

# Georges River Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

---

*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 2020

---

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



# General Purpose Financial Statements

for the year ended 30 June 2020

---

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	85
On the Financial Statements (Sect 417 [3])	88

---

## 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](http://www.georgesriver.nsw.gov.au)

# Georges River Council

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

---

#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

---

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2020.



---

Kevin Greene  
Mayor  
26 October 2020



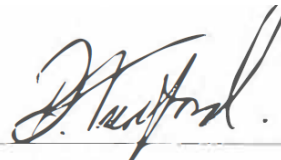
---

Stephen Agius  
Deputy Mayor  
26 October 2020



---

Gail Connolly  
General Manager  
26 October 2020



---

David Tuxford  
Responsible Accounting Officer  
26 October 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
94,979	Rates and annual charges	3a	96,766	93,795
15,496	User charges and fees	3b	14,187	14,654
9,175	Other revenues	3c	10,489	11,899
8,877	Grants and contributions provided for operating purposes	3d,3e	12,508	10,141
14,068	Grants and contributions provided for capital purposes	3d,3e	24,202	36,304
3,426	Interest and investment income	4	2,699	5,891
1,061	Net gains from the disposal of assets	6	195	550
–	Fair value increment on investment properties	11	1,640	–
<b>147,082</b>	<b>Total income from continuing operations</b>		<b>162,686</b>	<b>173,234</b>
<b>Expenses from continuing operations</b>				
58,730	Employee benefits and on-costs	5a	58,760	56,508
71	Borrowing costs	5b	41	74
39,364	Materials and contracts	5c	46,082	42,454
20,631	Depreciation and amortisation	5d	22,834	19,557
22,162	Other expenses	5e	20,039	21,363
–	Fair value decrement on investment properties	11	–	243
–	Revaluation decrement / impairment of IPP&E	5d	212	–
<b>140,958</b>	<b>Total expenses from continuing operations</b>		<b>147,968</b>	<b>140,199</b>
<b>6,124</b>	<b>Operating result from continuing operations</b>		<b>14,718</b>	<b>33,035</b>
<b>6,124</b>	<b>Net operating result for the year</b>		<b>14,718</b>	<b>33,035</b>
6,124	Net operating result attributable to council		14,718	33,035
<b>(7,944)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(9,484)</b>	<b>(3,269)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>14,718</b>	<b>33,035</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	6,371	80,617
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>6,371</b>	<b>80,617</b>
<b>Total other comprehensive income for the period</b>		<b>6,371</b>	<b>80,617</b>
<b>Total comprehensive income for the year</b>		<b>21,089</b>	<b>113,652</b>
Total comprehensive income attributable to Council		21,089	113,652

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	24,583	18,211
Investments	7(b)	81,574	108,502
Receivables	8	10,712	10,169
Inventories	9a	113	155
Other	9b	731	455
<b>Total current assets</b>		<u>117,713</u>	<u>137,492</u>
<b>Non-current assets</b>			
Investments	7(b)	39,000	40,000
Infrastructure, property, plant and equipment	10	1,404,439	1,366,709
Investment property	11	19,310	17,660
Intangible Assets	12	1,226	1,362
Right of use assets	14a	162	–
<b>Total non-current assets</b>		<u>1,464,137</u>	<u>1,425,731</u>
<b>Total assets</b>		<u>1,581,850</u>	<u>1,563,223</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	25,271	23,492
Income received in advance	15	452	596
Contract liabilities	13	1,157	–
Lease liabilities	14b	42	–
Borrowings	15	500	500
Provisions	16	14,290	14,262
<b>Total current liabilities</b>		<u>41,712</u>	<u>38,850</u>
<b>Non-current liabilities</b>			
Contract liabilities	13	4,653	–
Lease liabilities	14b	118	–
Borrowings	15	625	1,125
Provisions	16	575	431
<b>Total non-current liabilities</b>		<u>5,971</u>	<u>1,556</u>
<b>Total liabilities</b>		<u>47,683</u>	<u>40,406</u>
<b>Net assets</b>		<u>1,534,167</u>	<u>1,522,817</u>
<b>EQUITY</b>			
Accumulated surplus	17	1,424,085	1,419,106
Revaluation reserves	17	110,082	103,711
<b>Council equity interest</b>		<u>1,534,167</u>	<u>1,522,817</u>
<b>Total equity</b>		<u>1,534,167</u>	<u>1,522,817</u>

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

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



Statement of Changes in Equity  
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,419,106	103,711	1,522,817	1,386,071	23,094	1,409,165
Changes due to AASB 1058 and AASB 15 adoption	17	(9,739)	–	(9,739)	–	–	–
<b>Restated opening balance</b>		<b>1,409,367</b>	<b>103,711</b>	<b>1,513,078</b>	<b>1,386,071</b>	<b>23,094</b>	<b>1,409,165</b>
Net operating result for the year		14,718	–	14,718	33,035	–	33,035
<b>Restated net operating result for the period</b>		<b>14,718</b>	<b>–</b>	<b>14,718</b>	<b>33,035</b>	<b>–</b>	<b>33,035</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	6,371	6,371	–	80,617	80,617
<b>Other comprehensive income</b>		<b>–</b>	<b>6,371</b>	<b>6,371</b>	<b>–</b>	<b>80,617</b>	<b>80,617</b>
<b>Total comprehensive income</b>		<b>14,718</b>	<b>6,371</b>	<b>21,089</b>	<b>33,035</b>	<b>80,617</b>	<b>113,652</b>
<b>Equity – balance at end of the reporting period</b>		<b>1,424,085</b>	<b>110,082</b>	<b>1,534,167</b>	<b>1,419,106</b>	<b>103,711</b>	<b>1,522,817</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
95,098	Rates and annual charges		96,179	93,684
16,881	User charges and fees		14,926	13,538
4,282	Investment and interest revenue received		3,994	5,669
22,616	Grants and contributions		31,225	46,936
–	Bonds, deposits and retention amounts received		–	2,286
7,124	Other		10,549	12,026
<b>Payments:</b>				
(57,357)	Employee benefits and on-costs		(55,970)	(57,741)
(40,095)	Materials and contracts		(45,659)	(43,418)
(71)	Borrowing costs		(41)	(74)
–	Bonds, deposits and retention amounts refunded		(780)	–
(24,141)	Other		(19,744)	(21,198)
<b>24,337</b>	<b>Net cash provided (or used in) operating activities</b>	18b	<b>34,679</b>	<b>51,708</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		87,291	65,839
1,763	Sale of infrastructure, property, plant and equipment		906	3,504
<b>Payments:</b>				
–	Purchase of investment securities		(59,391)	(48,500)
–	Purchase of investment property		(10)	(103)
(48,872)	Purchase of infrastructure, property, plant and equipment		(56,292)	(70,266)
(100)	Purchase of intangible assets		(278)	20
<b>(47,209)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(27,774)</b>	<b>(49,506)</b>
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(500)	Repayment of borrowings and advances		(500)	(500)
–	Lease liabilities (principal repayments)		(33)	–
<b>(500)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(533)</b>	<b>(500)</b>
<b>(23,372)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,372</b>	<b>1,702</b>
18,211	Plus: cash and cash equivalents – beginning of year	18a	18,211	16,509
<b>(5,161)</b>	<b>Cash and cash equivalents – end of the year</b>	18a	<b>24,583</b>	<b>18,211</b>
148,499	plus: Investments on hand – end of year	7(b)	120,574	148,502
<b>143,338</b>	<b>Total cash, cash equivalents and investments</b>		<b>145,157</b>	<b>166,713</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	29
7(a)	Cash and cash equivalents	30
7(b)	Investments	30
7(c)	Restricted cash, cash equivalents and investments	32
8	Receivables	33
9	Inventories and other assets	35
10	Infrastructure, property, plant and equipment	36
11	Investment properties	39
12	Intangible assets	41
13	Contract assets and liabilities	42
14	Leases	43
15	Payables and borrowings	45
16	Provisions	48
17	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	50
18	Statement of cash flow information	57
19	Commitments	58
20	Contingencies	59
21	Financial risk management	62
22	Material budget variations	66
23	Fair Value Measurement	68
24	Related party disclosures	76
25	Events occurring after the reporting date	77
26	Statement of developer contributions	78
27(a)	Statement of performance measures – consolidated results	81
 <b>Additional Council disclosures (unaudited)</b>		
27(b)	Statement of performance measures – consolidated results (graphs)	82
28	Council information and contact details	84

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

---

These financial statements were authorised for issue by Council on 26 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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.

#### (a) Historical cost convention

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

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

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

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

#### Coronavirus (COVID-19) impact

The global health crisis from the COVID-19 virus has had a significant impact on Council's operations which has been reflected in the financial statements. A number of facilities, services and events were significantly affected during the period of pandemic restrictions which resulted in reduced revenues and put a strain on cash flow. The financial difficulty experienced by many ratepayers led to a higher than normal level of outstanding collections for the financial year.

Council has determined that COVID-19 does not create a material uncertainty to the extent that it casts significant doubt upon Council's ability to continue as a going concern.

More information on COVID-19 and its effect on Council's budgeted income and expenses can be found at Note 22 – Material budget variations.

#### Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties – refer Note 11;
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10;
- (iii) employee benefit provisions – refer Note 16.

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

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

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

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

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 17.

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
A HARMONIOUS AND PROUD COMMUNITY WITH STRONG SOCIAL SERVICES AND INFRASTRUCTURE QUALITY, WELL PLANNED DEVELOPMENT	13,835	12,024	24,266	23,707	(10,431)	(11,683)	4,627	3,342	6,760	10,097
A DIVERSE AND PRODUCTIVE ECONOMY	2,815	3,454	5,868	7,471	(3,053)	(4,017)	–	–	80,593	80,901
A PROTECTED ENVIRONMENT AND GREEN OPEN SPACES	20,782	32,409	8,559	5,523	12,223	26,886	1,360	780	35,422	37,834
LEADERSHIP AND TRANSPARENCY	31,791	34,530	34,313	34,227	(2,522)	303	3,576	5,895	104,661	104,990
ACTIVE AND ACCESSIBLE PLACES AND SPACES	76,096	74,122	50,688	44,411	25,408	29,711	4,664	4,723	21,422	30,813
	17,367	16,695	24,274	24,860	(6,907)	(8,165)	6,844	6,199	1,332,992	1,298,588
<b>Total functions and activities</b>	<b>162,686</b>	<b>173,234</b>	<b>147,968</b>	<b>140,199</b>	<b>14,718</b>	<b>33,035</b>	<b>21,071</b>	<b>20,939</b>	<b>1,581,850</b>	<b>1,563,223</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

#### **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 2020

## Note 3. Revenue from continuing operations

\$ '000	2020	2019
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	59,419	56,997
Business	9,932	9,629
Less: pensioner rebates	(1,278)	(1,680)
<b>Rates levied to ratepayers</b>	<b>68,073</b>	<b>64,946</b>
Pensioner rate subsidies received	708	714
<b>Total ordinary rates</b>	<b>68,781</b>	<b>65,660</b>
<b>Special rates</b>		
Town improvement	670	648
<b>Rates levied to ratepayers</b>	<b>670</b>	<b>648</b>
<b>Total special rates</b>	<b>670</b>	<b>648</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	25,584	24,917
Stormwater management services	1,195	1,178
Waste management services (non-domestic)	1,758	1,704
Section 611 charges	83	90
Less: pensioner rebates	(1,594)	(698)
<b>Annual charges levied</b>	<b>27,026</b>	<b>27,191</b>
Pensioner subsidies received:		
– Domestic waste management	289	296
<b>Total annual charges</b>	<b>27,315</b>	<b>27,487</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>96,766</b>	<b>93,795</b>

Council has used 1 July 2019 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Waste management services (non-domestic)	68	71
<b>Total specific user charges</b>	<b>68</b>	<b>71</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	3,971	3,561
Regulatory fees	536	508
Section 10.7 certificates (EP&A Act)	323	294
Section 603 certificates	191	150
<b>Total fees and charges – statutory/regulatory</b>	<b>5,021</b>	<b>4,513</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Child care	2,034	2,302
Leaseback fees – Council vehicles	465	493
Leisure centre	1,011	1,806
Restoration charges	3,024	1,494
Community services	–	1
Golf course	622	705
Library	62	70
Parks income	514	684
Public halls	501	798
Tennis courts	124	107
Other - Jubilee oval ticket sales	542	1,274
Other	199	336
<b>Total fees and charges – other</b>	<b>9,098</b>	<b>10,070</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>14,187</b>	<b>14,654</b>

**Accounting policy for user charges and fees**

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

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

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Other revenues</b>		
Rental income – investment property	1,884	1,821
Rental income – other council properties	2,300	2,825
Ex gratia rates	–	2
Fines	396	545
Fines – parking	3,843	4,135
Legal fees recovery – rates and charges (extra charges)	165	224
Legal fees recovery – other	380	900
Commissions and agency fees	351	402
Diesel rebate	119	–
Insurance claims recoveries	406	270
Sponsorships	222	166
Other	423	609
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>10,489</u></b>	<b><u>11,899</u></b>

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	2,161	2,236	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance	2,290	2,320	–	–
<b>Total general purpose</b>	<b>4,451</b>	<b>4,556</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Child care	3,328	2,794	–	–
Environmental programs	153	–	100	75
Library	388	289	289	81
LIRS subsidy	49	81	–	–
Street lighting	342	335	–	–
Transport (roads to recovery)	710	–	–	–
Transport (other roads and bridges funding)	58	17	–	81
Waste management	155	155	–	–
Parks	17	191	4,458	1,304
Stronger communities fund	–	–	4,164	9,500
Community services	46	44	–	110
Other	2,273	1,076	90	250
<b>Total specific purpose</b>	<b>7,519</b>	<b>4,982</b>	<b>9,101</b>	<b>11,401</b>
<b>Total grants</b>	<b>11,970</b>	<b>9,538</b>	<b>9,101</b>	<b>11,401</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,298	2,961	1,064	375
– State funding	6,642	6,577	8,007	10,602
– Other funding	30	–	30	424
	<b>11,970</b>	<b>9,538</b>	<b>9,101</b>	<b>11,401</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>					
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	143	6,888
S 7.11 – contributions towards amenities/services		–	–	12,893	8,766
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>13,036</b>	<b>15,654</b>
<b>Total developer contributions</b>	26	<b>–</b>	<b>–</b>	<b>13,036</b>	<b>15,654</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Kerb and gutter		–	–	–	18
RMS contributions (regional roads, block grant)		484	476	1,250	851
Other		22	127	36	16
Developer constructed assets		–	–	–	8,114
Contributions to legal and consultant fees		32	–	–	–
Parks – contribution by sporting club		–	–	312	250
<b>Total other contributions – cash</b>		<b>538</b>	<b>603</b>	<b>1,598</b>	<b>9,249</b>
<b>Non-cash contributions</b>					
Recreation and culture		–	–	467	–
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>467</b>	<b>–</b>
<b>Total other contributions</b>		<b>538</b>	<b>603</b>	<b>2,065</b>	<b>9,249</b>
<b>Total contributions</b>		<b>538</b>	<b>603</b>	<b>15,101</b>	<b>24,903</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>12,508</b>	<b>10,141</b>	<b>24,202</b>	<b>36,304</b>

**Accounting policy for grants and contributions****Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreement but include the purchasing or planting of shrubs and trees for bush regeneration, improving the environmental condition of the critically endangered Sydney Turpentine Ironbark vegetation, establishing tree canopy wildlife corridors etc. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### Grant income

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	921	670
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	625
<b>Add:</b> operating grants received for the provision of goods and services in a future period	531	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(374)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(764)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>688</b>	<b>921</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	797	2,844
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	81
<b>Add:</b> capital grants received for the provision of goods and services in a future period	682	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(2,128)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(533)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>946</b>	<b>797</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	75,662	70,400
<b>Add:</b> contributions recognised in the current period but not yet spent	12,796	17,379
<b>Less:</b> contributions recognised in a previous reporting period now spent	(13,344)	(12,117)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>75,114</b>	<b>75,662</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB 15 2020	AASB 1058 2020
<b>(g) Disaggregation of material revenue streams</b>		
The following shows the revenue recognition pattern for the material revenue streams of Council.		
<b>Revenue recognition at a point in time</b>		
Rates and annual charges	–	96,766
Financial assistance grants	–	4,451
User charges and fees	14,188	–
Grant revenue and non-developer contributions	2,631	10,615
Developer contributions	–	12,796
Fines	–	4,240
Sale of goods	–	–
Other	–	6,028
	<u>16,819</u>	<u>134,896</u>
<b>Revenue recognised over time</b>		
Grant revenue	1,639	–
Grants to acquire or construct Council controlled assets	–	6,186
User charges and fees	–	–
Other	222	–
	<u>1,861</u>	<u>6,186</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	201	182
– Cash and investments	2,419	5,336
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	79	373
<b>Total Interest and investment income</b>	<u>2,699</u>	<u>5,891</u>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	142	129
General Council cash and investments	951	2,486
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	939	1,824
– Section 7.4 VPAs	166	338
Domestic waste management operations	374	587
Other externally restricted assets Town Improvement Rates	43	64
Other externally restricted assets Stormwater Management	3	2
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	81	461
<b>Total interest and investment revenue</b>	<u>2,699</u>	<u>5,891</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 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	47,309	45,043
Employee termination costs (where material – other than vested leave paid)	1,231	164
Travel expenses	492	413
Employee leave entitlements (ELE)	4,886	5,552
Superannuation	4,151	4,076
Superannuation – defined benefit plans	932	1,019
Workers' compensation insurance	760	766
Fringe benefit tax (FBT)	93	94
Training costs (other than salaries and wages)	550	668
<b>Total employee costs</b>	<b>60,404</b>	<b>57,795</b>
Less: capitalised costs	(1,644)	(1,287)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>58,760</b>	<b>56,508</b>
Number of 'full-time equivalent' employees (FTE) at year end	580	567

**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 20 for more information.

\$ '000	2020	2019
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on leases	2	–
Interest on loans	39	74
<b>Total interest bearing liability costs</b>	<b>41</b>	<b>74</b>
<b>Total interest bearing liability costs expensed</b>	<b>41</b>	<b>74</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>41</b>	<b>74</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,253	1,991
Contractor and consultancy costs – waste services	21,769	20,179
Contractor and consultancy costs – contractors (various services)	9,799	8,913
Contractor and consultancy costs – consultancy costs	5,049	4,421
Auditors remuneration <sup>2</sup>	119	113
<b>Legal expenses:</b>		
– Legal expenses: planning and development	106	592
– Legal expenses: other	1,803	1,472
Expenses from leases of low value assets (2020 only)	186	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	222
IT expenses	2,716	2,529
Motor vehicle expenses	1,116	1,284
Other maintenance of assets	218	165
Other	948	573
<b>Total materials and contracts</b>	<b>46,082</b>	<b>42,454</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>46,082</b>	<b>42,454</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

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

Computers	–	109
Other	–	113
	–	222

**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	119	113
<b>Total Auditor-General remuneration</b>	<b>119</b>	<b>113</b>

**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Other audit and assurance services	–	–
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>–</b>
<b>Total Auditor remuneration</b>	<b>119</b>	<b>113</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,146	2,255
Office equipment		558	497
Furniture and fittings		257	278
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		2,218	2,112
– Buildings – specialised		2,702	2,351
– Other structures		477	383
– Roads		7,711	6,033
– Footpaths		1,338	973
– Stormwater drainage		1,303	1,196
– Other open space/recreational assets		3,113	2,609
<b>Right of use assets</b>	14	31	–
<b>Other assets:</b>			
– Library books		552	399
– Other		14	14
Intangible assets	12	414	457
<b>Total gross depreciation and amortisation costs</b>		<u>22,834</u>	<u>19,557</u>
<b>Total depreciation and amortisation costs</b>		<u>22,834</u>	<u>19,557</u>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10		
– Other structures		212	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<u>212</u>	<u>–</u>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<u>212</u>	<u>–</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>23,046</u>	<u>19,557</u>

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

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

Depreciation is capitalised where in-house assets have contributed to new 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	236	266
Bad and doubtful debts	202	248
Bank charges	69	20
Contributions/levies to other levels of government	–	–
– Department of planning levy	303	407
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,201	2,114
– Other contributions/levies	34	20
Councillor expenses – mayoral fee/administrator fee	69	65
Councillor expenses – councillors' fees	397	368
Councillors' expenses (incl. mayor) – other (excluding fees above)	56	112
Donations, contributions and assistance to other organisations (Section 356)	768	998
Electricity and heating	1,222	1,607
Insurance	1,296	1,170
Postage	301	186
Printing and stationery	484	415
Street lighting	1,878	2,447
Telephone and communications	347	429
Valuation fees	364	253
Catering food and beverage	299	298
Commission charges	736	1,023
Exhibitions, festivals and events	1,124	1,007
Property expenses – utilities	1,183	1,129
Property expenses – other	5,610	6,000
Memberships and subscriptions	570	578
Other recruitment and staff well being	90	82
Other	200	121
<b>Total other expenses</b>	<b>20,039</b>	<b>21,363</b>
<b>TOTAL OTHER EXPENSES</b>	<b>20,039</b>	<b>21,363</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		849	1,699
Less: carrying amount of plant and equipment assets sold/written off		(492)	(1,020)
<b>Net gain/(loss) on disposal</b>		<b>357</b>	<b>679</b>
<b>Investments</b>			
Proceeds from disposal/redemptions/maturities – investments		87,291	65,839
Less: carrying amount of investments sold/redeemed/matured		(87,398)	(65,900)
<b>Net gain/(loss) on disposal</b>		<b>(107)</b>	<b>(61)</b>
<b>Office Equipment</b>			
Less: carrying amount of Office equipment assets sold/written off		–	(8)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(8)</b>
<b>Library Collection</b>			
Proceeds from disposal – Library collection		–	–
Less: carrying amount of Library collection assets sold/written off		(55)	(65)
<b>Net gain/(loss) on disposal</b>		<b>(55)</b>	<b>(65)</b>
<b>Land</b>			
Proceeds from disposal – Land		57	5
Less: carrying amount of Land assets sold/written off		(57)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>5</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>195</b>	<b>550</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	8,148	8,019
Cash-equivalent assets		
– Deposits at call	16,435	10,192
<b>Total cash and cash equivalents</b>	<b>24,583</b>	<b>18,211</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	40,574	–	57,461	–
b. 'Financial assets at amortised cost'	41,000	39,000	51,041	40,000
<b>Total Investments</b>	<b>81,574</b>	<b>39,000</b>	<b>108,502</b>	<b>40,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>106,157</b>	<b>39,000</b>	<b>126,713</b>	<b>40,000</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	6,379	–	6,301	–
Floating Rate Notes (with maturities > 3 months)	34,195	–	51,160	–
<b>Total</b>	<b>40,574</b>	<b>–</b>	<b>57,461</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	41,000	39,000	51,041	40,000
<b>Total</b>	<b>41,000</b>	<b>39,000</b>	<b>51,041</b>	<b>40,000</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### **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.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	106,157	39,000	126,713	40,000
<b>attributable to:</b>				
External restrictions	63,013	39,000	64,091	40,000
Internal restrictions	43,116	–	60,871	–
Unrestricted	28	–	1,751	–
	106,157	39,000	126,713	40,000

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

## Details of restrictions

**External restrictions – other**

Developer contributions – general	64,635	63,972
Specific purpose unexpended grants - General	1,636	1,718
Environmental and stormwater levies	606	1,863
Town improvement levy	2,932	2,586
Special rate levy	176	331
Voluntary planning agreements	10,419	11,689
Domestic waste management	21,609	21,932
<b>External restrictions – other</b>	<b>102,013</b>	<b>104,091</b>

**Total external restrictions**

	102,013	104,091
--	---------	---------

**Internal restrictions**

Plant and vehicle replacement	4,158	4,276
Employees leave entitlement	6,561	9,513
Deposits, retentions and bonds	4,240	5,240
Childcare equipment	1,209	1,209
Election reserve	1,273	923
Hurstville golf course	127	75
Asset management	6,365	9,345
Commercial property	1,959	6,202
Strategic centres	5,742	7,743
Financial assistance grant	2,290	2,320
Revolving Energy	44	177
Tree Preservation	452	353
Stronger communities fund	4,593	8,757
Aquatic facilities	1,312	1,544
Merger Initiatives Allocation	2,767	3,194
Outdoor Synthetic Sports Fields	24	–
<b>Total internal restrictions</b>	<b>43,116</b>	<b>60,871</b>

**TOTAL RESTRICTIONS**

	145,129	164,962
--	---------	---------

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	3,863	–	2,559	–
Interest and extra charges	397	–	422	–
User charges and fees	2,243	–	3,126	–
Contributions to works	1	–	1	–
Accrued revenues				
– Interest on investments	539	–	1,888	–
– Other income accruals	1,148	–	465	–
Government grants and subsidies	2,200	–	644	–
Net GST receivable	861	–	1,412	–
Other debtors	172	–	190	–
<b>Total</b>	<b>11,424</b>	<b>–</b>	<b>10,707</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Debtors	(712)	–	(538)	–
<b>Total provision for impairment – receivables</b>	<b>(712)</b>	<b>–</b>	<b>(538)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>10,712</u></b>	<b><u>–</u></b>	<b><u>10,169</u></b>	<b><u>–</u></b>
<b>Externally restricted receivables</b>				
Domestic waste management	972	–	849	–
Town improvement	38	–	18	–
Stormwater management	54	–	45	–
<b>Total external restrictions</b>	<b>1,064</b>	<b>–</b>	<b>912</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>9,648</b>	<b>–</b>	<b>9,257</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>10,712</b>	<b>–</b>	<b>10,169</b>	<b>–</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	538	290
+ new provisions recognised during the year	242	248
– amounts provided for but recovered during the year	(68)	–
<b>Balance at the end of the year</b>	<b>712</b>	<b>538</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

---

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	113	–	155	–
<b>Total inventories at cost</b>	<b>113</b>	<b>–</b>	<b>155</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>113</u></b>	<b><u>–</u></b>	<b><u>155</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	731	–	418	–
Deposit to supplier	–	–	37	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>731</u></b>	<b><u>–</u></b>	<b><u>455</u></b>	<b><u>–</u></b>

#### Accounting policy for inventories and other assets

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

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

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

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	28,245	–	28,245	7,314	17,009	–	–	–	(13,925)	–	–	–	38,643	–	38,643
Plant and equipment	19,008	(11,551)	7,457	–	4,007	(491)	(2,146)	–	–	–	–	–	21,227	(12,398)	8,829
Office equipment	5,346	(3,631)	1,715	74	206	–	(558)	–	–	–	–	–	5,621	(4,184)	1,437
Furniture and fittings	4,123	(2,415)	1,708	10	25	–	(257)	–	–	–	–	–	4,157	(2,672)	1,485
<b>Land:</b>															
– Operational land <sup>2</sup>	209,047	–	209,047	31	–	–	–	–	–	6,114	(241)	–	214,951	–	214,951
– Community land	197,208	–	197,208	–	–	(57)	–	–	–	(6,114)	–	–	191,038	–	191,038
– Council controlled land	15,160	–	15,160	–	–	–	–	–	–	–	–	–	15,160	–	15,160
– Land under roads (post 30/6/08)	727	–	727	–	–	–	–	–	–	–	–	–	727	–	727
<b>Infrastructure:</b>															
– Buildings – non-specialised	110,172	(34,893)	75,279	725	11,351	–	(2,218)	–	–	–	–	3,591	125,500	(36,772)	88,728
– Buildings – specialised	146,957	(42,924)	104,033	–	30	–	(2,702)	–	–	–	–	1,321	146,448	(43,766)	102,682
– Other structures	15,836	(6,394)	9,442	–	17	–	(477)	(212)	–	–	(353)	–	11,999	(3,581)	8,418
– Roads	589,246	(179,718)	409,528	4,825	553	–	(7,711)	–	–	–	–	5,902	589,633	(176,535)	413,098
– Footpaths	103,824	(38,302)	65,522	2,200	1,663	–	(1,338)	–	–	–	(2,115)	–	105,486	(39,555)	65,931
– Bulk earthworks (non-depreciable)	112,932	–	112,932	–	–	–	–	–	–	–	–	40	112,971	–	112,971
– Stormwater drainage	149,530	(73,861)	75,669	3,495	37	–	(1,303)	–	–	–	–	368	156,586	(78,321)	78,265
– Other open space/recreational assets	79,642	(27,774)	51,868	4,462	10,025	–	(3,113)	–	–	–	(2,170)	–	103,377	(42,305)	61,072
<b>Other assets:</b>															
– Library books	4,249	(3,140)	1,109	–	428	(55)	(552)	–	–	–	–	28	3,931	(2,973)	958
– Other	444	(384)	60	–	–	–	(14)	–	–	–	–	–	444	(398)	46
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,791,696</b>	<b>(424,987)</b>	<b>1,366,709</b>	<b>23,136</b>	<b>45,351</b>	<b>(603)</b>	<b>(22,389)</b>	<b>(212)</b>	<b>(13,925)</b>	<b>–</b>	<b>(4,879)</b>	<b>11,250</b>	<b>1,847,899</b>	<b>(443,460)</b>	<b>1,404,439</b>

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

(2) Six items of Operational land with a carrying value of \$4.98m were found during the year-end valuation. Council has accounted for the land in equity through the asset revaluation reserve. The \$4.98m increment was completely offset by the overarching decrement in the operational land portfolio.

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

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	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
<b>\$ '000</b>														
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
<b>Land:</b>														
– 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
– Land under roads (post 30/6/08)	727	–	727	–	–	–	–	–	–	–	–	727	–	727
– Council controlled land	15,160	–	15,160	–	–	–	–	–	–	–	–	15,160	–	15,160
<b>Infrastructure:</b>														
– 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
<b>Other assets:</b>														
– 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
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,665,169</b>	<b>(430,910)</b>	<b>1,234,259</b>	<b>30,369</b>	<b>47,930</b>	<b>(1,093)</b>	<b>(19,100)</b>	<b>(6,274)</b>	<b>–</b>	<b>(11,759)</b>	<b>92,376</b>	<b>1,791,696</b>	<b>(424,987)</b>	<b>1,366,709</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10. 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	2 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	2 to 4		
Vehicles	3 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	3 to 30	Buildings: masonry	50 to 200
Other plant and equipment	3 to 20	Buildings: other	15 to 60
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	25 to 40	Drains	80 to 150
Sealed roads: structure	50 to 100	Culverts	20 to 150
Unsealed roads	20	Flood control structures	80 to 100
Bridge: concrete	100		
Bridge: other	50	<b>Other infrastructure assets</b>	
Road pavements	60 to 80	Bulk earthworks	Infinite
Kerb, gutter and footpaths	30 to 250	Swimming pools	50 to 75
		Other open space/recreational assets	5 to 150
		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 2020

## Note 11. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	19,310	17,660
<b>Total owned investment property</b>	<b>19,310</b>	<b>17,660</b>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	17,660	17,800
– Net gain/(loss) from fair value adjustments	1,640	(243)
– Other movements	10	103
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>19,310</b>	<b>17,660</b>

## (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 2020 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

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

## (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	1,175	1,393
Later than 1 year but less than 5 years	1,400	1,202
<b>Total minimum lease payments receivable</b>	<b>2,575</b>	<b>2,595</b>

## (d) Investment property income and expenditure – summary

**Rental income from investment property:**

– Minimum lease payments	1,884	1,821
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(922)	(910)
<b>Net revenue contribution from investment property</b>	<b>962</b>	<b>911</b>

plus:

<b>Fair value movement for year</b>	1,640	(243)
<b>Total income attributable to investment property</b>	<b>2,602</b>	<b>668</b>

**Accounting policy for investment property**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11. Investment properties (continued)

---

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	3,927	3,947
Accumulated amortisation	(2,565)	(2,108)
<b>Net book value – opening balance</b>	<b>1,362</b>	<b>1,839</b>
<b>Movements for the year</b>		
– Purchases	278	–
– Prior year classification adjustment	–	(20)
– Amortisation charges	(414)	(457)
<b>Closing values at 30 June</b>		
Gross book value	4,205	3,927
Accumulated amortisation	(2,979)	(2,565)
<b>Total software – net book value</b>	<b>1,226</b>	<b>1,362</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>1,226</b>	<b>1,362</b>

**Accounting policy for intangible assets****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 services, 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. Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	626	4,644
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	531	9
<b>Total grants received in advance</b>		<b>1,157</b>	<b>4,653</b>
<b>Total contract liabilities</b>		<b>1,157</b>	<b>4,653</b>

**Notes**

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

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	4,587
Operating grants (received prior to performance obligation being satisfied)	499
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>5,086</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases

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

## (i) Council as a lessee

**IT equipment**

Leases for IT equipment are generally for low value assets, except for significant items such as photocopiers and servers. The leases are for between 2 and 5 years, the payments are fixed, and there is a renewal option. Due to advances in technology, it is unlikely that Council would renew the leases at the end of the term.

\$ '000	IT Equipment	Total
<b>(a) Right of use assets</b>		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	62	62
Additions to right-of-use assets	131	131
Depreciation charge	(31)	(31)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>162</u></b>	<b><u>162</u></b>

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities <sup>1</sup>	42	118
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>42</u></b>	<b><u>118</u></b>

(1) All lease liabilities are in relation to IT equipment right of use assets

**(i) The maturity analysis**

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

\$ '000	< 1 year	1 – 5 years	Total	Total per Statement of Financial Position
Cash flows	42	118	160	<b>160</b>
<b>\$ '000</b>				<b>2020</b>

**(c) Income Statement**

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

Interest on lease liabilities	2
Depreciation of right of use assets	31
Expenses relating to low-value leases	186
	<b><u>219</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

\$ '000	2020
<b>(d) Statement of Cash Flows</b>	
Total cash outflow for leases	(219)
	<u>(219)</u>

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

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

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

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

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

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

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

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

**Exceptions to lease accounting**

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

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

Refer to Note 5c and Note 17.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,226	–	3,845	–
Goods and services – capital expenditure	2,583	–	4,311	–
Prepaid rates	717	–	–	–
Accrued expenses:				
– Salaries and wages	2,724	–	24	–
– Other expenditure accruals	4,792	–	4,092	–
Security bonds, deposits and retentions	10,062	–	10,842	–
ATO fringe benefits tax	26	–	30	–
Other	141	–	348	–
<b>Total payables</b>	<b>25,271</b>	<b>–</b>	<b>23,492</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	452	–	596	–
<b>Total income received in advance</b>	<b>452</b>	<b>–</b>	<b>596</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	500	625	500	1,125
<b>Total borrowings</b>	<b>500</b>	<b>625</b>	<b>500</b>	<b>1,125</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>26,223</u></b>	<b><u>625</u></b>	<b><u>24,588</u></b>	<b><u>1,125</u></b>

(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	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	3,216	–	1,676	–
Payables and borrowings relating to externally restricted assets	3,216	–	1,676	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>3,216</b>	<b>–</b>	<b>1,676</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>23,007</b>	<b>625</b>	<b>22,912</b>	<b>1,125</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>26,223</u></b>	<b><u>625</u></b>	<b><u>24,588</u></b>	<b><u>1,125</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Payables and borrowings (continued)

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

**(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	7,861	8,842
<b>Total payables and borrowings</b>	<b>7,861</b>	<b>8,842</b>

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

\$ '000	as at 30/06/19		Non-cash changes	as at 30/06/20
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Closing balance
Loans – secured	1,625	(500)	–	1,125
Lease liabilities	–	(34)	194	160
<b>TOTAL</b>	<b>1,625</b>	<b>(534)</b>	<b>194</b>	<b>1,285</b>

\$ '000	as at 30/06/18		Non-cash changes	as at 30/06/19
	Opening Balance	Cash flows	Other non-cash movement	Closing balance
Loans – secured	2,125	(500)	–	1,625
<b>TOTAL</b>	<b>2,125</b>	<b>(500)</b>	<b>–</b>	<b>1,625</b>

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

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

Bank overdraft facilities <sup>1</sup>	650	650
Credit cards/purchase cards	250	250
Other - Bank Guarantee	1,310	1,310
<b>Total financing arrangements</b>	<b>2,210</b>	<b>2,210</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	35	45
– Other - Bank Guarantee	1,310	1,310
<b>Total drawn financing arrangements</b>	<b>1,345</b>	<b>1,355</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	650	650
– Credit cards/purchase cards	215	205
<b>Total undrawn financing arrangements</b>	<b>865</b>	<b>855</b>

(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 2020

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

---

#### **Accounting policy for payables and borrowings**

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

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

#### **Payables**

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

#### **Borrowings**

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	4,620	–	4,105	–
Sick leave	360	–	495	–
Long service leave	8,675	567	9,055	425
Gratuities	–	–	146	–
Other leave – RDO and TOIL	279	–	185	–
<b>Sub-total – aggregate employee benefits</b>	<b>13,934</b>	<b>567</b>	<b>13,986</b>	<b>425</b>
<b>Other provisions</b>				
Other - Workers Compensation	196	8	203	6
Other	160	–	73	–
<b>Sub-total – other provisions</b>	<b>356</b>	<b>8</b>	<b>276</b>	<b>6</b>
<b>TOTAL PROVISIONS</b>	<b>14,290</b>	<b>575</b>	<b>14,262</b>	<b>431</b>

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

#### (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	8,608	8,488
	<b>8,608</b>	<b>8,488</b>

#### (b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
<b>2020</b>					
At beginning of year	4,105	495	9,480	331	14,411
Additional provisions	3,319	6	1,221	63	4,609
Amounts used (payments)	(3,113)	(131)	(1,415)	(138)	(4,797)
Remeasurement effects	309	(10)	68	23	390
Other – LSL Receipts	–	–	(112)	–	(112)
<b>Total ELE provisions at end of year</b>	<b>4,620</b>	<b>360</b>	<b>9,242</b>	<b>279</b>	<b>14,501</b>
<b>2019</b>					
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)
<b>Total ELE provisions at end of year</b>	<b>4,105</b>	<b>495</b>	<b>9,480</b>	<b>331</b>	<b>14,411</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. 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 planned redundancies.

#### **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 2020

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

---

#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

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

#### (i) AASB 15 and AASB 1058

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

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

#### **Prepaid rates**

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

#### **Grants – operating**

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

#### **Grants – capital**

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

#### **Changes in presentation**

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

- Additional line item for contract liabilities has been created.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	507
– Under AASB 1058	9,232
<b>Total Contract liabilities</b>	<u>9,739</u>

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

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

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	24,583	–	–	24,583	
Investments	81,574	–	–	81,574	
Receivables	10,712	–	–	10,712	
Inventories	113	–	–	113	
Other	731	–	–	731	
<b>Total current assets</b>	<u>117,713</u>	<u>–</u>	<u>–</u>	<u>117,713</u>	
<b>Current liabilities</b>					
Payables	25,271	–	–	25,271	
Income received in advance	452	–	–	452	
Contract liabilities	1,157	–	(1,157)	–	
Lease liabilities	42	–	–	42	
Borrowings	500	–	–	500	
Provisions	14,290	–	–	14,290	
<b>Total current liabilities</b>	<u>41,712</u>	<u>–</u>	<u>(1,157)</u>	<u>40,555</u>	
<b>Non-current assets</b>					
Investments	39,000	–	–	39,000	
Infrastructure, property, plant and equipment	1,404,439	–	–	1,404,439	
Investment property	19,310	–	–	19,310	
Intangible assets	1,226	–	–	1,226	
Right of use assets	162	–	–	162	
<b>Total non-current assets</b>	<u>1,464,137</u>	<u>–</u>	<u>–</u>	<u>1,464,137</u>	

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Non-current liabilities</b>					
Contract liabilities	4,653	–	(4,653)	–	
Lease liabilities	118	–	–	118	
Borrowings	625	–	–	625	
Provisions	575	–	–	575	
<b>Total Non-current liabilities</b>	<b>5,971</b>	<b>–</b>	<b>(4,653)</b>	<b>1,318</b>	
<b>Net assets</b>	<b>1,534,167</b>	<b>–</b>	<b>5,810</b>	<b>1,539,977</b>	
<b>Equity</b>					
Accumulated surplus	1,424,085	–	5,810	1,429,895	
Revaluation reserves	110,082	–	–	110,082	
<b>Council equity interest</b>	<b>1,534,167</b>	<b>–</b>	<b>5,810</b>	<b>1,539,977</b>	
<b>Total equity</b>	<b>1,534,167</b>	<b>–</b>	<b>5,810</b>	<b>1,539,977</b>	

Elimination of contract liability which arises under AASB 1058 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	96,766	–	–	96,766	
User charges and fees	14,187	–	–	14,187	
Other revenues	10,489	–	–	10,489	
Grants and contributions provided for operating purposes	12,508	–	33	12,541	
Grants and contributions provided for capital purposes	24,202	–	(3,961)	20,241	
Interest and investment income	2,699	–	–	2,699	
Net gains from the disposal of assets	195	–	–	195	
Fair value increment on investment properties	1,640	–	–	1,640	
<b>Total Income from continuing operations</b>	<b>162,686</b>	<b>–</b>	<b>(3,928)</b>	<b>158,758</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	58,760	–	–	58,760	
Borrowing costs	41	–	–	41	
Materials and contracts	46,082	–	–	46,082	
Depreciation and amortisation	22,834	–	–	22,834	
Other expenses	20,039	–	–	20,039	
Revaluation decrement / impairment of IPP&E	212	–	–	212	
<b>Total Expenses from continuing operations</b>	<b>147,968</b>	<b>–</b>	<b>–</b>	<b>147,968</b>	
<b>Total Operating result from continuing operations</b>	<b>14,718</b>	<b>–</b>	<b>(3,928)</b>	<b>10,790</b>	
<b>Net operating result for the year</b>	<b>14,718</b>	<b>–</b>	<b>(3,928)</b>	<b>10,790</b>	
<b>Total comprehensive income</b>	<b>21,089</b>	<b>–</b>	<b>(3,928)</b>	<b>17,161</b>	

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	–	9,739	9,739
<b>Total liabilities</b>	<b>–</b>	<b>9,739</b>	<b>9,739</b>
Accumulated surplus	–	(9,739)	(9,739)
<b>Total equity</b>	<b>–</b>	<b>(9,739)</b>	<b>(9,739)</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****(ii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

Council has recognised right-of-use assets and lease liabilities of \$62k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.42%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>784</b>
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>782</b>
<b>Less:</b>	
Leases for low-value assets included in commitments note	(720)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>62</b>

**Council as a lessor**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	62	62
<b>Total assets</b>	<b>–</b>	<b>62</b>	<b>62</b>
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	62	62
<b>Total liabilities</b>	<b>–</b>	<b>62</b>	<b>62</b>
Accumulated surplus	–	–	–
<b>Total equity</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	24,583	18,211
<b>Balance as per the Statement of Cash Flows</b>		<b>24,583</b>	<b>18,211</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		14,718	33,035
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		22,834	19,557
Net losses/(gains) on disposal of assets		(195)	(550)
Adoption of AASB 15/1058		(9,739)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(79)	(373)
– Investment property		(1,640)	243
– Revaluation decrements / impairments of IPP&E direct to P&L		212	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(717)	(944)
Increase/(decrease) in provision for impairment of receivables		174	248
Decrease/(increase) in inventories		42	(29)
Decrease/(increase) in other current assets		(276)	59
Increase/(decrease) in payables		381	(935)
Increase/(decrease) in other accrued expenses payable		3,400	(1,563)
Increase/(decrease) in other liabilities		(418)	2,396
Increase/(decrease) in contract liabilities		5,810	–
Increase/(decrease) in provision for employee benefits		90	700
Increase/(decrease) in other provisions		82	(136)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>34,679</b>	<b>51,708</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	11,191	7,006
Plant and equipment	381	374
Parks	1,005	5,714
Infrastructure	2,472	5,308
Software	1	243
<b>Total commitments</b>	<b>15,050</b>	<b>18,645</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	15,050	18,645
<b>Total payable</b>	<b>15,050</b>	<b>18,645</b>

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

Within the next year	408	194
Later than one year and not later than 5 years	578	590
<b>Total non-cancellable operating lease commitments</b>	<b>986</b>	<b>784</b>

**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.

Refer to Note 14 for information relating to leases for 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies

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

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

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

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

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

*Description of the funding arrangements.*

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$796,737.30. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA for the period ended 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$808,140.56.

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

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

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

Based on a Past Service Liabilities methodology, the share of the deficit that can be attributed to Georges River Council is 1.10%.

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

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

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

\* Plus promotional increases

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

**(ii) Statewide Mutual**

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

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

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

**(iii) StateCover Limited**

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

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

---

#### (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 2020

## Note 21. 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 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	24,583	18,211	24,583	18,211
Receivables	10,712	10,169	9,995	10,169
Investments				
– 'Financial assets at amortised cost'	80,000	91,041	80,000	91,041
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	40,574	57,461	40,574	57,461
<b>Total financial assets</b>	<b>155,869</b>	<b>176,882</b>	<b>155,152</b>	<b>176,882</b>
<b>Financial liabilities</b>				
Payables	25,271	23,492	24,553	23,492
Loans/advances	1,125	1,625	1,125	1,625
Lease liabilities	160	–	160	–
<b>Total financial liabilities</b>	<b>26,556</b>	<b>25,117</b>	<b>25,838</b>	<b>25,117</b>

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 2020

## Note 21. 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
<b>2020</b>				
Possible impact of a 10% movement in market values	4,057	4,057	(4,057)	(4,057)
Possible impact of a 1% movement in interest rates	1,452	1,452	(1,452)	(1,452)
<b>2019</b>				
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)



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. 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
<b>2020</b>						
Gross carrying amount	–	2,829	934	100	–	3,863
<b>2019</b>						
Gross carrying amount	(348)	1,942	972	(16)	9	2,559

**Receivables - non-rates and annual charges**

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	5,355	200	160	287	1,559	7,561
<b>2019</b>						
Gross carrying amount	6,458	312	60	175	1,143	8,148

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	10,062	14,492	–	–	24,554	24,554
Loans and advances	2.04%	–	523	640	–	1,163	1,125
<b>Total financial liabilities</b>		<b>10,062</b>	<b>15,015</b>	<b>640</b>	<b>–</b>	<b>25,717</b>	<b>25,679</b>
<b>2019</b>							
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
<b>Total financial liabilities</b>		<b>10,842</b>	<b>13,166</b>	<b>1,225</b>	<b>–</b>	<b>25,233</b>	<b>25,117</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>94,979</b>	<b>96,766</b>	<b>1,787</b>	<b>2% F</b>
<b>User charges and fees</b>	<b>15,496</b>	<b>14,187</b>	<b>(1,309)</b>	<b>(8)% U</b>
Material budget variations in Leisure Centre Income and Community Events (\$1.5m) due to the impact of Covid. Childcare Income was also under budget due to Covid (\$1.9m), however this was offset by an increase in Government Subsidies which is shown in Operating Grants and Contributions result. These amounts were offset by additional income received for Road & Footpath Restorations (\$2.1m)				
<b>Other revenues</b>	<b>9,175</b>	<b>10,489</b>	<b>1,314</b>	<b>14% F</b>
Material budget variations were in Premium Facilities Sponsorship and Commission Income (\$500k); Fines received (\$450k) and Legal Fee Recoveries (\$250k)				
<b>Operating grants and contributions</b>	<b>8,877</b>	<b>12,508</b>	<b>3,631</b>	<b>41% F</b>
Material budget variations due to Covid related subsidies for Childcare (\$1.9m) and the Roads to Recoveries Grant (\$700k). Other grant income above budget received for Local Environment Planning (\$1.1m)				
<b>Capital grants and contributions</b>	<b>14,068</b>	<b>24,202</b>	<b>10,134</b>	<b>72% F</b>
Material budget variances were due to higher than anticipated Developer Contributions (\$3.8m); State Government awarded Stronger Community Grant (\$4.2m) and Grants for Parks Capital works (\$2.1m), both of which were as a result of the adoption of the new revenue recognition accounting standards AASB 15 and AASB 1058.				
<b>Interest and investment revenue</b>	<b>3,426</b>	<b>2,699</b>	<b>(727)</b>	<b>(21)% U</b>
Interest and investment revenue is generated from Councils Term Deposits and Floating Rate Notes. The continual drop in interest rates throughout the year, and the reduction in cash to fund the operations and capital works program, has heavily impacted the return for Council.				
<b>Net gains from disposal of assets</b>	<b>1,061</b>	<b>195</b>	<b>(866)</b>	<b>(82)% U</b>
Material budget variance due to the anticipated sale of Buchanan's Lane being postponed (\$900k)				
<b>Fair value increment on investment property</b>	<b>–</b>	<b>1,640</b>	<b>1,640</b>	<b>∞ F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	58,730	58,760	(30)	0%	U
<b>Borrowing costs</b>	71	41	30	42%	F
Favourable variance on Council loan interest expense (\$30k)					
<b>Materials and contracts</b>	39,364	46,082	(6,718)	(17)%	U
Material budget variances due to additional infrastructure contractor spend on Road & Footpath Restorations (\$2.1m, which was offset by additional income received in User Charges and Fees); additional spend on Waste Tipping Fees due to increases in rateable properties (\$900k); higher than anticipated legal fees (\$800k); a change to accounting treatment of minor asset purchases has led to an increase in non-capitalised Asset Equipment purchases (\$500k); Event Staff used for Premium Facilities events (\$400k) and Professional Services for Local Environment Planning (\$2.0m, offset by increases in Operating Grant and Contributions)					
<b>Depreciation and amortisation</b>	20,631	22,834	(2,203)	(11)%	U
Material budget variances due to the asset revaluation increments from the prior year and the substantial capital works program Council has completed in the last few years.					
<b>Other expenses</b>	22,162	20,039	2,123	10%	F
Material budget savings in Street Lighting and other Electricity light and power (\$1.3m); insurance premiums (\$300k) and Councillor Expenses (\$350k)					
<b>Fair value decrement on investment property</b>	-	-	-	∞	F
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	212	(212)	∞	U
<b>STATEMENT OF CASH FLOWS</b>					
<b>Cash flows from operating activities</b>	24,337	34,679	10,342	42%	F
<b>Cash flows from investing activities</b>	(47,209)	(27,774)	19,435	(41)%	F
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.					
<b>Cash flows from financing activities</b>	(500)	(533)	(33)	7%	U

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. 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.

Recent natural disasters and the impacts of COVID-19, have increased the likelihood that some items of property, plant and equipment (PPE) may have material movements in fair value as at 30 June 2020. The impact on PPE fair values will depend on the valuation approach used for an asset, i.e. the market approach, income approach or cost approach.

- The cost approach is particularly suited to assets such as specialised buildings, specialised plant and infrastructure held for their service potential, and specialised or unique heritage assets where there are no observable market selling prices. The cost approach assumes fair value reflects the amount that would be required to replace the service capacity of the asset. No significant changes to the fair value are expected under the cost approach except where assets have been destroyed or damaged. Council has the following asset types that are valued under the cost approach:

Asset Type	Carrying Value \$ '000
Buildings – specialised	102,681
Other structures	8,418
Roads	413,098
Footpaths	65,931
Bulk earthworks	112,971
Stormwater & drainage	78,265
Open space	61,072

- The market approach is mainly used for land and non-specialised buildings. Comparable transactions and market evidence from the outbreak to the relevant date of valuation are extremely limited. Our valuation was based on the information available to us as at the time of valuation. Whilst all reasonable steps were taken to estimate the effect on the properties, due to significant uncertainty in the property and capital markets and the rapid unfolding of these events, it is difficult to quantify and assess the impact that the outbreak had on market values. Council has the following asset types that are valued under the market approach:

Asset Type	Carrying Value \$ '000
Operational land	214,951
Buildings – non-specialised	88,728

- Assets valued under the income approach are those predominantly to generate cash flows from the provision of goods and services. The recessionary environment created by COVID-19 may have significant impacts on demand for goods and services. Valuation inputs that may be subject to significant changes and uncertainty include projected cash flows, risk free interest rates and risk margins. Council has the following asset types that are valued under the income approach:

Asset Type	Carrying Value \$ '000
Investment properties	19,310

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).

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
	30/06/20	–	–	40,574	40,574
		–	–	40,574	40,574
<b>Investment property</b>					
	30/06/20	–	19,310	–	19,310
		–	19,310	–	19,310
<b>Infrastructure, property, plant and equipment</b>					
		–	–	8,829	8,829
		–	–	1,437	1,437
		–	–	1,485	1,485
	30/06/19	–	–	214,951	214,951
	30/06/17	–	–	191,038	191,038
	30/06/17	–	–	15,160	15,160
	30/06/15	–	–	727	727
	30/06/19	–	–	88,728	88,728
	30/06/19	–	–	102,681	102,681
	30/06/20	–	–	8,418	8,418
	30/06/20	–	–	526,069	526,069
	30/06/19	–	–	65,931	65,931
	30/06/20	–	–	61,072	61,072
	30/06/19	–	–	78,265	78,265
		–	–	958	958
		–	–	46	46
		–	–	1,365,795	1,365,795

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total	
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments						
	– ‘Held for trading’	30/06/19	–	–	57,461	57,461
<b>Total financial assets</b>			–	–	<b>57,461</b>	<b>57,461</b>
<b>Investment property</b>						
	Properties held with the primary purpose of external lease	30/06/19	–	17,660	–	17,660
<b>Total investment property</b>			–	<b>17,660</b>	–	<b>17,660</b>
<b>Infrastructure, property, plant and equipment</b>						
	Plant and equipment		–	–	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
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>1,338,464</b>	<b>1,338,464</b>

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 2020

### Note 23. 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 2020.

- **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 2020

## Note 23. 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 Specialised 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 Non-specialised building assets as at 30 June 2019.

- **Other Structures, roads and bridges, footpaths, open space, 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, roads and bridges, footpaths, open space, 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 open space assets were last independently valued by JLL Public Sector Valuations Pty Ltd as at 30 June 2020.

Footpaths and Stormwater drainage were last independently valued by APV Valuers and Asset Management as at 30 June 2019.

Roads and Bridges were last independently valued by APV Valuers and Asset Management as at 30 June 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. 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
<b>2019</b>				
<b>Opening balance</b>	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 <sup>1</sup>	373	(243)	–	130
<b>Closing balance</b>	<b>57,461</b>	<b>17,660</b>	<b>1,366,709</b>	<b>1,441,830</b>
<b>2020</b>				
<b>Opening balance</b>	57,461	17,660	1,366,709	1,441,830
Purchases (GBV)	9,500	10	54,564	64,074
Disposals (WDV)	(26,466)	–	(603)	(27,069)
Depreciation and impairment	–	–	(22,390)	(22,390)
FV gains – other comprehensive income	–	–	6,371	6,371
FV gains – Income Statement <sup>1</sup>	79	1,640	(212)	1,507
<b>Closing balance</b>	<b>40,574</b>	<b>19,310</b>	<b>1,404,439</b>	<b>1,464,323</b>

(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 2020

## Note 23. Fair Value Measurement (continued)

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

	Valuation technique/s	Unobservable inputs
Financial Assets	Market Approach	Unit Price
Investment property	Income or Market Approach	Estimated rental value (per sq metre) Rental Yield Open Market Value
Plant and Equipment	Cost Approach	Gross Replacement Cost
Office Equipment		Remaining Useful Life
Furniture and Fittings		Residual Value
Library Collection		
Land:	Market Approach	Price per square metre
Operational Land		Discount rate to account for zoning
Community Land	VG value (price per square metre) for	and other constraints on development
Council Controlled Land	Community Land	and the potential for alternative use.
Land Under Roads		
Other Structures	Cost Approach	Condition
Land Improvements		Useful and Remaining Life
Other Recreational and Open Space Assets		Unit Rates
Buildings:	Cost Approach	Condition
Specialised		Useful and Remaining Life
Non-Specialised		Component replacement rates Allowance for economic and functional obsolescence
Infrastructure:	Cost Approach	Condition
Roads		Useful and Remaining Life
Footpaths		Residual Value
Bulk Earthworks		Unit Rates
Stormwater drainage	Cost Approach	Condition
		Useful and Remaining Life
		Unit Rates
		Residual Value

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. 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 2020

## Note 24. Related party disclosures

## (a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	2,523	2,345
Post-employment benefits	144	146
Termination benefits	–	220
<b>Total</b>	<b>2,667</b>	<b>2,711</b>

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

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

Council has determined that there are no other transactions with KMP and their related parties that need to be disclosed.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Events occurring after the reporting date

---

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Statement of developer contributions

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

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

#### Summary of contributions and levies

\$ '000	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	305	–	–	3	(146)	–	162	–
Roads	269	204	–	6	–	–	479	–
Traffic facilities	2,244	229	–	35	–	–	2,508	–
Parking	710	–	–	10	–	–	720	–
Open space	25,807	7,936	–	422	(1,937)	–	32,228	–
Community facilities	10,861	628	–	138	(4,470)	–	7,157	–
Library	3,592	–	–	49	–	–	3,641	–
Urban space	3	–	–	–	–	–	3	–
Management	130	–	–	1	(131)	–	–	–
Open space, recreation and public domain facilities	13,883	1,991	–	179	(5,863)	–	10,190	–
Deficient car parking	436	239	–	6	(149)	–	532	–
Non residential development in CBD	2,431	122	–	34	(22)	–	2,565	–
<b>S7.11 contributions – under a plan</b>	<b>60,671</b>	<b>11,349</b>	<b>–</b>	<b>883</b>	<b>(12,718)</b>	<b>–</b>	<b>60,185</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>3,301</b>	<b>1,451</b>	<b>–</b>	<b>54</b>	<b>(450)</b>	<b>–</b>	<b>4,356</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>63,972</b>	<b>12,800</b>	<b>–</b>	<b>937</b>	<b>(13,168)</b>	<b>–</b>	<b>64,541</b>	<b>–</b>
S7.4 planning agreements	11,689	143	–	166	(1,579)	–	10,419	–
S7.13 Court Ordered Development Consen	–	93	–	1	–	–	94	–
<b>Total contributions</b>	<b>75,661</b>	<b>13,036</b>	<b>–</b>	<b>1,104</b>	<b>(14,747)</b>	<b>–</b>	<b>75,054</b>	<b>–</b>

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

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN – repealed from 14 March 2013</b>								
Drainage	288	–	–	3	(146)	–	145	–
Traffic facilities	309	–	–	4	–	–	313	–
Parking	403	–	–	5	–	–	408	–
Open space	2,034	–	–	26	(657)	–	1,403	–
Community facilities	4,761	–	–	47	(3,663)	–	1,145	–
Library	3,592	–	–	49	–	–	3,641	–
Urban space	3	–	–	–	–	–	3	–
Management	130	–	–	1	(131)	–	–	–
<b>Total</b>	<b>11,520</b>	<b>–</b>	<b>–</b>	<b>135</b>	<b>(4,597)</b>	<b>–</b>	<b>7,058</b>	<b>–</b>
<b>CONTRIBUTION PLAN – commenced 14 March 2013</b>								
Community facilities	4,004	288	–	57	(508)	–	3,841	–
Open space, recreation and public domain facilities	13,883	1,991	–	179	(5,863)	–	10,190	–
Deficient car parking	436	–	–	6	–	–	442	–
Non residential development in CBD	2,431	122	–	34	(22)	–	2,565	–
<b>Total</b>	<b>20,754</b>	<b>2,401</b>	<b>–</b>	<b>276</b>	<b>(6,393)</b>	<b>–</b>	<b>17,038</b>	<b>–</b>
<b>CONTRIBUTION PLAN – NUMBER 1 – Roads &amp; Traffic Management</b>								
Roads	269	204	–	6	–	–	479	–
<b>Total</b>	<b>269</b>	<b>204</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>479</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 3 – Car Parking – Hurstville Town Centre</b>								
Parking	307	–	–	5	–	–	312	–
<b>Total</b>	<b>307</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>312</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 4 – Streetscape Improvement – Hurstville Town Centre</b>								
Open space	587	–	–	14	–	–	601	–
<b>Total</b>	<b>587</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>601</b>	<b>–</b>



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

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>CONTRIBUTION PLAN NUMBER 5 – Open Space (2006) – Embellishment &amp; Acquisition</b>								
Open space	12,332	2,945	–	195	(1,150)	–	14,322	–
<b>Total</b>	<b>12,332</b>	<b>2,945</b>	<b>–</b>	<b>195</b>	<b>(1,150)</b>	<b>–</b>	<b>14,322</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 6 – Hurstville south areas</b>								
Open space	732	–	–	11	–	–	743	–
<b>Total</b>	<b>732</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>743</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 8 – Kogarah Town Centre</b>								
Drainage	17	–	–	–	–	–	17	–
Traffic facilities	1,935	229	–	31	–	–	2,195	–
Open space	10,122	4,991	–	176	(130)	–	15,159	–
Deficient car parking	–	239	–	–	(149)	–	90	–
Community facilities	232	84	–	4	–	–	320	–
<b>Total</b>	<b>12,306</b>	<b>5,543</b>	<b>–</b>	<b>211</b>	<b>(279)</b>	<b>–</b>	<b>17,781</b>	<b>–</b>
<b>CONTRIBUTION PLAN NUMBER 9 – Kogarah Libraries – Buildings &amp; Books</b>								
Community facilities	397	256	–	8	(299)	–	362	–
<b>Total</b>	<b>397</b>	<b>256</b>	<b>–</b>	<b>8</b>	<b>(299)</b>	<b>–</b>	<b>362</b>	<b>–</b>
<b>CONTRIBUTION PLAN – Ramsgate commercial centre</b>								
Community facilities	1,467	–	–	22	–	–	1,489	–
<b>Total</b>	<b>1,467</b>	<b>–</b>	<b>–</b>	<b>22</b>	<b>–</b>	<b>–</b>	<b>1,489</b>	<b>–</b>
<b>S7.12 Levies – under a plan</b>								
<b>CONTRIBUTION PLANS</b>								
Georges River Council Section 94A	3,301	1,451	–	54	(450)	–	4,356	–
<b>Total</b>	<b>3,301</b>	<b>1,451</b>	<b>–</b>	<b>54</b>	<b>(450)</b>	<b>–</b>	<b>4,356</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(11,186)</b>	<b>(8.19)%</b>	(2.90)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>136,570</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>124,062</b>	<b>77.17%</b>	73.05%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>160,772</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>53,636</b>	<b>2.44x</b>	3.65x	>1.50x
Current liabilities less specific purpose liabilities	<b>22,027</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>11,689</b>	<b>20.36x</b>	27.32x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>574</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>4,260</b>	<b>4.26%</b>	3.07%	<5.00%
Rates, annual and extra charges collectible	<b>100,113</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>104,583</b>	<b>10.23 mths</b>	10.66 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>10,227</b>			

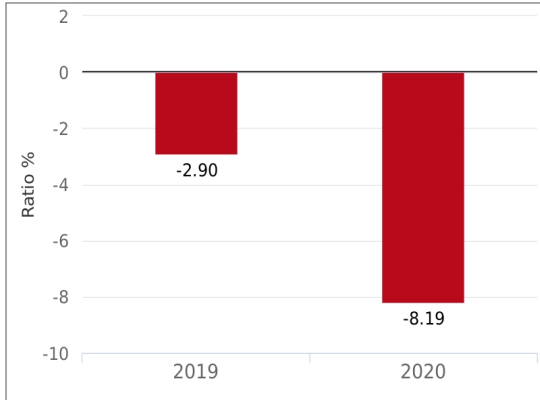
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

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

Note 27(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio (8.19)%

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. The ratio in 2019/20 has deteriorated due to the impact that COVID-19 has had on income from events, rent and the leisure centre. There was also a material drop in investment income as interest rates continued to drop throughout the year.

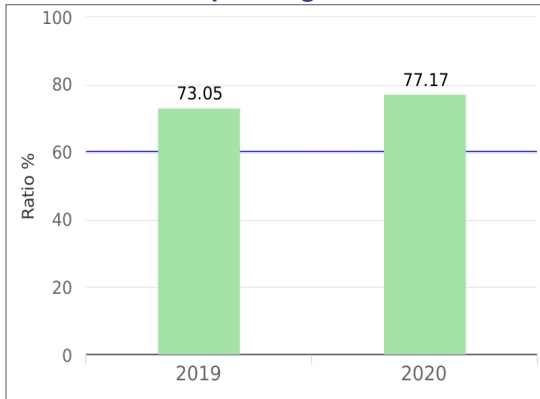
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 77.17%

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.

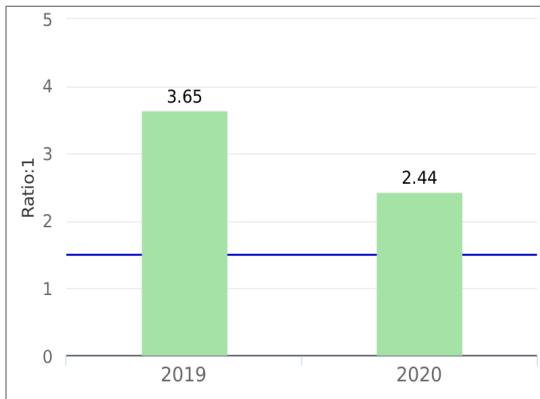
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 2.44x

The current ratio of 2.42, which is still well above the benchmark, has dropped in 2019/20 as Council's cash and cash equivalents have reduced in order to fund the operations and capital works program.

Benchmark: — > 1.50x

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

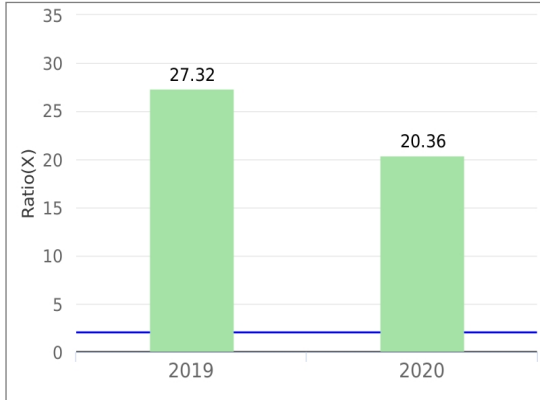
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 27(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 20.36x

Council continues to be in a healthy position with minimal debt to service which decreases the pressure on operating cash.

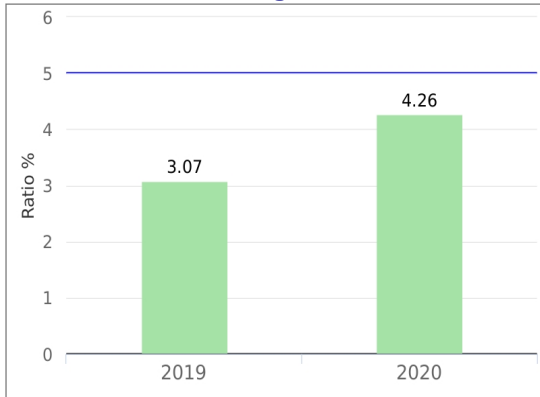
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 4.26%

The percentage of rates debtors continues to be low and reflects Council's ongoing efforts at collecting rates and charges due. However, in 2019/20 there has been an increase which is likely due to the uncertainty around the COVID-19 pandemic.

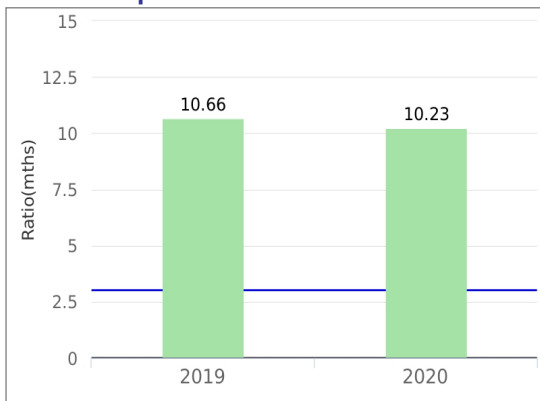
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 10.23 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 #28

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 28. 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](http://www.georgesriver.nsw.gov.au)

**Email:** [mail@georgesriver.nsw.gov.au](mailto:mail@georgesriver.nsw.gov.au)

#### Officers

**General Manager**

Gail Connolly

**Responsible Accounting Officer**

David Tuxford

**Public Officer**

David Tuxford

**Auditors**

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

#### Elected members

**Mayor**

Kevin Greene

**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 Georges River Council

### Opinion

I have audited the accompanying financial statements of Georges River Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a Basis of preparation and other explanatory notes.

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

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

## **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 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.



Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 November 2020  
SYDNEY



Cr Kevin Greene  
 Mayor  
 Georges River Council  
 Cnr MacMahon and Dora Streets  
 HURTSVILLE NSW 2020

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

6 November 2020

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2020  
 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 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	96.8	93.8	 3.2
Grants and contributions revenue	36.7	46.4	 20.9
Operating result from continuing operations	14.7	33.0	 55.5
Net operating result before capital grants and contributions	(9.5)	(3.3)	 187.9

The Council's operating result from continuing operations of \$14.7 million (including depreciation and amortisation expense of \$22.8 million) was \$18.3 million lower than the 2018–19 result. This was as a result of significant decrease in total revenue of \$10.5 million (6.1 per cent), while total expenses increased by \$7.8 million (5.5 per cent).

The net operating result before capital grants and contributions (\$9.5 million) was \$6.2 million lower than the 2018–19 result.

Rates and annual charges revenue (\$96.8 million) increased by \$3 million (3.2 per cent) in 2019–20. This was due to the IPART annual rate increase of 2.7 per cent and an increase in rateable properties.

Grants and contributions revenue (\$36.7 million) decreased by \$9.7 million (20.9 per cent) in 2019–20, largely due to:

- receipt of significant developer constructed assets in 2018-19 (\$8 million related to a car park)
- section 7.4 income decreasing by \$6.7 million largely due to the Council receiving fewer developer contributions in 2019-20.

This was offset by an increase in section 7.11 income of \$4.1 million, largely due to an increase in the number of larger developments being approved and construction commencing in the Hurstville City Centre area and Kogarah North precincts. The Council also received an additional funding of \$2 million from the NSW Government to undertake the Gannons Park Water Quality Improvement and Stormwater Harvesting project in 2019-20.

## STATEMENT OF CASH FLOWS

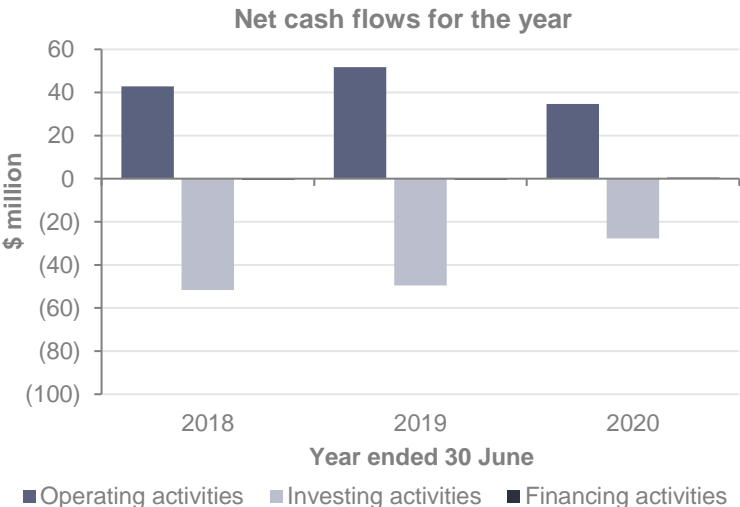
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

Net cash flows from financing activities are below \$1m for all three years presented and as such do not appear on the graph.

The Council's cash increased by \$6.4 million, from \$18.2 million to \$24.6 million in 2018-2019 and 2019-2020 respectively.

Cash inflows from operating activities decreased from \$51.7 million in 2018-19 to \$34.6 million in 2019-20 primarily due to the lower receipts from grants and contributions in 2019-2020, which decreased by approximately \$16 million.

The decrease in cash outflows from investing activities is \$21.7 million, from \$49.5 million in 2018-19 to \$27.8 million in 2019-20. This is primarily due to the lower spending on the infrastructure, property, plant and equipment, as well as the purchase and sale of investment securities during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	102.0	104.1	External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	43.1	60.9	
Unrestricted	0.03	1.8	Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>145.2</b>	<b>166.7</b>	

External restrictions have decreased mainly due to Voluntary Planning Agreements decreasing by \$1.2 million.

## PERFORMANCE

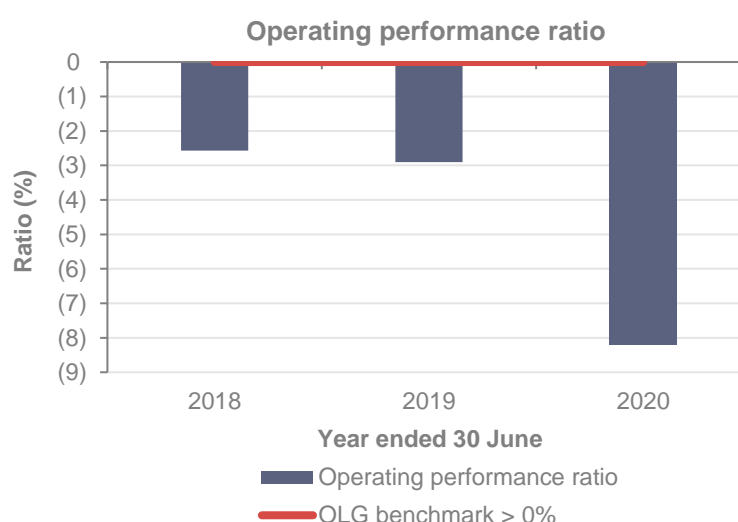
### Performance measures

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

#### Operating performance ratio

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

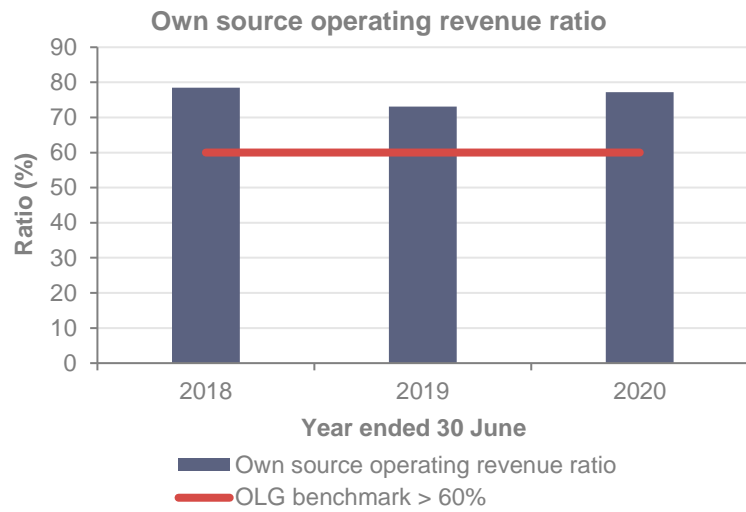
The Council did not meet the OLG benchmark for the current reporting period. The Council did not generate sufficient Operating Income (excluding capital grants) to cover its operating expenditure. The ratio in 2019-20 has deteriorated due to the impact that COVID-19 resulting in loss of income from events, rent and the leisure centre. There was also a decrease in investment income as interest rates continued to decrease during the year.



### Own source operating revenue ratio

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

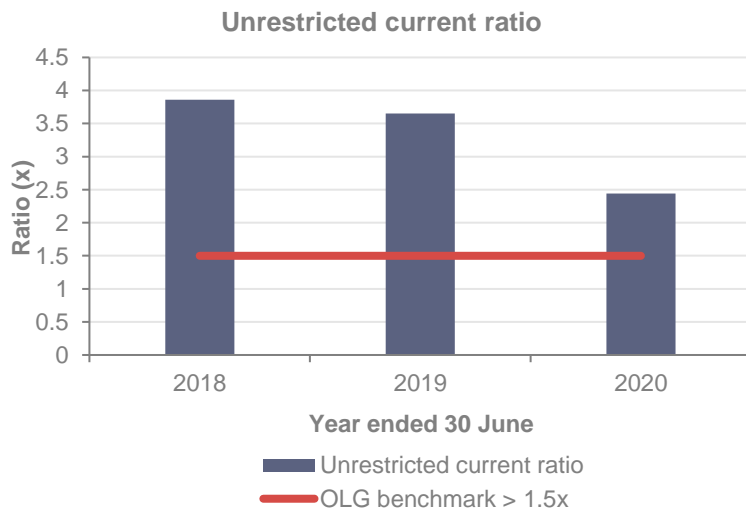
The Council's own source operating ratio of 77 per cent for the current reporting period exceeded the OLG benchmark and has improved from last year.



### Unrestricted current ratio

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

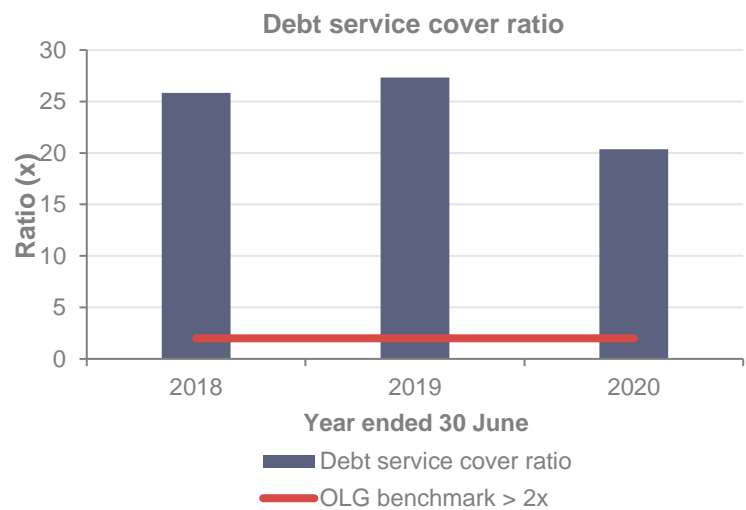
Despite the decline in the ratio due to increased funding required in the current year to meet capital works program and operations, the Council exceeded the OLG benchmark for the current reporting period.



### Debt service cover ratio

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

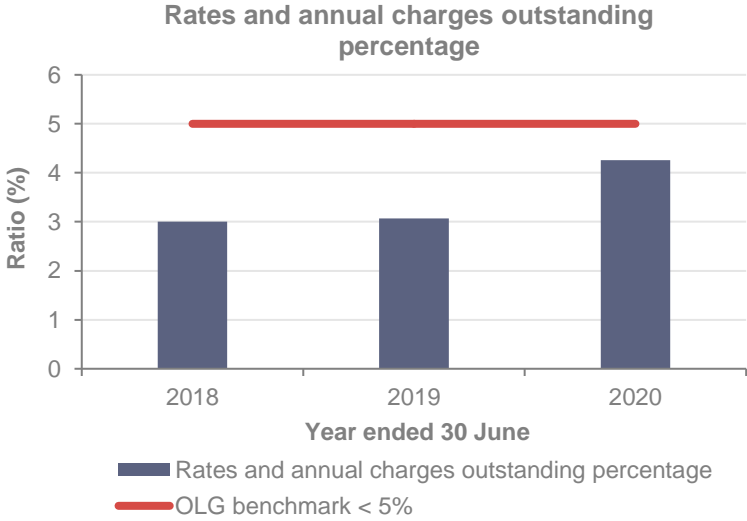
The Council exceeded the OLG benchmark for the current reporting period.



**Rates and annual charges outstanding percentage**

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

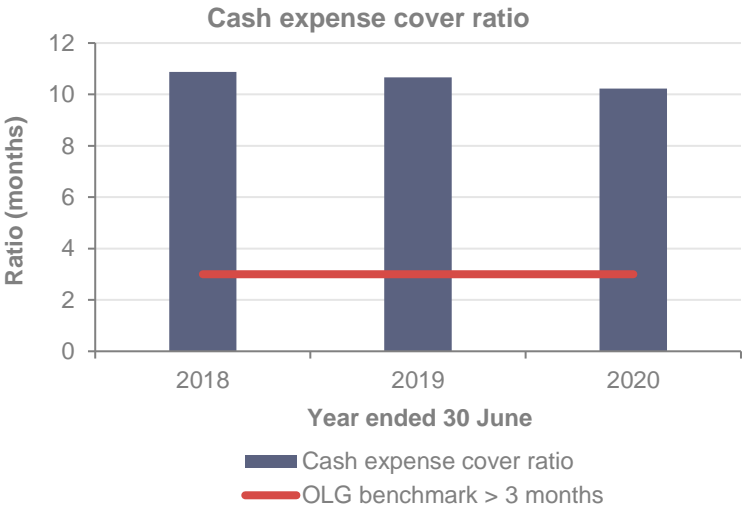
The Council met the OLG benchmark for the current reporting period. Council's performance is within industry benchmark of less than 5 percent.



**Cash expense cover ratio**

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

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



**OTHER MATTERS**

**Impact of new accounting standards**

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

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

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

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

The Council recognised a \$9.7 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

### **AASB 16 'Leases'**

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

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

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

The Council recognised right-of-use assets of \$62,000 and lease liabilities of \$62,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17

### **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 Audit

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 SCHEDULES  
for the year ended 30 June 2020

---

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



Special Schedules

for the year ended 30 June 2020

---

Contents

Page

**Special Schedules**

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7



Permissible income for general rates

\$ '000	Notes	2020/21 Former Hurstville City Council	2020/21 Former Kogarah City Council	2020/21 Georges River Council	2019/20 Former Hurstville City Council	2019/20 Former Kogarah City Council	2019/20 Georges River Council
<b>Notional general income calculation <sup>1</sup></b>							
Last year notional general income yield	a	40,342	29,893	70,235	38,861	28,639	67,500
Plus or minus adjustments <sup>2</sup>	b	194	246	440	152	468	620
<b>Notional general income</b>	c = a + b	<b>40,536</b>	<b>30,139</b>	<b>70,675</b>	<b>39,013</b>	<b>29,107</b>	<b>68,120</b>
<b>Permissible income calculation</b>							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	1,054	784	1,838	1,053	786	1,839
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>41,590</b>	<b>30,923</b>	<b>72,513</b>	<b>40,066</b>	<b>29,893</b>	<b>69,959</b>
Plus (or minus) last year's carry forward total	l	(70)	–	(70)	203	(1)	202
Less valuation objections claimed in the previous year	m	(3)	(1)	(4)	–	–	–
<b>Sub-total</b>	n = (l + m)	<b>(73)</b>	<b>(1)</b>	<b>(74)</b>	<b>203</b>	<b>(1)</b>	<b>202</b>
<b>Total permissible income</b>	o = k + n	<b>41,517</b>	<b>30,922</b>	<b>72,439</b>	<b>40,269</b>	<b>29,892</b>	<b>70,161</b>
Less notional general income yield	p	41,521	31,229	72,750	40,342	29,893	70,235
<b>Catch-up or (excess) result</b>	q = o – p	<b>(4)</b>	<b>(307)</b>	<b>(311)</b>	<b>(73)</b>	<b>(1)</b>	<b>(74)</b>
Plus income lost due to valuation objections claimed	r	1	–	1	3	1	4
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(3)</b>	<b>(307)</b>	<b>(310)</b>	<b>(70)</b>	<b>–</b>	<b>(70)</b>

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Georges River Council**

To the Councillors of Georges River Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Georges River Council (the Council) for the year ending 30 June 2021.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the General Purpose Financial Statements.

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 November 2020  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>(a) Report on Infrastructure Assets - Values</b>												
Buildings	Buildings	1,686	6,396	5,168	7,326	191,410	271,948	80.0%	15.7%	3.5%	0.6%	0.2%
	<b>Sub-total</b>	<b>1,686</b>	<b>6,396</b>	<b>5,168</b>	<b>7,326</b>	<b>191,410</b>	<b>271,948</b>	<b>80.0%</b>	<b>15.7%</b>	<b>3.5%</b>	<b>0.6%</b>	<b>0.2%</b>
Roads	Sealed roads incl K&G	8,584	17,739	7,261	3,144	526,069	702,604	33.5%	36.7%	27.8%	2.0%	0.0%
	Footpaths	267	3,064	1,685	5,228	65,931	105,486	9.3%	29.6%	60.3%	0.8%	0.0%
	<b>Sub-total</b>	<b>8,851</b>	<b>20,803</b>	<b>8,946</b>	<b>8,372</b>	<b>592,000</b>	<b>808,090</b>	<b>30.3%</b>	<b>35.8%</b>	<b>32.0%</b>	<b>1.8%</b>	<b>0.0%</b>
Stormwater drainage	Stormwater drainage	353	23,348	1,516	1,988	78,265	156,586	4.3%	94.8%	0.8%	0.1%	0.0%
	<b>Sub-total</b>	<b>353</b>	<b>23,348</b>	<b>1,516</b>	<b>1,988</b>	<b>78,265</b>	<b>156,586</b>	<b>4.3%</b>	<b>94.8%</b>	<b>0.8%</b>	<b>0.1%</b>	<b>0.0%</b>
Open space / recreational assets / other structures	Other	3,487	10,136	12,344	10,660	69,490	115,376	28.4%	24.6%	25.8%	20.1%	1.1%
	<b>Sub-total</b>	<b>3,487</b>	<b>10,136</b>	<b>12,344</b>	<b>10,660</b>	<b>69,490</b>	<b>115,376</b>	<b>28.4%</b>	<b>24.6%</b>	<b>25.8%</b>	<b>20.1%</b>	<b>1.1%</b>
<b>TOTAL - ALL ASSETS</b>		<b>14,377</b>	<b>60,683</b>	<b>27,974</b>	<b>28,346</b>	<b>931,165</b>	<b>1,352,000</b>	<b>37.1%</b>	<b>37.6%</b>	<b>22.2%</b>	<b>2.9%</b>	<b>0.1%</b>

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

Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>				
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>				
Asset renewals <sup>2</sup>	<b>15,889</b>	<b>83.30%</b>	104.04%	>=100.00%
Depreciation, amortisation and impairment	<b>19,074</b>			
<b>Infrastructure backlog ratio <sup>1</sup></b>				
Estimated cost to bring assets to a satisfactory standard	<b>14,377</b>	<b>1.54%</b>	1.58%	<2.00%
Net carrying amount of infrastructure assets	<b>931,165</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>28,346</b>	<b>101.33%</b>	105.35%	>100.00%
Required asset maintenance	<b>27,974</b>			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<b>60,683</b>	<b>4.49%</b>	4.42%	
Gross replacement cost	<b>1,352,000</b>			

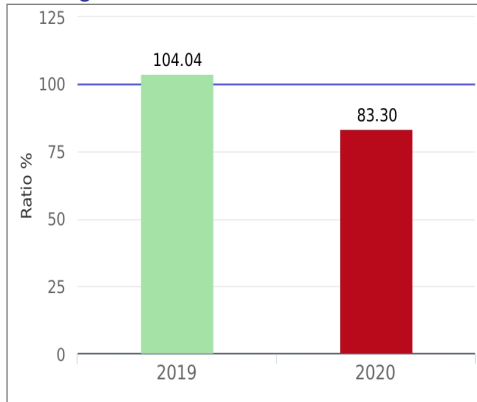
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2020

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

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

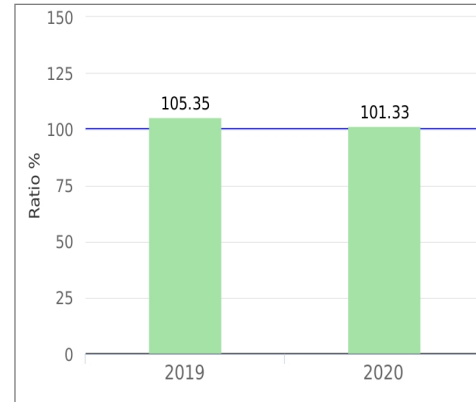
**Commentary on result**

19/20 ratio 83.30%

Numerous renewal projects were still in progress as at 30 June 2020 which has resulted in lower asset renewals. Council undertakes planned comprehensive surveys on the roads, footpath and Kerb network, collecting detailed condition information to prioritize annual renewal programs.

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

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

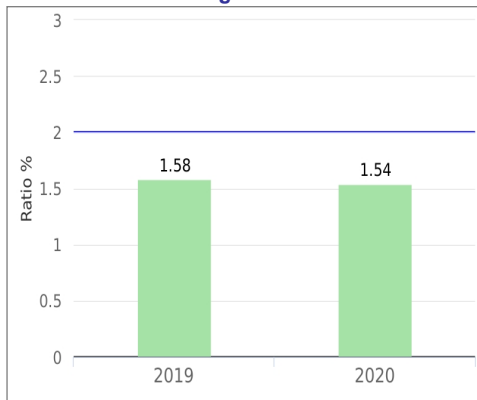
**Commentary on result**

19/20 ratio 101.33%

Council continues to invest in the maintenance of its 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 #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

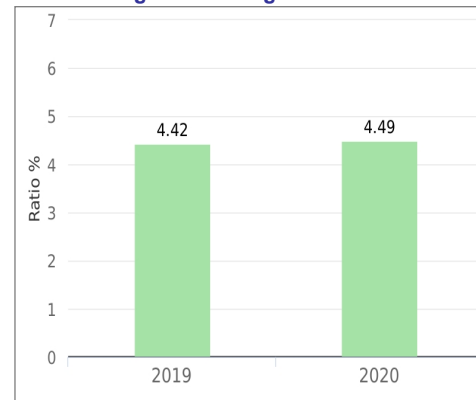
**Commentary on result**

19/20 ratio 1.54%

Council continues to maintain its infrastructure assets at an acceptable standard to stay well below the infrastructure backlog benchmark ratio. Council is strongly committed to operate and maintain its assets in a safe and serviceable condition according to the industry guidelines.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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

**Commentary on result**

19/20 ratio 4.49%

Comprehensive condition reports in the 2018/19 and 2019/20 financial years indicated that the infrastructure asset conditions were better than expected. Overall, infrastructure assets were revalued upwards in both years.