4 – Streetscape Improvement – Hurstville Town Centre								
Open space	544	22	–	21	–	–	587	–
Total	544	22	–	21	–	–	587	–

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

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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 NUMBER 5 – Open Space (2006) – Embellishment & Acquisition								
Open space	11,280	1,376	–	432	(756)	–	12,332	–
Total	11,280	1,376	–	432	(756)	–	12,332	–
CONTRIBUTION PLAN NUMBER 6 – Hurstville south areas								
Open space	1,276	–	–	46	(590)	–	732	–
Total	1,276	–	–	46	(590)	–	732	–
CONTRIBUTION PLAN NUMBER 8 – Kogarah Town Centre								
Drainage	16	–	–	1	–	–	17	–
Traffic facilities	1,688	177	–	70	–	–	1,935	–
Open space	9,969	216	–	385	(448)	–	10,122	–
Community facilities	224	–	–	8	–	–	232	–
Total	11,897	393	–	464	(448)	–	12,306	–
CONTRIBUTION PLAN NUMBER 9 – Kogarah Libraries – Buildings & Books								
Community facilities	310	73	–	14	–	–	397	–
Total	310	73	–	14	–	–	397	–
CONTRIBUTION PLAN – Ramsgate commercial centre								
Community facilities	1,414	–	–	53	–	–	1,467	–
Total	1,414	–	–	53	–	–	1,467	–
S7.12 Levies – under a plan								
CONTRIBUTION PLANS								
Georges River Council Section 94A	2,624	1,855	–	89	(1,267)	–	3,301	–
Total	2,624	1,855	–	89	(1,267)	–	3,301	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,949)			
Total continuing operating revenue excluding capital grants and contributions ¹	136,007	(2.90)%	(2.57)%	>0.00%
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	124,856			
Total continuing operating revenue ¹	172,311	72.46%	78.49%	>60.00%
3. Unrestricted current ratio				
Current assets less all external restrictions	72,489			
Current liabilities less specific purpose liabilities	19,844	3.65x	3.86x	>1.50x
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,682			
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	574	27.32x	25.82x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	2,981			
Rates, annual and extra charges collectible	95,961	3.11%	3.00%	<5.00%
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	109,252			
Monthly payments from cash flow of operating and financing activities	10,244	10.66 mths	10.88 mths	>3.00 mths

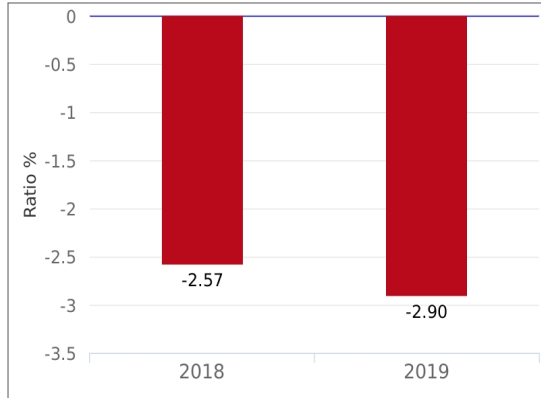
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

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

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

Note 23(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (2.90)%

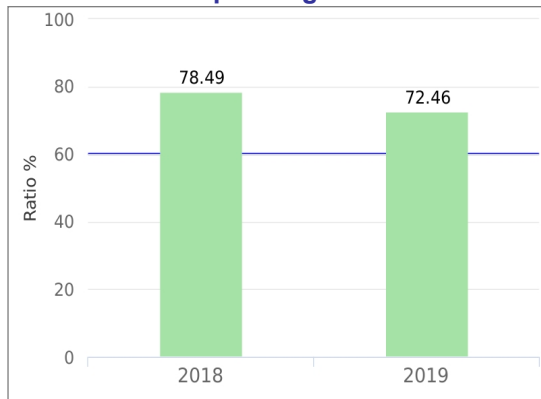
Council does not generate sufficient Operating Income (without Capital Grants) to cover Operating Expenditure. This is an on-going issue that was highlighted in the Long Term Financial Plan when the financial outlook for Council was considered. This is now being addressed by the Financial Sustainability Working Group which is enquiring into potential sources of additional income and possible savings in expenditure.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 72.46%

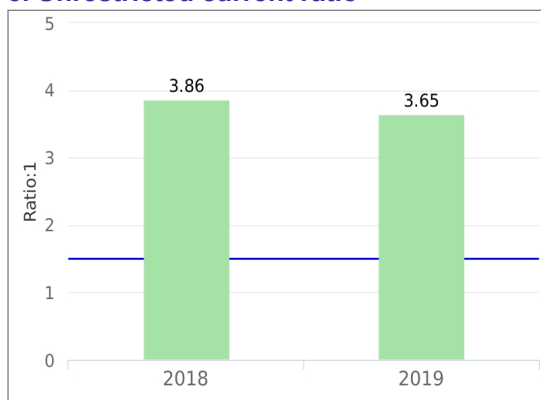
Council continues to stay above the benchmark of 60% which shows that Council is not heavily reliant on income from grants and contributions to fund its ongoing operations. Although the quantum of Own Source Income increased from last year (2018), it dropped by 6% as a percentage of total income which included substantial contributions from operating and capital grants.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.65x

The current ratio of 4.06, which is well above the benchmark, continues to be strong despite an increase in liabilities consequent to increased receipts of bonds/deposits.

Benchmark: — > 1.50x

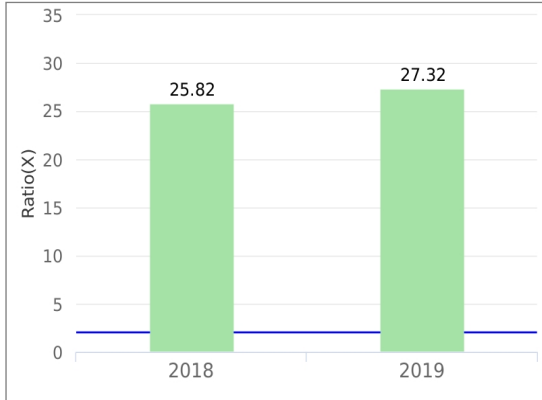
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

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

Note 23(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 27.32x

Councils debt continues to reduce and places decreasing pressure on operating cash.

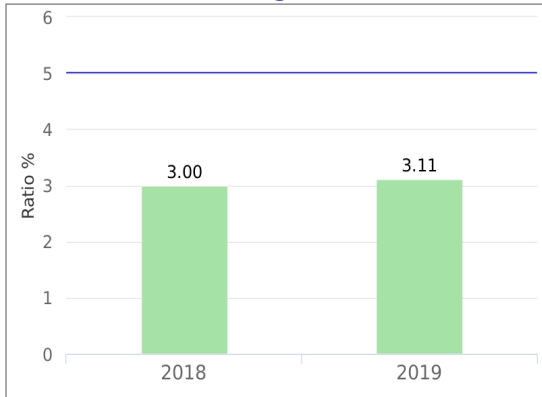
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 3.11%

The percentage of rates debtors continues to be low and reflects council's ongoing efforts at collecting rates and charges due.

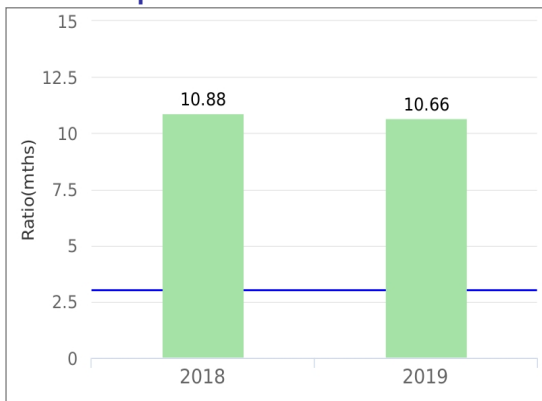
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 10.66 mths

Council is very Liquid. The cash coverage ratio continues to sit at a healthy 10+ months which is a strong position to be in to fund Councils operations.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

Corner MacMahon and Dora Streets
HURSTVILLE NSW 2220

Contact details**Mailing Address:**

PO Box 205
HURSTVILLE BC NSW 1481

Telephone: 02 9330 6400

Facsimile: 02 9330 6223

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.georgesriver.nsw.gov.au

Email: mail@georgesriver.nsw.gov.au

Officers**General Manager**

Gail Connolly

Responsible Accounting Officer

David Tuxford

Public Officer

Juliette Hall

Auditors

Audit Office of New South Wales
Level 19
201 Sussex St
SYDNEY NSW 2000

Elected members**Mayor**

-

Councillors

Christina Wu
Colleen Symington
Con Hindi
Kathryn Landsberry
Leesha Payor
Lou Konjarski
Nancy Liu
Nick Katris
Rita Kastanias
Sam Elmir (Deputy Mayor)
Sandy Grekas
Stephen Agius
Vince Badalati
Warren Tegg

Other information

ABN: 57 789 014 855



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Georges River Council

To the Councillors of the Georges River Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 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.

A handwritten signature in cursive script, appearing to read 'D Ryan', written in black ink.

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 September 2019
SYDNEY



Cr Kevin Greene
Mayor
Georges River Council
Cnr MacMahon and Dora Streets
HURTSVILLE NSW 2220

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D1922075/1728

27 September 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Georges River Council**

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	93.8	90.3	↑ 4.0
Grants and contributions revenue	46.4	31.6	↑ 46.8
Operating result for the year	33.0	22.4	↑ 47.3
Net operating result before capital grants and contributions	(3.3)	(0.8)	↓ 312.5

Council’s operating result (\$33.0 million, including the effect of depreciation and amortisation expense of \$19.6 million) was \$10.6 million higher than the 2017–18 result. This was a result of significant increase in total revenue of \$19.3 million (12.5 percent), which was higher than the increase in expenses of \$8.6 million (6.5 percent).

The net operating result before capital grants and contributions (\$3.3 million) was \$2.5 million lower than the 2017–18 result.

Rates and annual charges revenue (\$93.8 million) increased slightly as a result of the annual rates increase of 2.7 percent.

Grants and contributions revenue (\$46.4 million) increased by \$14.9 million (47.3 percent) in 2018–2019 due to:

- capital grants and contributions increased significantly by \$13.2 million compared to prior year. The increase was mainly due to stronger communities fund grant of \$9.5 million and \$2.2 million increase in S7.4 Voluntary Planning Agreements. Furthermore, cash contributions for developer constructed assets have increased by \$8.1 million in 2018–19 due to a contribution of land in lieu of a voluntary planning agreement contribution. The land value at 30 June 2019 was determined by Australis Asset Advisory Group. S.7.11 capital contributions have also decreased by \$4.9 million due to a number of proposals approved for development of amenities and properties.
- increase in operating grants and contributions of \$1.7 million (20.2 percent) due to increase in financial assistance grant of \$400,000 and childcare grant of \$1.2 million.

STATEMENT OF CASH FLOWS

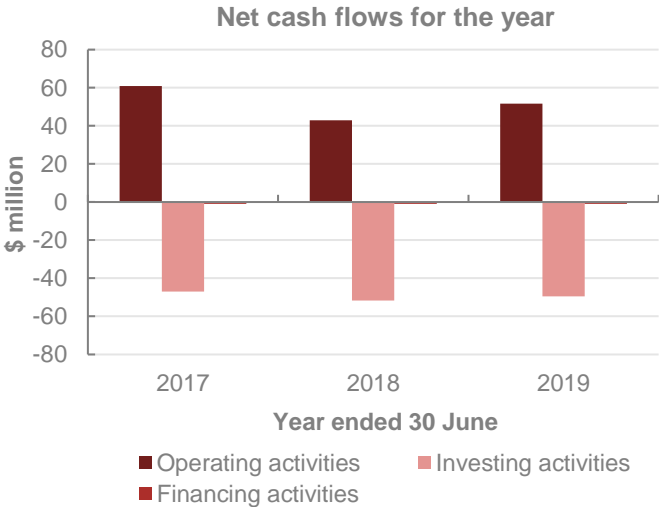
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council’s cash increased by \$1.7 million (to \$18.2 million) at the close of the year.

Cash inflows from operating activities increased from \$42.9 million in 2017–18 to \$51.7 million in 2018–19. The primary cause was increased revenue from grants and contributions.

The decrease in cash outflows from investing activities is due to \$70.3 million spending on infrastructure, property, plant and equipment (increase of \$34.3 million from 2017–18) offset by the \$18.3 million increase in sale of investment securities. The Council also had lesser purchase of investment securities in the current year compared to 2017–18.

Cash outflow from financing activities has remained constant at \$500,000.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	104.1	96.0	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	60.9	77.1	
Unrestricted	1.8	8.9	
Cash and investments	166.7	182.0	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-today operations. External restrictions have increased by \$8.1 million mainly due to a \$7.0 million increase in VPA contributions. Internal restrictions have decreased mainly due to a decrease in commercial property reserve from \$18.5 million in 2017–18 to \$6.2 million in 2018–19. It can also be attributed to transformation program carried out in 2017–18 related to amalgamation of Kogarah and Hurstville Councils. The program resulted in cash outflow of \$1.9 million last year and was completed same year.

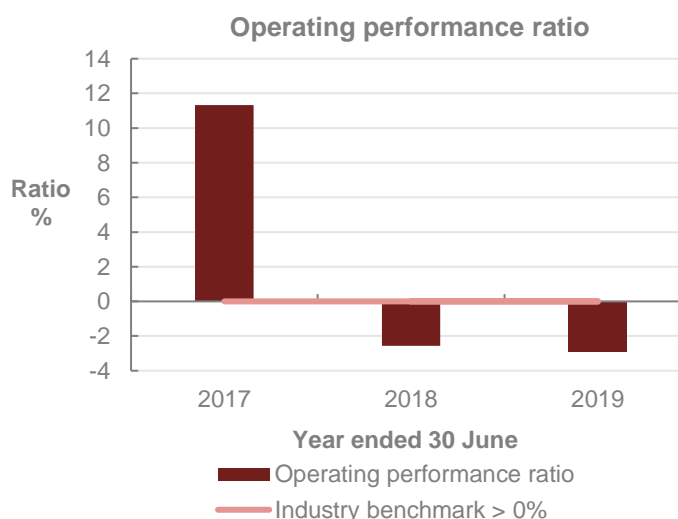
PERFORMANCE

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 the former Office of Local Government (OLG) is greater than zero percent.

Council did not reach the benchmark of zero percent.

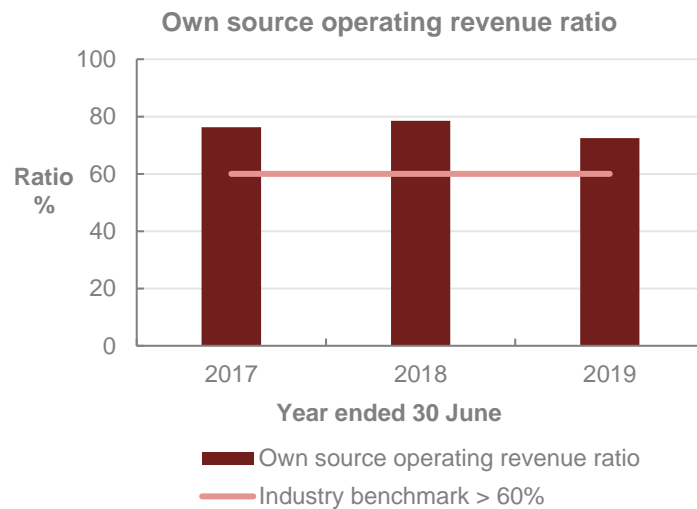
The operating performance ratio has worsened from prior year as there were slight increases in operating grants, rates and annual charges and interest revenue. Furthermore, operating expenses have increased by \$8.8 million mainly due to increase in materials and contracts of \$3.1 million, payroll expenses of \$1.8 million, depreciation and amortisation of \$1.2 million and other expenses of \$2.3 million.



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 the former OLG is greater than 60 percent.

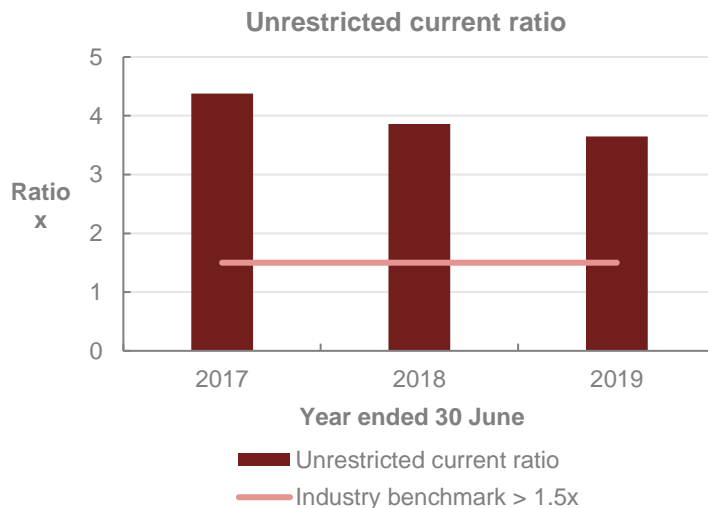
Despite the decrease in the ratio compared to prior year, Council's own source operating revenue ratio of 72.5 percent still exceeded the industry benchmark. This reflects the significance of rates and user charges as funding sources for Council.



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 the former OLG is greater than 1.5 times.

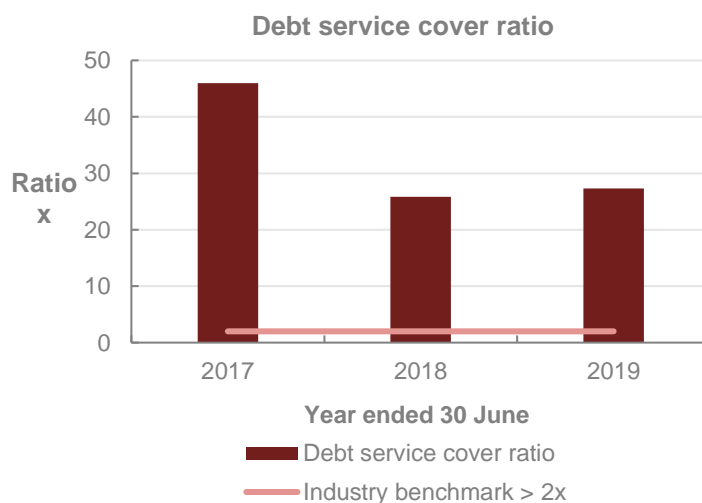
Council continues to exceed the benchmark. This ratio indicated Council currently has \$3.7 of unrestricted current assets available to service each dollar of its unrestricted current liabilities. There has been a slight decrease in this ratio during the year (decrease from \$3.9 in prior year to \$3.7 in current year) due to increase in current liabilities represented by \$1.4 million increase in payables and \$600,000 increase in provisions.



Debt service cover ratio

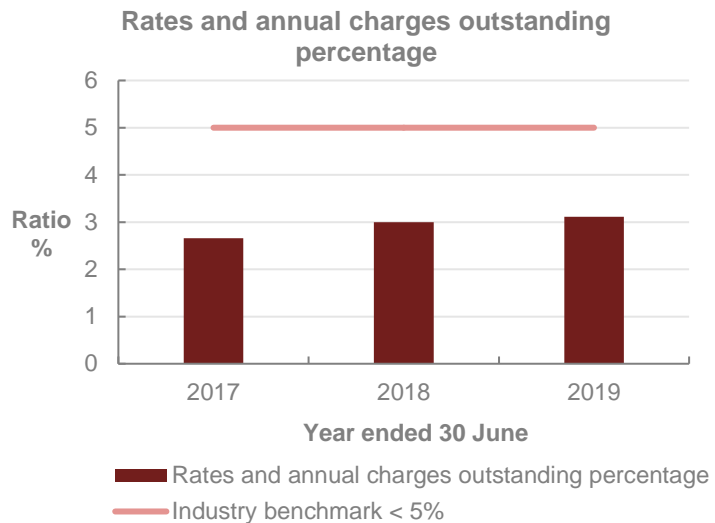
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.

The debt service cover ratio increased slightly to 27.32 times, continuing to exceed the industry benchmark. This is because the Council's borrowings have reduced to \$1.6 million and cash holdings have increased.



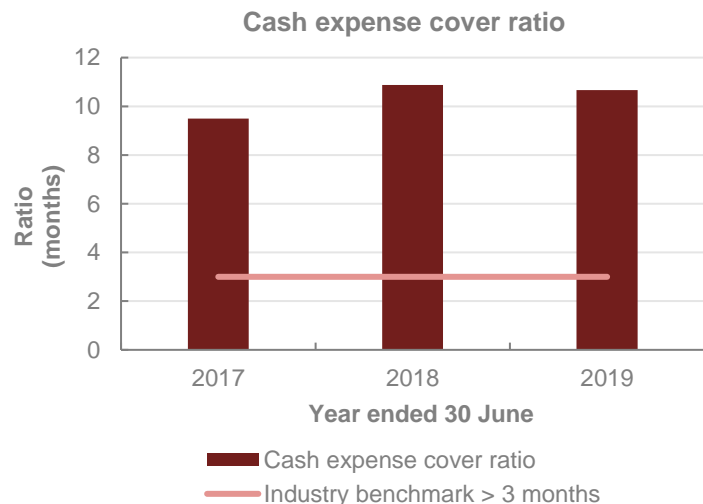
Rates and annual charges outstanding percentage

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 the former OLG is less than 5 percent for metro councils. Council's outstanding rates and charges ratio of 3.11 percent is within the industry benchmark of less than 5 percent.



Cash expense cover ratio

Council's cash expense cover ratio of 10.66 months exceeded the industry benchmark of greater than 3 months. The ratio decreased slightly by 0.22 months as compared to 2017-18. This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2018-19 amounted to \$16.2 million, an increase of \$5.0 million from prior year balance of \$11.2 million. The increase was mainly caused by the following movements:

- buildings renewals have increased to \$5.4 million in 2018-19 from \$1.4 million in 2017-18
- roads renewals have decreased to \$4.7 million in 2018-19 from \$6.3 million in 2017-18
- footpaths renewals have increased to \$3.3 million in 2018-19 from \$2.0 million in 2017-18
- stormwater drainage renewals have increased to \$2.8 million in 2018-19 from \$200,000 in 2017-18
- there were no other open space/ recreational assets renewals in 2018-19 (\$1.2 million in 2017-18).

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 6.</p>

Legislative compliance

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

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



Dominika Ryan
Director Financial Services

Delegate of the Auditor-General for New South Wales

cc: Ms Gail Connolly, General Manager
Mr John Gordon, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Georges River Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*A leading, people-focused organisation delivering
outstanding results for our community and city.*



Special Purpose Financial Statements
for the year ended 30 June 2019

Contents

Page

Special Purpose Financial Statements

Georges River Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*A leading, people-focused organisation delivering
outstanding results for our community and city.*



Special Schedules

for the year ended 30 June 2019

Contents	Page
Special Schedules	
Special Schedule 2 Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

Permissible income for general rates
for the year ended 30 June 2019

		2019/20 Former Hurstville City Council	2019/20 Former Kogarah City Council	2019/20 Georges River Council	2018/19 Former Hurstville City Council	2018/19 Former Kogarah City Council	2018/19 Georges River Council
\$ '000							
Notional general income calculation ¹							
Last year notional general income yield	a	38,861	28,639	67,500	37,807	28,003	65,810
Plus or minus adjustments ²	b	152	468	620	180	(8)	172
Notional general income	c = a + b	39,013	29,107	68,120	37,987	27,995	65,982
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Or plus rate peg amount	i = e x (c + g)	1,053	786	1,839	874	644	1,518
Sub-total	k = (c + g + h + i + j)	40,066	29,893	69,959	38,861	28,639	67,500
Plus (or minus) last year's carry forward total	l	203	(1)	202	205	–	205
Less valuation objections claimed in the previous year	m	–	–	–	(2)	(1)	(3)
Sub-total	n = (l + m)	203	(1)	202	203	(1)	202
Total permissible income	o = k + n	40,269	29,892	70,161	39,064	28,638	67,702
Less notional general income yield	p	40,342	29,893	70,235	38,861	28,639	67,500
Catch-up or (excess) result	q = o – p	(73)	(1)	(74)	203	(1)	202
Plus income lost due to valuation objections claimed	r	3	1	4	–	–	–
Carry forward to next year ⁶	t = q + r + s	(70)	–	(70)	203	(1)	202

(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.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	1,504	6,015	4,141	5,744	179,312	257,128	9.0%	30.9%	56.7%	3.3%	0.0%
	Sub-total	1,504	6,015	4,141	5,744	179,312	257,128	9.0%	30.9%	56.7%	3.3%	0.1%
Other structures	Other structures	–	–	47	65	9,442	15,836	79.3%	5.7%	15.1%	0.0%	0.0%
	Sub-total	–	–	47	65	9,442	15,836	79.3%	5.7%	15.1%	0.0%	(0.1%)
Roads	Sealed roads incl K&G	8,971	17,763	7,751	4,117	522,460	702,178	32.9%	36.6%	28.2%	2.0%	0.4%
	Footpaths	293	2,140	1,659	2,900	65,522	103,824	7.8%	30.1%	61.2%	0.7%	0.2%
	Sub-total	9,264	19,903	9,410	7,017	587,982	806,002	29.7%	35.8%	32.4%	1.8%	0.3%
Stormwater drainage	Stormwater drainage	295	22,291	1,422	1,452	75,669	149,530	2.2%	96.9%	0.8%	0.1%	0.0%
	Sub-total	295	22,291	1,422	1,452	75,669	149,530	2.2%	96.9%	0.8%	0.1%	0.0%
Open space / recreational assets	Other	3,252	9,659	10,038	12,120	51,868	79,642	41.3%	34.5%	19.2%	3.4%	1.6%
	Sub-total	3,252	9,659	10,038	12,120	51,868	79,642	41.3%	34.5%	19.2%	3.4%	1.6%
TOTAL - ALL ASSETS		14,315	57,868	25,058	26,398	904,273	1,308,138	23.8%	41.4%	32.6%	2.0%	0.2%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	16,290	104.04%	76.62%	>=100.00%
Depreciation, amortisation and impairment	15,657			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	14,315	1.58%	2.14%	<2.00%
Net carrying amount of infrastructure assets	904,273			
Asset maintenance ratio				
Actual asset maintenance	26,398	105.35%	114.60%	>100.00%
Required asset maintenance	25,058			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	57,868	4.42%	5.61%	
Gross replacement cost	1,308,138			

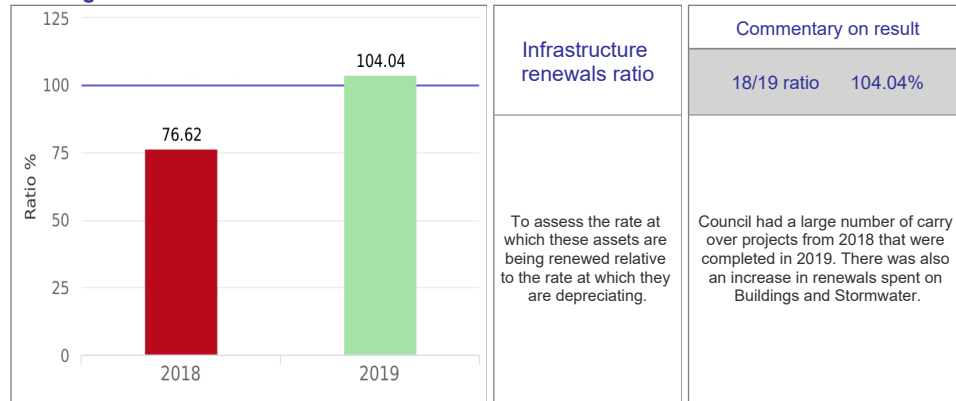
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

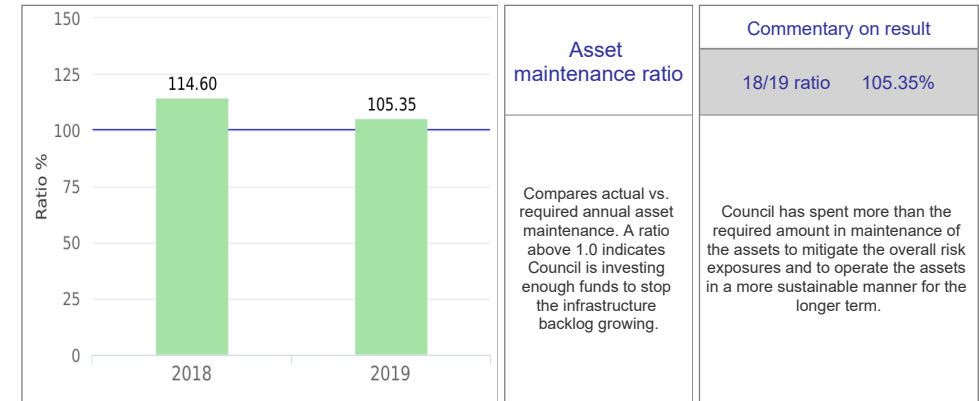
Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio
Commentary on result
18/19 ratio 104.04%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.
Council had a large number of carry over projects from 2018 that were completed in 2019. There was also an increase in renewals spent on Buildings and Stormwater.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

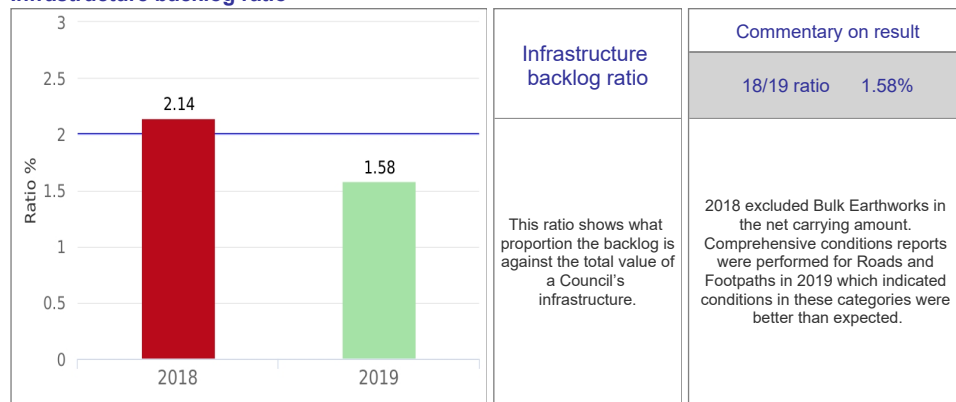
Asset maintenance ratio



Asset maintenance ratio
Commentary on result
18/19 ratio 105.35%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.
Council has spent more than the required amount in maintenance of the assets to mitigate the overall risk exposures and to operate the assets in a more sustainable manner for the longer term.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

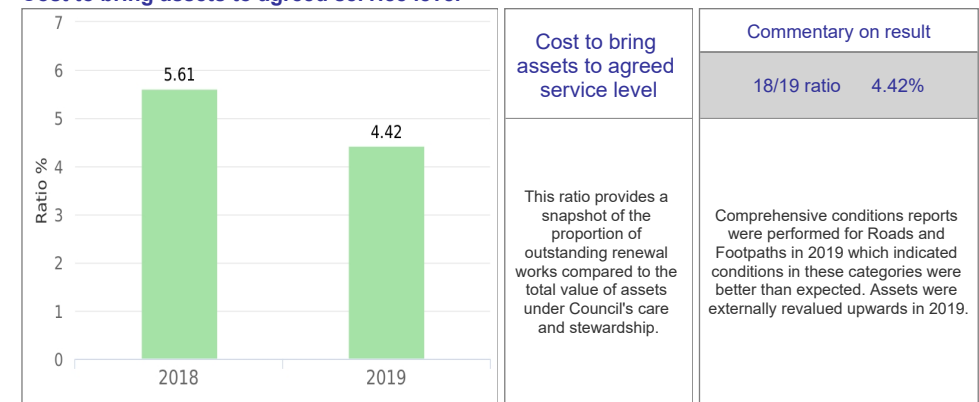
Infrastructure backlog ratio ¹



Infrastructure backlog ratio
Commentary on result
18/19 ratio 1.58%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.
2018 excluded Bulk Earthworks in the net carrying amount. Comprehensive conditions reports were performed for Roads and Footpaths in 2019 which indicated conditions in these categories were better than expected.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level
Commentary on result
18/19 ratio 4.42%
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.
Comprehensive conditions reports were performed for Roads and Footpaths in 2019 which indicated conditions in these categories were better than expected. Assets were externally revalued upwards in 2019.

(1) Excludes Work In Progress (WIP)