

Eurobodalla Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020



Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

Cnr Vulcan & Campbell Streets
Moruya NSW 2537

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.esc.nsw.gov.au.

Eurobodalla Shire 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 24 November 2020.



L Innes
Mayor
24 November 2020



R Pollock
Councillor
24 November 2020



Dr C Dale
General Manager
24 November 2020



S Westbury
Responsible Accounting Officer
24 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
64,968	Rates and annual charges	3a	66,028	64,138
35,987	User charges and fees	3b	42,773	37,674
1,446	Other revenues	3c	2,870	1,835
14,409	Grants and contributions provided for operating purposes	3d,3e	19,839	13,630
30,182	Grants and contributions provided for capital purposes	3d,3e	26,507	34,720
2,910	Interest and investment income	4	2,257	3,510
–	Rental income	13e	2,182	–
149,902	Total income from continuing operations		162,456	155,507
Expenses from continuing operations				
41,790	Employee benefits and on-costs	5a	42,241	40,152
2,775	Borrowing costs	5b	2,544	2,782
20,824	Materials and contracts	5c	32,401	29,401
33,046	Depreciation and amortisation	5d	33,323	31,297
17,252	Other expenses	5e	13,867	13,009
–	Net losses from the disposal of assets	6	4,728	3,435
–	Revaluation decrement / impairment of IPP&E	5d	90	–
115,687	Total expenses from continuing operations		129,194	120,076
34,215	Operating result from continuing operations		33,262	35,431
34,215	Net operating result for the year		33,262	35,431
34,215	Net operating result attributable to council		33,262	35,431
4,033	Net operating result for the year before grants and contributions provided for capital purposes		6,755	711

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		33,262	35,431
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	131,397	6,488
Total items which will not be reclassified subsequently to the operating result		131,397	6,488
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	(333)
Other movements		411	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		411	(333)
Total other comprehensive income for the year		131,808	6,155
Total comprehensive income for the year		165,070	41,586
Total comprehensive income attributable to Council		165,070	41,586

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 ¹
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	19,110	17,538
Investments	7(b)	121,020	100,000
Receivables	8	23,714	20,487
Inventories	9a	789	661
Other	9b	818	539
Non-Current assets classified as 'held for sale'	10	2,454	335
Total current assets		<u>167,905</u>	<u>139,560</u>
Non-current assets			
Investments	7(b)	–	555
Receivables	8	46	46
Infrastructure, property, plant and equipment	11(a)	1,474,212	1,334,602
Right of use assets	13a	549	–
Total non-current assets		<u>1,474,807</u>	<u>1,335,203</u>
Total assets		<u>1,642,712</u>	<u>1,474,763</u>
LIABILITIES			
Current liabilities			
Payables	14	11,426	9,192
Income received in advance	14	–	826
Contract liabilities	12	5,376	–
Lease liabilities	13b	73	–
Borrowings	14	5,611	7,873
Provisions	15	11,144	11,159
Total current liabilities		<u>33,630</u>	<u>29,050</u>
Non-current liabilities			
Lease liabilities	13b	502	–
Borrowings	14	52,774	50,443
Provisions	15	2,605	2,442
Total non-current liabilities		<u>55,881</u>	<u>52,885</u>
Total liabilities		<u>89,511</u>	<u>81,935</u>
Net assets		<u>1,553,201</u>	<u>1,392,828</u>
EQUITY			
Accumulated surplus	16	858,395	826,702
Revaluation reserves	16	694,806	566,126
Council equity interest		<u>1,553,201</u>	<u>1,392,828</u>
Total equity		<u>1,553,201</u>	<u>1,392,828</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*. Council has restated comparatives to reflect the correction of prior period errors disclosed in Note 13.

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		826,702	566,126	1,392,828	788,191	562,163	1,350,354
Adoption of new accounting standards – not retrospective	16b	–	–	–	888	–	888
Changes due to AASB 1058 and AASB 15 adoption	16	(4,720)	–	(4,720)	–	–	–
Changes due to AASB 16 adoption	16	23	–	23	–	–	–
Restated opening balance		822,005	566,126	1,388,131	789,079	562,163	1,351,242
Net operating result for the year		33,262	–	33,262	35,431	–	35,431
Restated net operating result for the period		33,262	–	33,262	35,431	–	35,431
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	11(a)	–	131,397	131,397	–	6,488	6,488
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	–	(333)	–	(333)
– Other reserves movements		3,128	(2,717)	411	2,525	(2,525)	–
Other comprehensive income		3,128	128,680	131,808	2,192	3,963	6,155
Total comprehensive income		36,390	128,680	165,070	37,623	3,963	41,586
Equity – balance at end of the reporting period		858,395	694,806	1,553,201	826,702	566,126	1,392,828

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
64,968	Rates and annual charges		66,463	63,921
37,433	User charges and fees		39,433	39,045
2,910	Investment and interest revenue received		2,725	3,466
44,590	Grants and contributions		37,734	35,550
–	Bonds, deposits and retention amounts received		102	–
–	Other		5,748	7,437
Payments:				
(41,789)	Employee benefits and on-costs		(41,926)	(40,931)
(38,076)	Materials and contracts		(36,967)	(34,152)
(2,775)	Borrowing costs		(2,379)	(2,720)
–	Bonds, deposits and retention amounts refunded		–	(75)
–	Other		(10,984)	(13,803)
67,261	Net cash provided (or used in) operating activities	17b	59,949	57,738
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		54,103	41,000
915	Sale of infrastructure, property, plant and equipment		1,110	2,145
–	Deferred debtors receipts		17	30
Payments:				
–	Purchase of investment securities		(74,020)	(44,003)
(75,418)	Purchase of infrastructure, property, plant and equipment		(39,541)	(50,155)
(16)	Deferred debtors and advances made		–	–
(74,519)	Net cash provided (or used in) investing activities		(58,331)	(50,983)
Cash flows from financing activities				
Receipts:				
13,297	Proceeds from borrowings and advances		7,912	3,094
Payments:				
(7,940)	Repayment of borrowings and advances		(7,873)	(8,552)
–	Lease liabilities (principal repayments)		(85)	–
5,357	Net cash flow provided (used in) financing activities		(46)	(5,458)
(1,901)	Net increase/(decrease) in cash and cash equivalents		1,572	1,297
17,538	Plus: cash and cash equivalents – beginning of year	17a	17,538	16,241
15,637	Cash and cash equivalents – end of the year	17a	19,110	17,538
121,020	plus: Investments on hand – end of year	7(b)	121,020	100,555
136,657	Total cash, cash equivalents and investments		140,130	118,093

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

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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 08 December 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 consolidated financial statements are set out below.

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 17
- (iii) employee benefit provisions – refer Note 17.

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
- Water Supply Fund
- Sewerage Fund
- Domestic and Non-Domestic Waste Fund
- Environmental Fund
- Broulee Tennis Courts Committee
- Malua Bay Community Centre and Tennis Courts Committee
- Moruya Racecourse Committee
- Moruya Showground Committee

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Tuross Memorial Gardens Committee
- Kyla Hall Committee

(b) The Trust Fund

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- J Britten Award
- K E Snell Land Aquisition Compensation
- Unidentified cash receipts and deposits
- Bushfire Donation Fund

Unidentified cash receipts and deposits are monies held in trust relating to net proceeds on the sale of property for unpaid rates, and other receipts and deposits normally returned to the owner or applied to their accounts where they can be identified and contacted. These funds are held for six years, after which time they are remitted to the Office of State Revenue.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council uses volunteers to provide Community Transport and group and individual Social Support services to older people, under the Commonwealth Home Support Program grants. These services do not require paid staff as they are what is described as 'early intervention' entry level services. Volunteer time means they are cost efficient and would not be viable if provided by paid workers.

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

The major impact of covid-19 is that many office based staff worked from home between mid March and June 30th. This resulted in minor additional costs to expand remote network coverage. Essential Council services continued as normal throughout the period, albeit with less face to face interaction. Revenue from council owned caravan parks, camp grounds, hire of Council facilities and libraries were impacted but have not materially reduced overall income. It is difficult to distinguish the tourism impact between the bushfires and covid-19. No adjustments have been made to rates, fees or charges as a result in 2019/20 or 2020/21. Overall the Income Statement was not impacted materially.

The Statement of Financial Position is also not impacted materially by covid-19. There are no impacts to the fair values of Property, Plant and Equipment or Inventories and no impact due to additional credit losses.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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.

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

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

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
Functions or activities										
Business Development	171	281	557	612	(386)	(331)	118	238	–	–
Children's Services	1,862	1,653	2,058	1,771	(196)	(118)	509	519	–	152
Commercial Entities	7,770	10,751	5,339	5,232	2,431	5,519	2,787	4,883	25,280	25,116
Communications and Community Engagement	12	–	719	685	(707)	(685)	7	–	–	–
Community and Corporate Leadership	(7)	14	2,100	2,262	(2,107)	(2,248)	–	–	22	42
Community and Cultural Development	515	1,368	1,044	982	(529)	386	465	1,307	–	–
Community Care	8,766	8,173	8,453	8,097	313	76	1,422	1,779	–	–
Community Facilities	349	562	2,825	2,837	(2,476)	(2,275)	–	85	10,205	10,514
Corporate Overheads	–	–	(17,043)	(16,944)	17,043	16,944	–	–	–	–
Customer Service and Records	24	7	973	1,033	(949)	(1,026)	–	–	–	–
Development Assessment and Building Certification	1,941	1,866	3,560	3,576	(1,619)	(1,710)	–	–	–	–
Environmental Management	502	(91)	1,533	1,533	(1,031)	(1,624)	440	(104)	3	3
Finance and Central Treasury	2,179	260	3,670	5,121	(1,491)	(4,861)	1,721	67	–	–
Fleet and Plant	49	52	517	952	(468)	(900)	–	–	7,295	9,719
Information Technology	165	5	3,704	3,269	(3,539)	(3,264)	–	–	5,716	6,310
Libraries	354	246	2,063	1,964	(1,709)	(1,718)	250	193	12,924	12,884
Property	832	585	1,728	1,126	(896)	(541)	–	–	180,807	180,775
Public and Environmental Health	262	386	870	875	(608)	(489)	–	–	1	3
Public Order and Safety	5,427	840	7,853	3,202	(2,426)	(2,362)	403	527	12,741	13,721
Rates and General Revenues	37,222	37,855	397	240	36,825	37,615	5,573	4,805	–	–
Recreation	1,621	3,402	7,823	8,226	(6,202)	(4,824)	616	2,394	46,026	48,507
Risk and Insurance	207	5	1,068	1,035	(861)	(1,030)	–	–	–	–
Sewer Services	24,805	24,878	20,536	19,511	4,269	5,367	217	351	293,483	262,964
Stormwater	471	469	2,024	1,664	(1,553)	(1,195)	–	–	110,142	84,277
Strategic Planning	2,986	4,400	1,295	1,270	1,691	3,130	2,967	4,361	23	23
Technical Services	21	25	1,719	1,902	(1,698)	(1,877)	–	–	–	–
Tourism	74	104	1,180	1,743	(1,106)	(1,639)	11	38	1,002	1,022
Transport	19,089	21,999	22,002	23,078	(2,913)	(1,079)	8,556	11,307	670,228	555,768

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

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

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
Waste Management	23,128	14,028	15,193	10,811	7,935	3,217	–	138	10,635	11,187
Water Services	21,064	20,694	17,356	16,379	3,708	4,315	–	203	241,829	237,066
Workforce Development	334	261	1,617	1,628	(1,283)	(1,367)	–	–	–	–
Works and Operations	247	108	3,979	3,914	(3,732)	(3,806)	4	–	14,350	14,709
Youth Services	14	321	482	490	(468)	(169)	2	310	–	1
Total functions and activities	162,456	155,507	129,194	120,076	33,262	35,431	26,068	33,401	1,642,712	1,474,763

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:

Business Development

Provides advocacy, support, training, and advice to businesses, investors, employers and event organisers to assist economic growth and development.

Children's Services

Provides education and care opportunities, support, resources and facilities to children aged 0-16 years and families.

Commercial Entities

Supports diversification of the economy and tourism industries. Deliver a return to the community from Council controlled commercial entities.

Communications and Community Engagement

Provides timely information about Council's services, activities, events and opportunities, and oversees community engagement.

Community and Corporate Leadership

Provides strategic leadership, advocacy and decision-making in the best interests of the community based on good governance and corporate outcomes.

Community and Cultural Development

Develops and implements programs that address identified social needs and shapes Eurobodalla's community identity through arts, cultural and creative experiences.

Community Care

Provides flexible, community based services to support the independence and wellbeing of older people, people with a disability and their carers.

Community Facilities

Provides safe, accessible and affordable facilities to support community activities and events.

Corporate Overheads

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Customer Service and Records

Provides the first point of call for residents and visitors contacting Council via telephone, mail, email and face-to-face front counter enquiries.

Development Assessment and Building Certification

Applies Australian, NSW and local planning policies and codes to achieve sustainable development across Eurobodalla.

Environmental Management

Provides information, education and action to conserve our natural environment and mitigate environmental impacts.

Finance and Central Treasury

Responsible for Council's financial obligations, management and planning.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Fleet and Plant

Manages and maintains Council's vehicles, plant and equipment.

Information Technology

Provides advice and support to staff and Councillors.

Libraries

Provides information, education, recreation opportunities and resources for Eurobodalla residents and visitors.

Property

Responsible for purchasing, developing and managing Council's property.

Public and Environmental Health

Delivers programs and activities to protect our community and the environment.

Public Order and Safety

Contributes to the safety of the community and the environment in relation to pets, parking, beach patrol and emergency services.

Rates and General Revenues

Urban local and urban regional (including sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes).

Recreation

Provides planning, programs, infrastructure and open space that enables residents and visitors to participate in recreational activities throughout the year.

Risk and Insurance

Responsible for the management of strategic and operational risks and insurance for the organisation.

Sewer Services

Provision of a safe, reliable and sustainable sewer service.

Stormwater

Provides and maintains infrastructure that collects, controls and manages stormwater.

Strategic Planning

Plans for the housing, business and environmental needs and impacts of our current and future population.

Technical Services

Plans, designs, project manage and monitors infrastructure delivery and performance.

Tourism

Promotes Eurobodalla to attract new and repeat visitors both within Australia and internationally; provides visitor information services and advice and support to tourism businesses.

Transport

Notes to the Financial Statements

for the year ended 30 June 2020

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

Provides the infrastructure such as roads and paths that enables the movement of people, vehicles and goods into and throughout Eurobodalla.

Waste Management

Responsible for waste collection, disposal, recycling, illegal dumping, infrastructure and education.

Water Services

Provision of a safe, reliable and secure town water supply.

Workforce Development

Responsible for human resource management, learning and development, payroll and work health and safety services to the organisation.

Works and Operations

Coordinates, maintains and supplies facilities and equipment to assist service delivery across Council.

Youth Services

Provides opportunities and activities for young people aged 12-25.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	24,892	24,077
Farmland	443	437
Business	4,533	4,418
Less: pensioner rebates (mandatory)	(910)	(909)
Rates levied to ratepayers	28,958	28,023
Pensioner rate subsidies received	502	495
Total ordinary rates	29,460	28,518
Special rates		
Environmental	1,043	1,009
Less: pensioner rebates (mandatory)	(35)	(35)
Rates levied to ratepayers	1,008	974
Total special rates	1,008	974
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	5,735	5,897
Stormwater management services	471	466
Water supply services	7,533	7,243
Sewerage services	20,866	20,142
Waste management services (non-domestic)	1,361	1,317
Less: pensioner rebates (mandatory)	(951)	(971)
Annual charges levied	35,015	34,094
Pensioner subsidies received:		
– Water	203	203
– Sewerage	192	192
– Domestic waste management	131	138
– Other	19	19
Total annual charges	35,560	34,646
TOTAL RATES AND ANNUAL CHARGES	66,028	64,138

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts 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) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	10,782	10,619
Sewerage services	656	721
Liquid trade waste	133	129
Total specific user charges	11,571	11,469
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,692	1,781
Private works – section 67	218	242
Section 10.7 certificates (EP&A Act)	103	110
Section 603 certificates	104	102
Other	–	11
Onsite sewerage management	131	177
Sewer connection	4	2
Water connection	109	144
Total fees and charges – statutory/regulatory	2,361	2,569
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	223	219
Caravan park / camping	2,815	3,695
Cemeteries	186	194
Child care	1,248	1,147
Licence fees and Lease rentals	215	1,954
Leaseback fees – Council vehicles	–	278
Library and art gallery	22	5
Recycling income (non-domestic)	593	414
Roads and Maritime Services charges (state roads)	1,490	3,745
Community service programs	7,163	6,394
Landfill	14,476	5,260
Other	410	331
Total fees and charges – other	28,841	23,636
TOTAL USER CHARGES AND FEES	42,773	37,674

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.

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.

Income from operating leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019/20 income from operating leases, where Council is the lessor, has been presented as rental income in Note 15 (e) - Operating Leases. Presentation of 2018/19 operating lease income is unchanged as per the following line items above; Licence fees and Lease rentals and Leaseback fees - Council vehicles.

\$ '000	2020	2019
(c) Other revenues		
Hire income – Council facilities	389	602
Fines	189	294
Legal fees recovery – rates and charges (extra charges)	128	212
Commissions and agency fees	110	123
Insurance claims recoveries	913	–
Sales – general	149	187
WHS incentive	245	198
Remediation remeasurement	468	52
Other	279	167
TOTAL OTHER REVENUE	2,870	1,835

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.

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

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

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
General purpose (untied)				
Relating to the current year				
Financial assistance – general component	2,707	2,620	–	–
Financial assistance – local roads component	834	823	–	–
Prepayment received in advance for subsequent year				
Financial assistance – general component	2,866	2,716	–	–
Financial assistance – local roads component	886	854	–	–
Total general purpose	7,293	7,013	–	–
Specific purpose (tied)				
Sewerage services	–	–	218	159

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
Bushfire and emergency services	2,144	546	–	–
Community care	2,001	2,734	20	157
Economic development	–	–	1,100	238
Environmental programs	455	423	308	–
Heritage and cultural	81	82	4,415	1,181
Library	96	87	–	–
Recreation and culture	2	–	519	7,198
Street lighting	103	101	–	–
Transport (roads to recovery)	1,039	62	–	–
Transport (other roads and bridges funding)	–	–	3,663	8,675
Aerodrome	–	–	1,075	4,337
Cycleways	–	–	583	250
Other	102	158	851	–
Total specific purpose	6,023	4,193	12,752	22,195
Total grants	13,316	11,206	12,752	22,195
Grant revenue is attributable to:				
– Commonwealth funding	10,106	9,711	1,032	2,864
– State funding	2,952	1,051	11,719	19,201
– Other funding	258	444	1	130
	13,316	11,206	12,752	22,195

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		32	50	436	610
S 7.12 – fixed development consent levies		–	–	304	267
S 64 – water supply contributions		–	–	1,373	1,802
S 64 – sewerage service contributions		–	–	1,200	1,645
Total developer contributions – cash		32	50	3,313	4,324
Total developer contributions	25	32	50	3,313	4,324

Other contributions:**Cash contributions**

Bushfire services	4,074	–	1,374	–
Business development	55	20	–	–
Community services	150	–	–	–
Heritage/cultural	240	–	–	–
Kerb and gutter	–	–	105	109
Paving	–	102	–	–
Recreation and culture	5	234	–	246
Roads and bridges	198	10	–	–
RMS contributions (regional roads, block grant)	1,060	1,059	28	184
Sewerage (excl. section 64 contributions)	3	3	10	509

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
Water supplies (excl. section 64 contributions)		–	–	11	–
Other		151	6	85	11
Arts and culture		32	68	–	–
Employment and training program		78	52	–	–
Libraries		60	–	–	–
Roadworks		–	–	(111)	341
Sports grounds, parks and recreation		9	–	–	15
Waste management		376	820	–	–
Total other contributions – cash		6,491	2,374	1,502	1,415
Non-cash contributions					
Bushfire services		–	–	1,175	27
Dedications – subdivisions (other than by s7.11)		–	–	7,052	6,759
Roads and bridges		–	–	713	–
Total other contributions – non-cash		–	–	8,940	6,786
Total other contributions		6,491	2,374	10,442	8,201
Total contributions		6,523	2,424	13,755	12,525
TOTAL GRANTS AND CONTRIBUTIONS		19,839	13,630	26,507	34,720

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 [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

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

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

Operating grants

Unexpended at the close of the previous reporting period	2,716	3,265
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	412
Add: operating grants received for the provision of goods and services in a future period	1,655	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(961)
Less: operating grants received in a previous reporting period now spent and recognised as income	(2,617)	–
Unexpended and held as externally restricted assets (operating grants)	1,754	2,716

Capital grants

Unexpended at the close of the previous reporting period	6,651	1,210
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	5,624
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(183)
Less: capital grants received in a previous reporting period now spent and recognised as income	(3,071)	–
Unexpended and held as externally restricted assets (capital grants)	6,467	6,651

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
Contributions		
Unexpended at the close of the previous reporting period	11,842	9,743
Add: contributions recognised as income in the current period but not yet spent	5,355	4,524
Less: contributions recognised in a previous reporting period now spent	(2,272)	(2,425)
Unexpended and held as externally restricted assets (contributions)	<u>14,925</u>	<u>11,842</u>

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	222	208
– Cash and investments	2,035	3,302
Total Interest and investment income	<u>2,257</u>	<u>3,510</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	223	208
General Council cash and investments	930	1,610

Restricted investments/funds – external:

Development contributions		
– Section 7.11	56	79
– Section 7.12	30	39
– Section 64	142	197
Water fund operations	513	806
Sewerage fund operations	363	571
Total interest and investment revenue	<u>2,257</u>	<u>3,510</u>

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	35,245	33,894
Travel expenses	263	268
Employee leave entitlements (ELE)	5,661	5,916
Superannuation	4,085	3,811
Workers' compensation insurance	1,930	1,546
Fringe benefit tax (FBT)	214	249
Payroll tax	341	412
Training costs (other than salaries and wages)	465	567
Other	385	451
Total employee costs	<u>48,589</u>	<u>47,114</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
Less: capitalised costs	(6,348)	(6,962)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>42,241</u>	<u>40,152</u>
Number of 'full-time equivalent' employees (FTE) at year end (excluding casuals)	505	493

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 16 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,326	2,555
Total interest bearing liability costs		<u>2,326</u>	<u>2,555</u>
Total interest bearing liability costs expensed		<u>2,326</u>	<u>2,555</u>
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	15	188	139
Interest applicable on interest free (and favourable) loans to Council		30	88
Total other borrowing costs		<u>218</u>	<u>227</u>
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>2,544</u>	<u>2,782</u>

Accounting policy for borrowing costs

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

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	8,528	8,518
Contractor and consultancy costs	23,386	20,200
Auditors remuneration ²	98	96
Legal expenses:		
– Legal expenses: debt recovery	132	219
– Legal expenses: other	157	249

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
Expenses from short-term leases (2020 only)	59	–
Expenses from leases of low value assets (2020 only)	41	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	113
Other	–	6
Total materials and contracts	<u>32,401</u>	<u>29,401</u>
TOTAL MATERIALS AND CONTRACTS	<u>32,401</u>	<u>29,401</u>

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:

Buildings	69	69
Computers	41	44
	<u>110</u>	<u>113</u>

2. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	72	57
Remuneration for audit and other assurance services	<u>72</u>	<u>57</u>
Total Auditor-General remuneration	<u>72</u>	<u>57</u>

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

Audit and review of financial statements	26	31
Other services: Council's auditor (sewer and water best practice)	–	8
Remuneration for audit and other assurance services	<u>26</u>	<u>39</u>
Total remuneration of non NSW Auditor-General audit firms	<u>26</u>	<u>39</u>
Total Auditor remuneration	<u>98</u>	<u>96</u>

\$ '000	Notes	2020	2019
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(d) Depreciation, amortisation and impairment of non-financial assets**Depreciation and amortisation**

Plant and equipment	2,588	2,259
Office equipment	988	724
Furniture and fittings	41	55

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
Land improvements (depreciable)		14	14
Infrastructure:	11(a)		
– Buildings		1,836	2,131
– Other structures		934	553
– Roads		8,278	7,882
– Bridges		704	698
– Footpaths		656	642
– Stormwater drainage		977	949
– Water supply network		6,281	6,161
– Sewerage network		7,709	7,254
– Swimming pools		304	307
– Other open space/recreational assets		1,744	1,471
Right of use assets	13	85	–
Other assets:			
– Library books		184	197
Total gross depreciation and amortisation costs		<u>33,323</u>	<u>31,297</u>
Total depreciation and amortisation costs		<u>33,323</u>	<u>31,297</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:	11(a)		
– Buildings		74	–
– Other open space/recreational assets		16	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>90</u>	<u>–</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>90</u>	<u>–</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>33,413</u>	<u>31,297</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.

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

Impairment of non-financial assets

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

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

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

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.

Bushfires and flood events severely impacted infrastructure assets during 2019/20. 15 bridges, a SES shed and the caretakers cottage at the Botanic Gardens were completely destroyed and have been written off accordingly (Note 6). Damage to buildings and other infrastructure assets was sustained and impairment losses of \$90,210 have been recognised as a result. The Botanic Gardens suffered damage to 2 shelters, orchid house and BBQ pavillion. The assessed damage ranged from 5% to 50% with total impairment losses of \$40,493. Runnyford RFS station suffered damage assessed at 25% with impairments losses of \$45,104 being recognised.

\$ '000	2020	2019
(e) Other expenses		
Advertising	257	623
Bad and doubtful debts	504	135
Bank charges / cash collection expenses	262	281
Computer software charges	1,329	1,015
Commissions	466	413
Community care outsourced	1,591	1,469
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	59	52
– NSW fire brigade levy	166	151
– NSW rural fire service levy	602	590
– Other contributions/levies	222	244
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	183	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	50	90
Donations, contributions and assistance to other organisations (Section 356)	143	287
Electricity and heating	2,224	2,044
Insurance	1,430	1,421
Postage	442	323
Printing and stationery	156	180
Street lighting	458	467
Subscriptions and publications	179	218
Telephone and communications	683	687
Valuation fees	168	177
Venue / facility hire	22	104
Other	2,227	1,817
Total other expenses	13,867	13,009
TOTAL OTHER EXPENSES	13,867	13,009

Accounting policy for other expenses

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	239
Less: carrying amount of property assets sold.		(915)	(564)
Net gain/(loss) on disposal		(915)	(325)

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets (continued)

\$ '000	Notes	2020	2019
Plant and equipment	11(a)		
Proceeds from disposal – plant and equipment		776	895
Less: carrying amount of plant and equipment assets sold/written off		(682)	(827)
Net gain/(loss) on disposal		<u>94</u>	<u>68</u>
Infrastructure	11(a)		
Proceeds from disposal – infrastructure		–	42
Less: carrying amount of infrastructure assets sold/written off		(4,455)	(3,520)
Net gain/(loss) on disposal		<u>(4,455)</u>	<u>(3,478)</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		1,103	–
Less: carrying amount of investments sold/redeemed/matured		(555)	–
Net gain/(loss) on disposal		<u>548</u>	<u>–</u>
Non-current assets classified as ‘held for sale’	10		
Proceeds from disposal – non-current assets ‘held for sale’		–	969
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(669)
Net gain/(loss) on disposal		<u>–</u>	<u>300</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(4,728)</u>	<u>(3,435)</u>

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.

Impact of natural disasters

Bushfires and flood events destroyed 15 bridges mainly in the Belowra and Deu River Valley's. Bushfires also destroyed buildings and this included the Batemans Bay SES shed, RFS hot fire centre center, a shed at Deep Creek Dam and the caretakers cottage at the Botanic Gardens. The total write of amounted to \$1.895m. Disaster recovery funding is available to replace the bridges and insurance covered the loss to buildings.

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	8,099	4,538
Cash-equivalent assets		
– Deposits at call	11,011	13,000
Total cash and cash equivalents	<u>19,110</u>	<u>17,538</u>

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	121,020	–	100,000	–
d. 'Financial assets at fair value through other comprehensive income'	–	–	–	555
Total Investments	121,020	–	100,000	555
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	140,130	–	117,538	555
Financial assets at amortised cost				
Long term deposits	121,020	–	100,000	–
Total	121,020	–	100,000	–
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	–	–	–	555
Total	–	–	–	555

Financial assets designated as at fair value through other comprehensive income

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

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

\$ '000	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	140,130	–	117,538	555
attributable to:				
External restrictions	103,731	–	89,718	555
Internal restrictions	30,180	–	26,905	–
Unrestricted	6,219	–	915	–
	140,130	–	117,538	555

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – sewer	33	883
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External restrictions – included in liabilities	33	883
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External restrictions – other

Developer contributions – general	4,945	4,569
Developer contributions – water fund	5,376	4,921
Developer contributions – sewer fund	2,360	2,129
Specific purpose unexpended grants (recognised as revenue) – general fund	8,225	8,364
Specific purpose unexpended grants (recognised as revenue) – sewer fund	–	1,003
Water supplies	35,958	30,778
Sewerage services	21,271	18,371
Stormwater management	180	87
Other waste management	15,283	9,584
Crown reserves	5,329	4,650
Community services asset replacement	364	374
Domestic waste management	2,969	3,532
Other	1,438	1,028
External restrictions – other	103,698	89,390

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Total external restrictions	103,731	90,273
Internal restrictions		
Infrastructure replacement	678	1,340
Employees leave entitlement	4,265	4,232
Community development infrastructure fund	58	58
Council recreational loan pool	165	143
Energy and efficiency fund	569	604
Financial assistance grant	3,752	3,828
Gravel pits	745	615
Infrastructure renewals (FFTF)	7,506	6,526
Management committees	146	188
Real estate disposal fund	1,710	1,880
Recreation strategy	135	275
Special rates variation	2,961	3,160
Sports liason committee	207	209
Unexpended general loan fund	507	(37)
Other (Contributions)	6,776	3,884
Total internal restrictions	30,180	26,905
TOTAL RESTRICTIONS	133,911	117,178

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,562	–	1,997	–
User charges and fees	7,734	–	9,352	–
Accrued revenues				
– Interest on investments	427	–	895	–
– Other income accruals	14,871	–	7,754	–
Deferred debtors	24	51	41	51
Net GST receivable	–	–	848	–
Other debtors	–	5	–	5
Total	24,618	56	20,887	56
Less: provision of impairment				
Rates and annual charges	(25)	(10)	(25)	(10)
User charges and fees	(879)	–	(375)	–
Total provision for impairment – receivables	(904)	(10)	(400)	(10)
TOTAL NET RECEIVABLES	23,714	46	20,487	46

Externally restricted receivables

Water supply

– Other	3,644	–	3,390	–
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Sewerage services

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
– Other	946	–	193	–
Total external restrictions	4,590	–	3,583	–
Unrestricted receivables	19,124	46	16,904	46
TOTAL NET RECEIVABLES	23,714	46	20,487	46

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	410	288
+ new provisions recognised during the year	504	122
Balance at the end of the year	914	410

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.

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	789	–	661	–
Total inventories at cost	789	–	661	–
TOTAL INVENTORIES	789	–	661	–

(b) Other assets

Prepayments	818	–	539	–
TOTAL OTHER ASSETS	818	–	539	–

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Stores and materials	–	–	59	–
Total water	–	–	59	–
Total externally restricted assets	–	–	59	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,607	–	1,141	–
TOTAL INVENTORIES AND OTHER ASSETS	1,607	–	1,200	–

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.

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

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	2,454	–	–	–
Other assets	–	–	335	–
Total non-current assets 'held for sale'	2,454	–	335	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	2,454	–	335	–

(ii) Details of assets and disposal groups

As at 30 June there were 10 parcels of land held for sale with real estate agents at various stages of progress ranging from being listed with a real estate agent to contract completion awaiting settlement.

(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	335	829
Less: carrying value of assets/operations sold	–	(669)
Balance still unsold after 12 months:	335	160
Less: Disposals or assets no longer classified as 'held for sale'	(335)	–

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Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
<u>Plus new transfers in:</u>		
– Asset reclassifications and revaluations 'held for sale'	2,454	175
Closing balance of 'held for sale' non-current assets and operations	<u>2,454</u>	<u>335</u>

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). 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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	21,483	–	21,483	18,889	30,627	–	–	–	(41,643)	–	–	29,356	–	29,356
Plant and equipment	34,048	(18,460)	15,588	3,349	375	(684)	(2,589)	–	–	–	–	35,656	(19,617)	16,039
Office equipment	9,051	(2,105)	6,946	963	241	–	(987)	–	–	–	–	9,095	(1,932)	7,163
Furniture and fittings	581	(396)	185	71	18	–	(41)	–	–	–	–	399	(166)	233
Land:														
– Operational land	56,345	–	56,345	–	15	–	–	–	–	(2,119)	–	54,241	–	54,241
– Community land	104,716	–	104,716	–	890	–	–	–	–	–	–	105,606	–	105,606
– Land under roads (post 30/6/08)	20,479	–	20,479	–	77	–	–	–	–	–	(5,355)	15,201	–	15,201
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(147)	541	–	–	–	(14)	–	–	–	–	688	(161)	527
Infrastructure:														
– Buildings	130,633	(44,519)	86,114	1,262	1,602	(914)	(1,836)	(74)	–	–	–	132,160	(46,006)	86,154
– Other structures	21,997	(5,643)	16,354	–	158	–	(934)	–	–	–	–	22,155	(6,577)	15,578
– Roads	565,173	(161,445)	403,728	7,896	6,154	(1,278)	(8,278)	–	–	6	98,018	728,247	(222,001)	506,246
– Bridges	49,525	(17,836)	31,689	953	455	(1,224)	(704)	–	–	–	6,017	54,625	(17,439)	37,186
– Footpaths	36,523	(9,509)	27,014	413	1,438	(162)	(656)	–	–	–	5,762	45,824	(12,015)	33,809
– Stormwater drainage	101,794	(26,786)	75,008	1,174	2,074	(468)	(977)	–	–	(6)	22,795	134,193	(34,593)	99,600
– Water supply network	361,693	(175,433)	186,260	1,661	772	(325)	(6,281)	–	–	–	1,780	366,149	(182,282)	183,867
– Sewerage network	434,552	(188,381)	246,171	2,916	5,094	(653)	(7,709)	–	–	–	2,380	444,654	(196,455)	248,199
– Swimming pools	8,394	(7,371)	1,023	12	–	–	(304)	–	–	–	–	8,406	(7,675)	731
– Other open space/recreational assets	57,087	(22,710)	34,377	1,243	451	(344)	(1,744)	(16)	–	–	–	57,493	(23,526)	33,967
Other assets:														
– Library books	950	(406)	544	–	112	–	(184)	–	–	–	–	906	(434)	472
– Other	7	(2)	5	–	–	–	–	–	–	–	–	7	(2)	5
Total Infrastructure, property, plant and equipment	2,015,751	(681,149)	1,334,602	40,802	50,553	(6,052)	(33,238)	(90)	(41,643)	(2,119)	131,397	2,245,093	(770,881)	1,474,212

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

\$ '000	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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	33,029	–	33,029	25,243	31,580	–	–	(68,369)	–	–	21,483	–	21,483
Plant and equipment	34,028	(18,899)	15,129	–	3,670	(827)	(2,259)	–	(125)	–	34,048	(18,460)	15,588
Office equipment	5,176	(1,494)	3,682	199	3,789	–	(724)	–	–	–	9,051	(2,105)	6,946
Furniture and fittings	583	(373)	210	12	18	–	(55)	–	–	–	581	(396)	185
Land:													
– Operational land	56,243	–	56,243	–	438	(1)	–	–	(335)	–	56,345	–	56,345
– Community land	104,555	–	104,555	–	–	–	–	–	161	–	104,716	–	104,716
– Land under roads (post 30/6/08)	20,352	–	20,352	85	42	–	–	–	–	–	20,479	–	20,479
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(134)	554	–	–	–	(14)	–	1	–	688	(147)	541
Infrastructure:													
– Buildings	126,286	(42,569)	83,717	867	4,142	(481)	(2,131)	–	–	–	130,633	(44,519)	86,114
– Other structures	14,475	(5,211)	9,264	6,449	1,236	(83)	(553)	–	41	–	21,997	(5,643)	16,354
– Roads	549,644	(157,120)	392,524	10,440	10,783	(2,135)	(7,882)	–	–	–	565,173	(161,445)	403,728
– Bridges	49,022	(17,209)	31,813	287	377	(90)	(698)	–	–	–	49,525	(17,836)	31,689
– Footpaths	34,989	(8,970)	26,019	423	1,385	(171)	(642)	–	–	–	36,523	(9,509)	27,014
– Stormwater drainage	98,742	(25,943)	72,799	1,085	2,205	(133)	(949)	–	–	–	101,794	(26,786)	75,008
– Water supply network	355,268	(168,335)	186,933	1,548	1,473	(477)	(6,161)	–	85	2,860	361,693	(175,433)	186,260
– Sewerage network	413,359	(178,975)	234,384	1,552	14,270	(409)	(7,254)	–	–	3,628	434,552	(188,381)	246,171
– Swimming pools	8,227	(6,926)	1,301	–	–	–	(307)	–	29	–	8,394	(7,371)	1,023
– Other open space/recreational assets	56,000	(21,505)	34,495	520	964	(104)	(1,471)	–	(29)	–	57,087	(22,710)	34,377
Other assets:													
– Library books	1,011	(380)	631	12	98	–	(197)	–	–	–	950	(406)	544
– Other	7	(2)	5	–	–	–	–	–	–	–	7	(2)	5
Total Infrastructure, property, plant and equipment	1,961,716	(654,045)	1,307,671	48,722	76,470	(4,911)	(31,297)	(68,369)	(172)	6,488	2,015,751	(681,149)	1,334,602

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

Accounting policy for infrastructure, property, plant and equipment

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

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 Jun 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. Councils [type and carrying value] are valued under the Cost approach.
- 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. Councils [type and carrying value] are valued under the market approach.
- 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. Councils [type and carrying value] are valued under the income approach.

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	15
Office furniture	10 to 20	Benches, seats etc.	20 to 25
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	60
Other plant and equipment	5 to 15	Buildings: other	40 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	100
Bores	25	Culverts	30 to 100

Notes to the Financial Statements

for the year ended 30 June 2020

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

Reticulation pipes: PVC	80	Flood control structures	100
Reticulation pipes: other	50 to 80		
Pumps and telemetry	7 to 25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 18	Bulk earthworks	20
Sealed roads: structure	50 to non depreciable	Swimming pools	10 to 60
Unsealed roads	10 to 15	Unsealed roads	NA
Bridge: concrete	75 to 120	Other open space/recreational assets	10 to 100
Bridge: other	30 to 100	Other infrastructure	25 to 180
Road pavements	NA		
Kerb, gutter and footpaths	30 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.

Rural Fire Service assets

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

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

Note 11(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	6,480	–	6,480	5,204	–	5,204
Plant and equipment	700	377	323	566	377	189
Office equipment	56	17	39	104	53	51
Land						
– Operational land	1,731	–	1,731	1,731	–	1,731
– Community land	594	–	594	594	–	594

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Buildings	5,100	1,573	3,527	5,122	1,508	3,614
Infrastructure	366,147	182,282	183,865	361,692	175,433	186,259
Total water supply	380,808	184,249	196,559	375,013	177,371	197,642
Sewerage services						
WIP	11,046	–	11,046	9,731	–	9,731
Plant and equipment	1,475	1,376	99	1,475	1,349	126
Office equipment	5	–	5	89	85	4
Land						
– Operational land	3,579	–	3,579	3,564	–	3,564
– Community land	98	–	98	98	–	98
Buildings	4,417	1,142	3,275	4,306	1,077	3,229
Infrastructure	444,652	196,455	248,197	434,562	188,386	246,176
Other assets	58	3	55	43	1	42
Total sewerage services	465,330	198,976	266,354	453,868	190,898	262,970
Domestic waste management						
WIP	230	–	230	5	–	5
Plant and equipment	1,926	1,164	762	1,912	1,111	801
Office equipment	10	5	5	112	107	5
Land						
– Operational land	2,567	–	2,567	2,567	–	2,567
Buildings	706	216	490	706	206	500
Other structures	12,324	3,673	8,651	12,324	2,924	9,400
Infrastructure	442	–	442	442	–	442
Total DWM	18,205	5,058	13,147	18,068	4,348	13,720
TOTAL RESTRICTED						
IPP&E	864,343	388,283	476,060	846,949	372,617	474,332

Note 11(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(i) Impairment losses recognised in the Income Statement:			
– Bushfire impacted buildings and other structures		90	–
Total impairment losses		90	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L			
	5d	90	–

Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	4,437	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	939	–
Total grants received in advance		5,376	–
User fees and charges received in advance:			
Other		–	–
Total user fees and charges received in advance		–	–
Total contract liabilities		5,376	–

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 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Water	–	–
Sewer	–	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	5,376	–
Contract liabilities relating to externally restricted assets	5,376	–
Total contract liabilities relating to restricted assets	5,376	–
Total contract liabilities relating to unrestricted assets	–	–
Total contract liabilities	5,376	–

\$ '000	2020
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(ii) Revenue recognised (during the financial year) from opening contract liability balances**Grants and contributions received in advance:**

Capital grants (to construct Council controlled assets)	3,071
Operating grants (received prior to performance obligation being satisfied)	64

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	3,135
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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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

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.

Note 13. Leases

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

(i) Council as a lessee

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

Terms and conditions of leases**Buildings**

Council leases land and buildings for records storage at Moruya Industrial District and NDIS accommodation services at Batemans Bay.

The records storage lease is for 10 years with annual CPI movements and an extension option of 5 years at market rent.

The NDIS accommodation lease is for five years and includes a five year renewal option. The building leases contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception. The monthly lease amount is offset by funds received from client's Specialist Disability Accommodation funding which covers a tenancy management fee, reactive maintenance fee and planned and preventative maintenance fees. The lease payment is therefore variable and dependent on occupancy.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 10 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000	Photocopier	Storage Facility	Guy Street NDIS accommodation	Total
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(a) Right of use assets

Opening balance at 30 June 2019	-	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	26	358	248	632
Depreciation charge	(8)	(49)	(28)	(85)
Other movement	-	1	1	2

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	Photocopier	Storage Facility	Guy Street NDIS accommodation	Total
RIGHT OF USE ASSETS	18	310	221	549

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	73	502
TOTAL LEASE LIABILITIES	73	502

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	77	286	103	466	575

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Externally restricted assets		
Water	–	–
Sewer	–	–
Lease liabilities relating to externally restricted assets	–	–
Total lease liabilities relating to restricted assets	–	–
Total lease liabilities relating to unrestricted assets	73	502
Total lease liabilities	73	502

\$ '000	2020
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(c) Income Statement

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

Depreciation of right of use assets	85
Expenses relating to short-term leases	59
Expenses relating to low-value leases	41

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
Other	–
	<u>185</u>

(d) Statement of Cash Flows

Total cash outflow for leases	(110)
	<u>(110)</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.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of caravan parks, aircraft hangars, staff lease back vehicles and land for telecommunications, golf courses and other business uses. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

\$ '000	2020
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
(i) Operating lease income	
Caravan Parks	1,051
Airport Hangars	156
Leaseback fees - council vehicles	253
Land	722
Total income relating to operating leases	2,182

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,592	–	2,482	–
Goods and services – capital expenditure	236	–	3,568	–
Accrued expenses:				
– Borrowings	14	–	20	–
– Other expenditure accruals	8,017	–	2,114	–
Prepaid rates	–	–	–	–
Security bonds, deposits and retentions	697	–	595	–
ATO – net GST payable	16	–	183	–
Other	854	–	230	–
Total payables	11,426	–	9,192	–
Income received in advance				
Payments received in advance	–	–	826	–
Total income received in advance	–	–	826	–
Borrowings				
Loans – secured ¹	5,611	52,774	7,873	50,443
Total borrowings	5,611	52,774	7,873	50,443
TOTAL PAYABLES AND BORROWINGS	17,037	52,774	17,891	50,443

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	327	785	773	855
Sewer	1,720	15,989	3,187	15,477
Domestic waste management	2,130	1,758	957	2,118
Payables and borrowings relating to externally restricted assets	4,177	18,532	4,917	18,450
Total payables and borrowings relating to restricted assets	4,177	18,532	4,917	18,450
Total payables and borrowings relating to unrestricted assets	12,860	34,242	12,974	31,993
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>17,037</u>	<u>52,774</u>	<u>17,891</u>	<u>50,443</u>

(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.

(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	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	58,316	69	–	–	–	–	58,385
Lease liabilities	–	575	–	–	–	–	575
TOTAL	58,316	644	–	–	–	–	58,960

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	63,716	(5,400)	–	–	–	58,316
TOTAL	63,716	(5,400)	–	–	–	58,316

\$ '000	2020	2019
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	260	260
Total financing arrangements	2,260	2,260

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
Undrawn facilities as at balance date:		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	260	260
Total undrawn financing arrangements	2,260	2,260

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

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.

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	3,820	–	3,355	–
Long service leave	6,186	892	6,716	402
Other leave (TOIL and RDO)	515	–	598	–
Sub-total – aggregate employee benefits	10,521	892	10,669	402
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,713	–	2,040
Sub-total – asset remediation/restoration	–	1,713	–	2,040
Other provisions				
Self insurance – workers compensation	3	–	1	–
Other	620	–	489	–
Sub-total – other provisions	623	–	490	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

TOTAL PROVISIONS	11,144	2,605	11,159	2,442
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\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
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(a) Provisions relating to restricted assets**Externally restricted assets**

Water	590	50	652	25
Sewer	590	50	652	25
Domestic waste management	497	1,713	462	2,040
Provisions relating to externally restricted assets	1,677	1,813	1,766	2,090

Total provisions relating to restricted assets	1,677	1,813	1,766	2,090
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Total provisions relating to unrestricted assets	9,467	792	9,393	352
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TOTAL PROVISIONS	11,144	2,605	11,159	2,442
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\$ '000	2020	2019
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	5,227	5,822
	5,227	5,822

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2020					
At beginning of year	3,355	7,118	–	598	11,071
Additional provisions	2,925	1,018	–	1,614	5,557
Amounts used (payments)	(2,444)	(958)	–	(1,690)	(5,092)
Remeasurement effects	(16)	(100)	–	(7)	(123)
Total ELE provisions at end of year	3,820	7,078	–	515	11,413
2019					
At beginning of year	3,108	6,849	403	527	10,887
Additional provisions	2,764	817	114	900	4,595
Amounts used (payments)	(2,534)	(1,037)	–	(832)	(4,403)
Remeasurement effects	17	460	–	3	480
Other	–	29	(517)	–	(488)
Total ELE provisions at end of year	3,355	7,118	–	598	11,071

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

\$ '000	Self insurance	Asset remediation	Total
2020			
At beginning of year	1	2,040	2,041
Remeasurement effects	–	(468)	(468)
Unwinding of discount	–	141	141
Other	2	–	2
Total other provisions at end of year	3	1,713	1,716
2019			
At beginning of year	1	1,726	1,727
Other	–	314	314
Total other provisions at end of year	1	2,040	2,041

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Note 16. 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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:

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value. It however, continues to spread the revenue over the life of the licence and not recognise all the revenue up-front.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	4,720
Total Contract liabilities	4,720

Comparison of financial statement line items under AASB 15 and AASB 1058 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-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	19,110	–	–	19,110	
Investments	121,020	–	–	121,020	
Receivables	23,714	–	–	23,714	
Inventories	789	–	–	789	
Other	818	–	–	818	
Current assets classified as 'held for sale'	2,454	–	–	2,454	
Total current assets	167,905	–	–	167,905	
Current liabilities					
Payables	11,426	–	–	11,426	
Contract liabilities	5,376	–	(5,376)	–	
Lease liabilities	73	–	–	73	
Borrowings	5,611	–	–	5,611	
Provisions	11,144	–	–	11,144	
Total current liabilities	33,630	–	(5,376)	28,254	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. 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-e ment	Carrying amount under previous revenue standards	Notes
Non-current assets					
Receivables	46	–	–	46	
Infrastructure, property, plant and equipment	1,474,212	–	–	1,474,212	
Right of use assets	549	–	–	549	
Total non-current assets	1,474,807	–	–	1,474,807	
Non-current liabilities					
Lease liabilities	502	–	–	502	
Borrowings	52,774	–	–	52,774	
Provisions	2,605	–	–	2,605	
Total Non-current liabilities	55,881	–	–	55,881	
Net assets	1,553,201	–	5,376	1,558,577	
Equity					
Accumulated surplus	858,395	–	(5,376)	853,019	
Revaluation reserves	694,806	–	–	694,806	
Council equity interest	1,553,201	–	(5,376)	1,547,825	
Total equity	1,553,201	–	(5,376)	1,547,825	

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	66,028	–	–	66,028	
User charges and fees	42,773	–	–	42,773	
Other revenues	2,870	–	–	2,870	
Grants and contributions provided for operating purposes	19,839	–	184	20,023	
Grants and contributions provided for capital purposes	26,507	–	(840)	25,667	
Interest and investment income	2,257	–	–	2,257	
Rental income	2,182	–	–	2,182	
Total Income from continuing operations	162,456	–	(656)	161,800	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	42,241	–	–	42,241	
Borrowing costs	2,544	–	–	2,544	

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Materials and contracts	32,401	–	–	32,401	
Depreciation and amortisation	33,323	–	–	33,323	
Other expenses	13,867	–	–	13,867	
Net losses from the disposal of assets	4,728	–	–	4,728	
Revaluation decrement / impairment of IPP&E	90	–	–	90	
Total Expenses from continuing operations	129,194	–	–	129,194	
Total Operating result from continuing operations	33,262	–	(656)	32,606	
Net operating result for the year	33,262	–	(656)	32,606	
Total comprehensive income	165,070	–	–	165,070	

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	4,720	4,720
Total liabilities	–	4,720	4,720
Accumulated surplus	–	(4,720)	(4,720)
Total equity	–	(4,720)	(4,720)

(iii) AASB 16 Leases

Council as a lessee

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

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

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:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

- 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 \$633k and \$610k respectively 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 1.15%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	991

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	854
Less:	
Short-term leases included in commitments note	(37)
Leases for low-value assets included in commitments note	(29)
Other	(178)
Lease liabilities recognised at 1 July 2019	610

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.

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	–	633	633
Total assets	–	633	633
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	610	610
Total liabilities	–	610	610

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Accumulated surplus	–	23	23
Total equity	–	23	23

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
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(a) Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7(a)	19,110	17,538
Balance as per the Statement of Cash Flows		19,110	17,538

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

Net operating result from Income Statement		33,262	35,431
Adjust for non-cash items:			
Depreciation and amortisation		33,323	31,297
Net losses/(gains) on disposal of assets		4,728	3,435
Non-cash capital grants and contributions		(8,940)	(6,406)
Adoption of AASB 15/1058		(4,720)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		90	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		30	88
Unwinding of discount rates on reinstatement provisions		141	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,748)	(8,235)
Increase/(decrease) in provision for impairment of receivables		504	122
Decrease/(increase) in inventories		(128)	15
Decrease/(increase) in other current assets		(279)	(74)
Increase/(decrease) in payables		(890)	1,919
Increase/(decrease) in accrued interest payable		(6)	4
Increase/(decrease) in other accrued expenses payable		1,466	(1,429)
Increase/(decrease) in other liabilities		(267)	584
Increase/(decrease) in contract liabilities		5,376	–
Increase/(decrease) in provision for employee benefits		342	184
Increase/(decrease) in other provisions		(335)	803
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		59,949	57,738

(c) Non-cash investing and financing activities

Bushfire grants	1,175	–
Other dedications	713	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information (continued)

\$ '000	2020	2019
Private subdivisions	7,052	6,406
Total non-cash investing and financing activities	8,940	6,406

(d) Net cash flows attributable to discontinued operations

Please refer to Note 25 for details of cash flows that relate to discontinued operations

Note 18. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	–	167
Plant and equipment	–	290
Water supply	5,168	389
Sewer	5,251	2,771
Other structures	–	1,900
Corporate Business System	422	534
Total commitments	10,841	6,051

These expenditures are payable as follows:

Within the next year	9,975	5,604
Later than one year and not later than 5 years	866	447
Total payable	10,841	6,051

Sources for funding of capital commitments:

Unrestricted general funds	2,715	4,034
Unexpended grants	1,108	1,483
New loans (to be raised)	7,018	534
Total sources of funding	10,841	6,051

Details of capital commitments

Current capital commitments include plant and equipment (mainly heavy vehicles) required for general operations; Waste, Water and Sewer major construction projects, Botanical Gardens Redevelopment and various project management contracts; implementation of a new corporate business system and energy performance improvement projects across Council.

\$ '000	2020	2019
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(b) Non-cancellable operating lease commitments (2019 only)

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

Within the next year	–	194
Later than one year and not later than 5 years	–	368
Later than 5 years	–	37

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments (continued)

\$ '000	2020	2019
Total non-cancellable operating lease commitments	–	599

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

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

Operational leases in place relate to Council's office printing and copying equipment, as well as the lease of communications towers to support its information technology infrastructure.

Conditions relating to finance and operating leases:

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

Note 19. 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 standard employer contributions and additional lump sum contributions to the fund.

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

Division B	1.9 x times employee contributions
Division C	2.5% salaries
Division D	1.64x times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2019 for 3 years 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 fund maintain the adequacy of the funding position for the accrued liabilities.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

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

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

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

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 \$ 596,659.97. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$563,019.96.

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

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

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

The key economic long term assumptions used to calculate the present value of accrued 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 Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Note 20. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	19,110	17,538	19,110	17,538
Receivables	23,760	20,533	23,760	20,533
Investments				
– 'Financial assets at amortised cost'	121,020	100,000	121,020	100,000
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income'	–	555	–	555
Total financial assets	163,890	138,626	163,890	138,626
Financial liabilities				
Payables	11,426	9,192	10,602	9,192
Loans/advances	58,385	58,316	58,385	58,316
Lease liabilities	575	–	575	–
Total financial liabilities	70,386	67,508	69,562	67,508

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio based on market and product information provided by independent sources.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

- **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.

(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
2020				
Possible impact of a 1% movement in interest rates	1,000	1,000	(1,000)	(1,000)
2019				
Possible impact of a 1% movement in interest rates	1,130	1,130	(1,130)	(1,130)

(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.

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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
2020						
Gross carrying amount	59	822	454	154	73	1,562
2019						

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	–	1,461	364	114	58	1,997

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
2020						
Gross carrying amount	15,718	4,258	346	1,060	1,730	23,112
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	33.00%	2.47%
ECL provision	–	–	–	–	571	571
2019						
Gross carrying amount	10,089	2,043	4,891	682	1,241	18,946
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	13.00%	0.85%
ECL provision	–	–	–	–	161	161

(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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	697	–	–	–	697	11,426
Loans and advances	4.60%	–	5,611	28,093	24,682	58,386	58,385
Total financial liabilities		697	5,611	28,093	24,682	59,083	69,811
2019							
Trade/other payables	0.00%	9,192	–	–	–	9,192	9,192

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
Loans and advances	4.77%	–	7,873	24,489	25,984	58,346	58,316
Total financial liabilities		9,192	7,873	24,489	25,984	67,538	67,508

Note 21. Material budget variations

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

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

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

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

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

\$ '000	2020	2020	2020	
	Budget	Actual	----- Variance -----	
REVENUES				
Rates and annual charges	64,968	66,028	1,060	2% F
User charges and fees	35,987	42,773	6,786	19% F
Favourable variation as a result of tipping fees received from State Funded Bushfire Recovery cleanup works.				
Other revenues	1,446	2,870	1,424	98% F
Favourable variation due to prepaid insurance monies received in response to the bushfire event and property revenue.				
Operating grants and contributions	14,409	19,839	5,430	38% F
Favourable variation due to Bushfire Disaster Relief Recovery and s44 Emergency Management Funding and various COVID-19 relief packages received.				
Capital grants and contributions	30,182	26,507	(3,675)	(12)% U
Variation as a result of (1) delayed work/grant claims for significant projects including Batemans Bay Regional Aquatic, Arts & Leisure Centre, the Eurobodalla Regional Botanic Gardens Redevelopment and Moruya Airport Redevelopment works due to bushfire, floods and COVID-19 impacts offset by significant funding received for various Transport programs including Emergency Renewal for Bridges damaged in the Bushfires and the recognition of significant subdivider assets and developer contributions.				
Interest and investment revenue	2,910	2,257	(653)	(22)% U
Lower than anticipated interest rates offset by proceeds received from special dividend declared by Southern Phone.				
Rental income	–	2,182	2,182	∞ F
EXPENSES				
Employee benefits and on-costs	41,790	42,241	(451)	(1)% U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Borrowing costs	2,775	2,544	231	8% F
Materials and contracts	20,824	32,401	(11,577)	(56)% U
Variation as a result of (1) increased operational spend relating to disaster events including bushfires, floods and COVID-19 pandemic (largely supported by various funding streams (2) infrastructure/ plant replacement plans including assets impacted by disaster events (3) materials and contracts resulting from carrying forward projects from 2018-19.				
Depreciation and amortisation	33,046	33,323	(277)	(1)% U
Other expenses	17,252	13,867	3,385	20% F
Expenses classified as 'other expenses' are generally materials and contract related and are combined therein for reporting purposes.				
Net losses from disposal of assets	-	4,728	(4,728)	∞ U
Loss on disposal of plant/infrastructure assets offset by proceeds from sale of shareholding in Southern Phone.				
Revaluation decrement / impairment of IPP&E	-	90	(90)	∞ U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	67,261	59,949	(7,312)	(11)% U
Variation as a result of increased tipping fees resulting from State funded bushfire recovery cleanup works offset by timing of grant funded operational expenditure (including bushfire disaster relief recovery monies received in current year with anticipated spend in 20-21) and deferred grant funded capital projects including Batemans Bay Regional Aquatic, Arts & Leisure Centre, Moruya Airport Redevelopment works and Shellfish Hatchery works.				
Cash flows from investing activities	(74,519)	(58,331)	16,188	(22)% F
Favourable variation due to extended timing of capital works due to bushfire, flood and COVID-19 impacts and revised work scheduling for the Batemans Bay Regional Aquatic, Arts & Leisure Centre and various Water & Sewer works.				
Cash flows from financing activities	5,357	(46)	(5,403)	(101)% U
Variation as a result of lower borrowings due to water and sewer infrastructure works programme being revised,				

Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Unlisted equity securities
- Land held for resale

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Operational land	30/6/18	–	–	54,241	54,241
Community land	30/6/16	–	–	105,606	105,606
Land under roads	30/6/20	–	–	19,770	19,770
Land improvements – non-depreciable	30/6/16	–	–	32	32
Land improvements – depreciable	30/6/16	–	–	527	527
Buildings	30/6/18	–	–	86,154	86,154
Buildings – specialised	30/6/18	–	–	–	–
Other recreational assets	30/6/16	–	–	33,967	33,967
Other structures	30/6/16	–	–	15,578	15,578
Roads	30/6/20	–	–	506,246	506,246
Bridges	30/6/20	–	–	37,186	37,186
Footpaths	30/6/20	–	–	33,809	33,809
Stormwater drainage	30/6/20	–	–	99,600	99,600
Water supply network	30/6/17	–	–	183,867	183,867
Sewerage network	30/6/17	–	–	248,199	248,199
Swimming pools	30/6/16	–	–	731	731
Library books		–	–	472	472
Other		–	–	5	5
Total infrastructure, property, plant and equipment		–	–	1,425,990	1,425,990
Non-current assets classified as 'held for sale'					
Land held for sale	8	–	–	2,454	2,454
Total NCA's classified as 'held for sale'		–	–	2,454	2,454

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets at fair value through other comprehensive income'	30/06/2019	–	555	–	555
Total financial assets		–	555	–	555
Infrastructure, property, plant and equipment					
Operational land	30/06/18	–	–	56,345	56,345
Community land	30/06/16	–	–	104,716	104,716
Land under roads	30/06/14	–	–	20,479	20,479
Land improvements – non-depreciable	30/06/16	–	–	32	32

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019 \$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	Total
Land improvements – depreciable	30/06/16	–	–	541	541
Buildings	30/06/18	–	–	86,115	86,115
Buildings – specialised	30/06/18	–	–	–	–
Other recreational assets	30/06/16	–	–	34,377	34,377
Other structures	30/06/16	–	–	16,354	16,354
Roads	30/06/15	–	–	403,728	403,728
Bridges	30/06/15	–	–	31,689	31,689
Footpaths	30/06/15	–	–	27,014	27,014
Stormwater drainage	30/06/15	–	–	75,008	75,008
Water supply network	30/06/17	–	–	186,260	186,260
Sewerage network	30/06/17	–	–	246,171	246,171
Swimming pools	30/06/16	–	–	1,023	1,023
Library books		–	–	544	544
Other		–	–	5	5
Total infrastructure, property, plant and equipment		–	–	1,290,401	1,290,401
Non-current assets classified as 'held for sale'					
Land held for sale		–	–	335	335
Total NCA's classified as 'held for sale'		–	–	335	335

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

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

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

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

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

Financial assets

This financial asset class includes unlisted equity securities relating to Council's ordinary and preference shares in Southern Phone Company. Ernst and Young have completed the valuation of the ordinary and preference share using valuation techniques involving financial information. As such this asset has been classified as using Level 2 valuation inputs.

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

Plant and equipment, office equipment and furniture and fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- * Plant & Equipment : Trucks, graders, ride on mowers, motor vehicles
- * Office Equipment : Computers, photocopiers, electronic whiteboards
- * Furniture & Fittings : Chairs, desks, display systems

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market, therefore placing these assets in Level 3.

Operational and community land

Operational Land is based on an external valuation by APV Asset Management Pty Ltd and all fair values are derived with reference to market influences.

Community Land is based on either the Land Value provided by the Valuer-General or an average rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Land under roads

Land under roads includes land under roadways, footpaths, nature strips and median strips. Council has elected to recognise all land under roads in accordance with AASB 16 - Property, Plant and Equipment.

Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting. The asset class is classified as a Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Land improvements – depreciable and non-depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping.

These assets may be located in parks, reserves and also within road reserves. Land Improvements were valued in house by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgment and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Buildings

Council engaged APV Asset Management Pty Ltd to value all buildings and shelters in 2017-18. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset.

The valuation methodology is in accordance with AASB113 Fair Value measurement and is a market based measurement. The buildings were physically inspected and measured. The useful life of the long life portion of the components has been assessed taking into account the normal range of time between renewals. The valuation was determined using actual construction costs or purchase prices, appropriate APV database, Rawlinson's construction guide, development costs using first principle's and benchmarking against other valuations. Some Buildings previously classified as non-specialised have been valued using the cost approach and not the market approach for various reasons.

The pattern of consumption requires extensive professional judgement and impacted on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Other structures

Other Structures include boardwalks, boat ramps, aerodrome runway, jetties, retaining walls and sea walls.

The replacement cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life impact on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Roads

This asset class includes road pavements and surfaces.

The replacement cost approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and engineering standards by Council's Infrastructure Services Directorate.

The valuation is based on the recorded condition and performance of the assets. During 2013/14 an automated and visual condition assessment of all our sealed roads was undertaken and recorded. The anticipated residual life of an asset was

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

derived from its current performance and condition as recorded in Council's Pavement Management System. Residual lives are then modified to reflect planned works within the current Delivery Plan and adopted maximum lives.

Bridges

Bridges were valued internally using the replacement cost approach. This approach estimated the replacement cost for each bridge by componentising the bridge into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails.

This asset class is categorised as Level 3 as some of the factors used in the valuation of these assets such as condition rating and pattern of consumption require significant professional judgment and are therefore unobservable.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. Council staff completed the valuation of the Footpath assets internally. Replacement costs (unit rates) and useful lives of Council footpaths were determined using technical knowledge and expertise. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

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

Stormwater drainage

The stormwater Drainage Asset class consists of Council's pits, pipes, pollution control devices and flow management structures. Council staff completed a valuation of these assets internally using the replacement cost approach.

The valuation is based on the recorded condition and performance of a representative sub-set of the network. CCTV inspection is undertaken on a systematic basis for an identified portion of the network and recorded. The anticipated residual life and replacement cost of the drainage assets were derived from its age and modified to reflect the percentage of assets that would require replacement and the percentage that would have other treatments.

Water supply network

Assets within this class comprise dams and harvesting, reservoirs, pumping stations, water pipelines and telemetry systems.

The cost approach has been applied to estimate the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Water Supply Network assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water and were revalued in 2016-17 by internal staff.

Sewerage network

Assets within this class include treatment works, pumping stations and sewerage mains, including reuse systems.

The cost approach has been applied to estimate the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Sewerage Network assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water and were revalued in 2016-17 by internal staff.

Swimming pools

Assets within this classification comprise the swimming pools.

Swimming Pools were valued in-house utilising Council's experienced engineering staff. The cost approach has been used based on the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value.

Other open space / recreational assets

Council's recreational facilities register includes all assets associated with the sports fields, bushland and park locations. This includes but is not limited to, ovals, playing courts, playgrounds and fences. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management). Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

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

Library books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of these items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

Tip assets

Council operates three waste management facilities. Two of these encompass landfilling operations whilst the other is a transfer station. The facilities also incorporate waste minimisation services including recycling, reclaimed products and environmental management controls.

Closure of a waste management facility will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, decommissioning and removal of infrastructure and equipment and fencing sensitive areas.

The key unobservable inputs used to calculate closure costs include discount rates, inflation, closure timing, cost estimates, the amount of area subject to rehabilitation. Valuation was conducted by experienced Council Waste Management experts.

Non-current assets classified as 'held for sale'

Non-current assets "held for sale" are based on an external valuation and all fair values are derived with reference to market influences.

(4) Highest and best use

Council does not use Highest and best use.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. 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.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,590	1,597
Post-employment benefits	128	124
Other long-term benefits	48	129
Total	1,766	1,850

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2020					
Supply of goods and trade services	72	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	27	–	Council staff award	–	–
2019					
Supply of goods and trade services	68	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	45	–	Council staff award	–	–

Note 24. Events occurring after the reporting date

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Events occurring after the reporting date (continued)

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

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			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)
\$ '000		Cash	Non-cash					
Roads	2,587	289	–	49	(155)	–	2,770	–
Open space	27	110	–	1	(30)	–	108	(287)
Community facilities	6	6	–	–	–	–	12	–
Cycleways/Pedestrian	52	15	–	1	(53)	–	15	–
Administration	–	–	–	–	–	–	–	287
Waste Disposal	42	19	–	1	–	–	62	–
S7.11 contributions – under a plan	2,714	439	–	52	(238)	–	2,967	–
S7.12 levies – under a plan	1,539	304	–	30	–	–	1,873	–
Total S7.11 and S7.12 revenue under plans	4,253	743	–	82	(238)	–	4,840	–
S7.11 not under plans	315	29	–	4	(243)	–	105	–
S64 contributions	7,051	2,573	–	142	(2,030)	–	7,736	–
Total contributions	11,619	3,345	–	228	(2,511)	–	12,681	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. 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					
S7.11 Contributions – under a plan								
Eurobodalla Local Infrastructure Contributions Plan 2012, Community and Cultural Facilities								
Community facilities	6	6	–	–	–	–	12	–
Total	6	6	–	–	–	–	12	–
Development Contributions Plan 2000 - 2005, Waste Disposal								
Waste Facilities	42	19	–	1	–	–	62	–
Total	42	19	–	1	–	–	62	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Urban Roadworks								
– Shire wide	603	237	–	13	(155)	–	698	–
Total	603	237	–	13	(155)	–	698	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Open Space and Recreation Facilities								
Open space	27	110	–	1	(30)	–	108	–
Total	27	110	–	1	(30)	–	108	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Paths and Cycleway Facilities								
Cycleways/Pedestrian	52	15	–	1	(53)	–	15	–
Total	52	15	–	1	(53)	–	15	–
Contribution Plan, Rural Roads								
– Area 1 - Nelligen West	30	–	–	1	–	–	31	–
– Area 2A - NW Batemans Bay	522	–	–	9	–	–	531	–
– Area 2B - Long Beach	85	–	–	2	–	–	87	–
– Area 3B - Surf Beach/Malua Bay	338	15	–	6	–	–	359	–
– Area 4 - Bimbimbi	114	–	–	2	–	–	116	–
– Area 5 - Polwambra	158	–	–	3	–	–	161	–
– Area 6 - Moruya	103	9	–	2	–	–	114	–
– Area 7 - Congo/Bingi	321	–	–	6	–	–	327	–
– Area 8 - South Narooma	291	28	–	5	–	–	324	–
– Area 9 - Tilba	22	–	–	–	–	–	22	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

Total	1,984	52	–	36	–	–	2,072	–
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\$ '000	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					

S7.12 Levies – under a plan

S94A Levy Contribution Plan 2007

Section 94A	1,539	304	–	30	–	–	1,873	–
Total	1,539	304	–	30	–	–	1,873	–

S7.11 Contributions – not under a plan

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Roads	306	29	–	4	(243)	–	96	–
Parking	9	–	–	–	–	–	9	–
Total	315	29	–	4	(243)	–	105	–

S64 contributions

Development Servicing Plan - Eurobodalla Shire Water Supply

Water headworks	4,921	1,373	–	97	(1,015)	–	5,376	–
Total	4,921	1,373	–	97	(1,015)	–	5,376	–

Development Servicing Plan - Eurobodalla Shire Sewerage Services

Sewerage headworks	2,129	1,200	–	46	(1,015)	–	2,360	–
Total	2,129	1,200	–	46	(1,015)	–	2,360	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	38,343	7,166	20,519
User charges and fees	30,633	11,227	913
Interest and investment revenue	1,193	655	409
Other revenues	2,800	1	69
Grants and contributions provided for operating purposes	19,223	408	208
Grants and contributions provided for capital purposes	21,922	1,835	2,750
Rental income	2,182	–	–
Total income from continuing operations	116,296	21,292	24,868
Expenses from continuing operations			
Employee benefits and on-costs	34,914	3,128	4,199
Borrowing costs	1,767	51	726
Materials and contracts	19,111	6,885	6,405
Depreciation and amortisation	19,131	6,391	7,801
Other expenses	11,623	1,104	1,140
Net losses from the disposal of assets	3,913	228	587
Revaluation decrement /impairment of IPPE	90	–	–
Total expenses from continuing operations	90,549	17,787	20,858
Operating result from continuing operations	25,747	3,505	4,010
Net operating result for the year	25,747	3,505	4,010
Net operating result attributable to each council fund	25,747	3,505	4,010
Net operating result for the year before grants and contributions provided for capital purposes	3,825	1,670	1,260

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

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

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	19,110	–	–
Investments	52,176	41,626	27,218
Receivables	19,124	3,644	946
Inventories	789	–	–
Other	818	–	–
Non-current assets classified as 'held for sale'	2,454	–	–
Total current assets	94,471	45,270	28,164
Non-current assets			
Receivables	46	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Infrastructure, property, plant and equipment	1,011,297	196,559	266,356
Right of use assets	549	–	–
Total non-current assets	1,011,892	196,559	266,356
TOTAL ASSETS	1,106,363	241,829	294,520
LIABILITIES			
Current liabilities			
Payables	11,083	257	86
Contract liabilities	5,376	–	–
Lease liabilities	73	–	–
Borrowings	3,907	70	1,634
Provisions	11,144	–	–
Total current liabilities	31,583	327	1,720
Non-current liabilities			
Lease liabilities	502	–	–
Borrowings	36,000	785	15,989
Provisions	2,605	–	–
Total non-current liabilities	39,107	785	15,989
TOTAL LIABILITIES	70,690	1,112	17,709
Net assets	1,035,673	240,717	276,811
EQUITY			
Accumulated surplus	549,768	168,431	140,196
Revaluation reserves	485,905	72,286	136,615
Council equity interest	1,035,673	240,717	276,811
Total equity	1,035,673	240,717	276,811

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	9.16%	(0.75)%	8.58%	13.24%	5.70%	10.34%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	64.62%	61.68%	89.47%	88.03%	88.11%	83.62%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.47x	2.58x	138.44x	40.25x	16.37x	6.88x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.05x	2.47x	158.55x	71.10x	13.42x	2.96x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.76%	4.95%	0.00%	0.00%	0.00%	0.00%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.78	8.16	∞	43.99	∞	36.02	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

(1) - (2) Refer to Notes at Note 31a above.

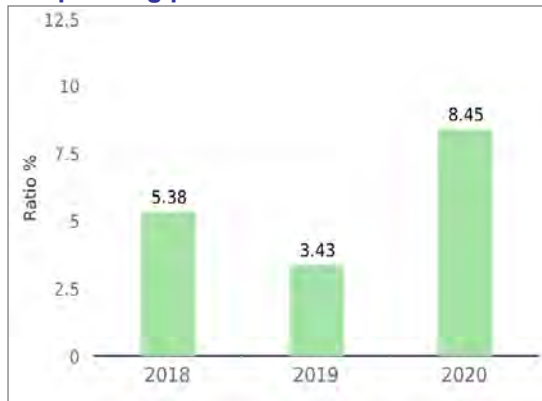
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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 8.45%

Significant increase on prior year ratio as a result State funded bushfire clean up works and funding received to support expenditure occurring across financial years including Bushfire Recovery & Resilience works.

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 71.47%

Council continues to outperform the benchmark with the predominate source of revenue coming from rates and user charges.

Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.47x

Council continues to perform above the benchmark.

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 4.52x

2019/20 budgeted spending sought to significantly improve operating cash flows and the achievement of this has improved the result this year compared to previous years. Principal and interest commitments have not changed significantly.

Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 2.23%

Council continues to operate well below the benchmark confirming the high standard of the debt collection process.

Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 16.78 mths

Cash reserves have increased significantly during 2019/20 with only a small increase in cashflow obligations compared to the previous year. This has resulted in a significant improvement in this ratio. It is pleasing to note that unrestricted cash reserves has been a significant factor in the overall increase in cash reserves. This ratio doesn't take into account restricted cash reserves are not able to be spent on any of Councils cash obligations.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the General Purpose Financial Statements

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 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

30 November 2020
SYDNEY

Dr Catherine Dale
 General Manager
 Eurobodalla Shire Council
 Vulcan Street
 MORUYA NSW 2537

Contact: Dominika Ryan
 Phone no: 02 9275 7336
 Our ref: D2028044/1722

30 November 2020

Dear Dr Dale

**Report on the Conduct of the Audit
 for the year ended 30 June 2020
 Eurobodalla Shire Council**

I have audited the general purpose financial statements (GPFS) of the Eurobodalla Shire 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

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	66.0	64.1	↑ 3.0
Grants and contributions revenue	46.3	48.4	↓ 4.3
Operating result from continuing operations	33.3	35.4	↓ 5.9
Net operating result before capital grants and contributions	6.8	0.7	↑ 871.4

Rates and annual charges revenue (\$66.0 million) increased by \$1.9 million (3.0 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 of 11.6 per cent (34,774 rateable properties in 2019-20 compared to 31,158 properties last year).

Grants and contributions revenue (\$46.3 million) decreased by \$2.1 million (4.3 per cent) in 2019–20. This was mainly due to net effect of the following:

- \$3.2 million increase in heritage and cultural grants
- \$8.1 million increase in grants and contribution for bushfire and emergency services
- \$15.0 million decrease in grants for recreation and culture, aerodrome and other roads and bridges.

The Council’s operating result from continuing operations (including depreciation and amortisation expense of \$33.3 million) was \$2.1 million lower than the 2018–19 result. This was primarily due to the decrease in grants and contributions along with:

- \$5.1 million increase in user charges and fees
- \$2.1 million increase in employee benefits and on-costs
- \$3.0 million increase in materials and contracts
- \$2.1 million increase in depreciation and amortisation.

The net operating result before capital grants and contributions (\$6.8 million) was \$6.1 million higher than the 2018–19 result.

STATEMENT OF CASH FLOWS

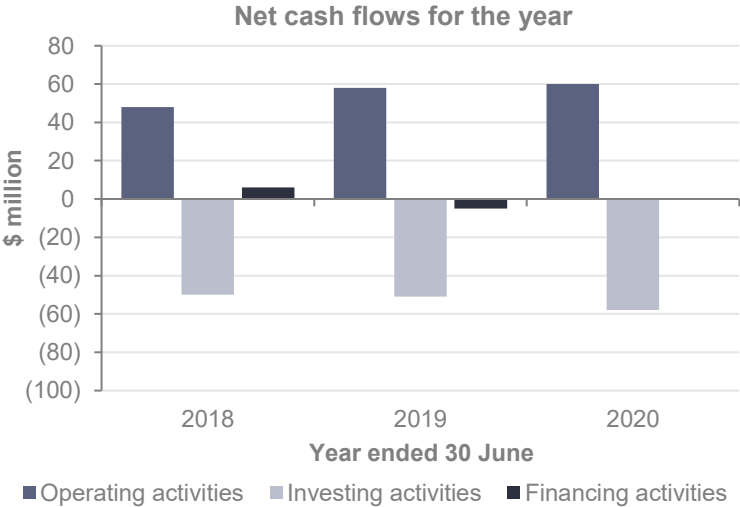
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council’s closing cash balance increased by \$1.6 million.

Net cash inflows from operating activities increased from \$57.7 million in 2018-19 to \$59.9 million in 2019-20 mainly due to higher grants and contributions and rates and annual charges receipts.

The increase in net cash outflows from investing activities of \$7.3 million was primarily due to the Council’s significant investment securities during the current year.

Cash net outflows from financing activities decreased by \$5.4 million mainly due to the increased proceeds from borrowings and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	103.7	90.3	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	30.2	26.9	
Unrestricted	6.2	0.9	
Cash and investments	140.1	118.1	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-today operations. The balance for externally restricted cash and investments increased by \$13.4 million primarily due to increases in waste management, water supplies and sewerage services.

PERFORMANCE

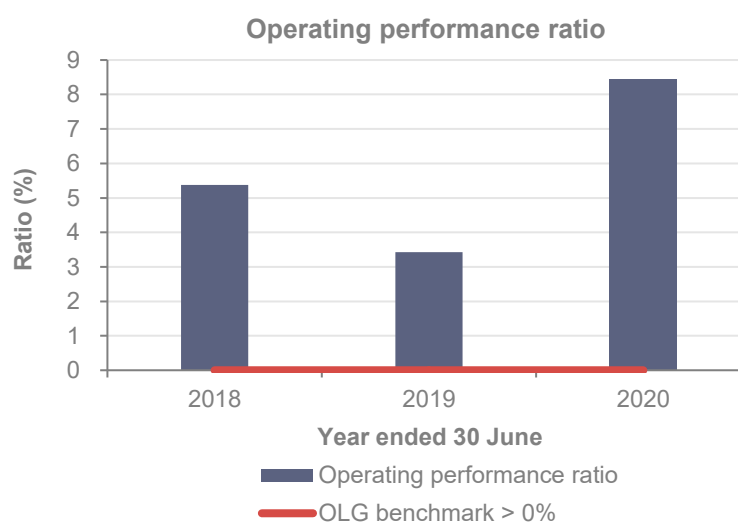
Performance measures

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.

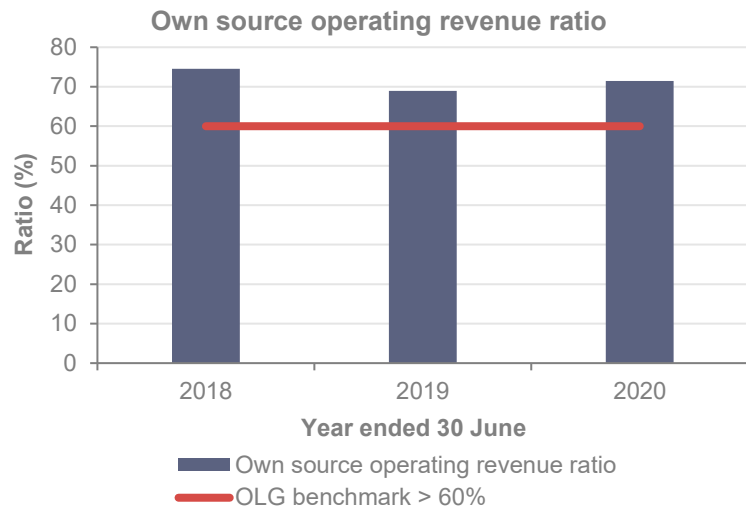
The Council's ratio continues to exceed the OLG benchmark.



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.

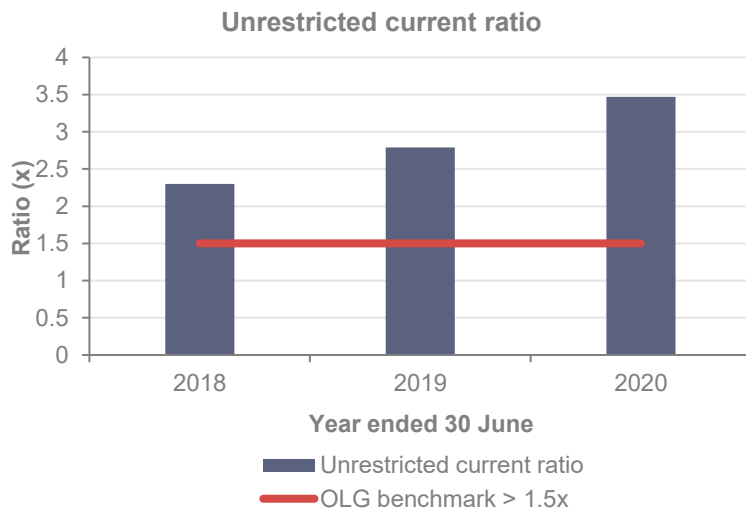
The Council's own source operating ratio of 71.5 per cent for the current reporting period exceeded the OLG benchmark. The ratio has remained largely consistent with the prior period.



Unrestricted current ratio

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

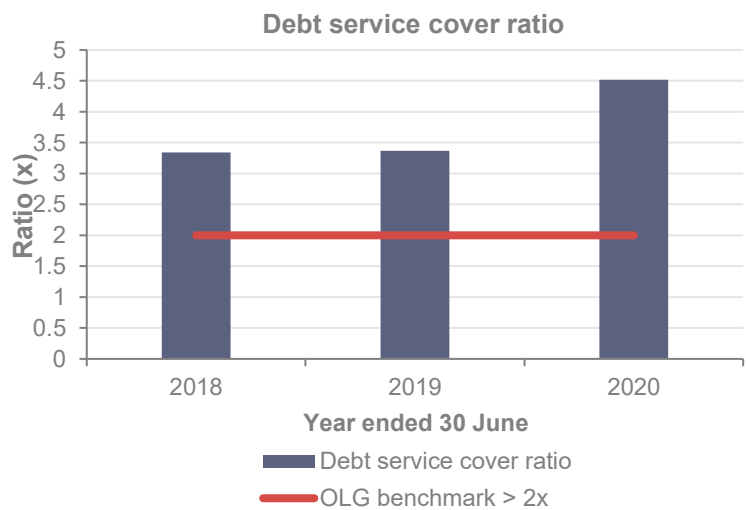
The Council's ratio continues to be at an appropriate level to ensure its obligations can be met in the short-term.



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.

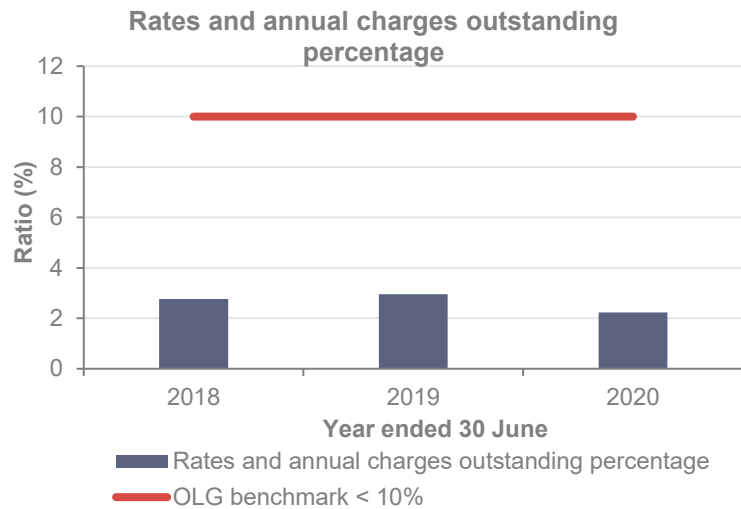
The Council's current year ratio exceeded the OLG benchmark.



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 10 per cent for regional and rural councils.

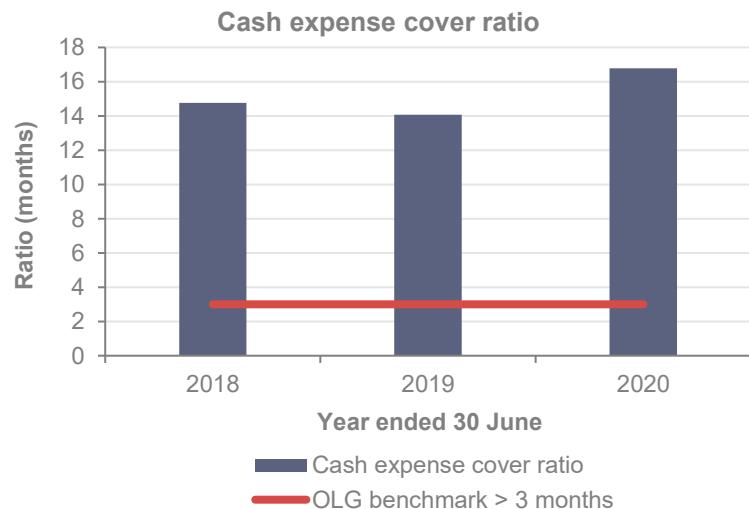
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



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 \$4.7 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 16.

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 \$633,000 and lease liabilities of \$610,000 at 1 July 2019 on adoption of AASB 16.

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

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- 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: Cr Liz Innes, Mayor
Mr Mark Barraclough, Chair of the Audit, Risk and Improvement Committee

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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

Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

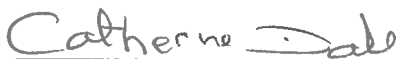
Signed in accordance with a resolution of Council made on 24 November 2020.



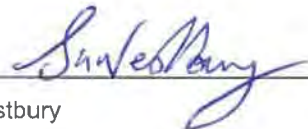
L Innes
Mayor
24 November 2020



R Pollock
Councillor
24 November 2020



Dr C Dale
General Manager
24 November 2020



S Westbury
Responsible Accounting Officer
24 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	7,166	6,873
User charges	10,782	10,619
Fees	445	366
Interest	655	982
Grants and contributions provided for non-capital purposes	408	207
Other income	1	4
Total income from continuing operations	19,457	19,051
Expenses from continuing operations		
Employee benefits and on-costs	3,128	2,687
Borrowing costs	51	54
Materials and contracts	6,885	6,534
Depreciation, amortisation and impairment	6,391	6,265
Loss on sale of assets	228	435
Calculated taxation equivalents	26	26
Other expenses	1,104	988
Total expenses from continuing operations	17,813	16,989
Surplus (deficit) from continuing operations before capital amounts	1,644	2,062
Grants and contributions provided for capital purposes	1,835	2,356
Surplus (deficit) from continuing operations after capital amounts	3,479	4,418
Surplus (deficit) from all operations before tax	3,479	4,418
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(452)	(567)
SURPLUS (DEFICIT) AFTER TAX	3,027	3,851
Plus accumulated surplus	164,724	165,196
Plus/less: asset revaluation reserve transfers	228	(4,278)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	26	26
– Corporate taxation equivalent	452	567
Less:		
– Tax equivalent dividend paid	(26)	(26)
– Surplus dividend paid	–	(612)
Closing accumulated surplus	168,431	164,724
Return on capital %	0.9%	1.1%
Subsidy from Council	35	493
Calculation of dividend payable:		
Surplus (deficit) after tax	3,027	3,851
Less: capital grants and contributions (excluding developer contributions)	(1,835)	(2,356)
Surplus for dividend calculation purposes	1,192	1,495
Potential dividend calculated from surplus	596	747

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	20,519	19,792
User charges	789	850
Fees	124	4
Interest	409	633
Grants and contributions provided for non-capital purposes	208	195
Other income	69	74
Total income from continuing operations	22,118	21,548
Expenses from continuing operations		
Employee benefits and on-costs	4,199	3,926
Borrowing costs	726	855
Materials and contracts	6,405	6,224
Depreciation, amortisation and impairment	7,801	7,371
Loss on sale of assets	587	407
Calculated taxation equivalents	47	48
Other expenses, including electricity	1,140	945
Total expenses from continuing operations	20,905	19,776
Surplus (deficit) from continuing operations before capital amounts	1,213	1,772
Grants and contributions provided for capital purposes	2,750	3,988
Surplus (deficit) from continuing operations after capital amounts	3,963	5,760
Surplus (deficit) from all operations before tax	3,963	5,760
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(334)	(487)
SURPLUS (DEFICIT) AFTER TAX	3,629	5,273
Plus accumulated surplus	136,175	134,391
Plus/less: asset revaluation reserve transfers	58	(3,411)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	47	48
– Corporate taxation equivalent	334	487
Less:		
– Tax equivalent dividend paid	(47)	(47)
– Surplus dividend paid	–	(566)
Closing accumulated surplus	140,196	136,175
Return on capital %	0.7%	1.0%
Subsidy from Council	405	844
Calculation of dividend payable:		
Surplus (deficit) after tax	3,629	5,273
Less: capital grants and contributions (excluding developer contributions)	(2,750)	(3,988)
Surplus for dividend calculation purposes	879	1,285
Potential dividend calculated from surplus	440	642

Income Statement – Batemans Bay Beach Resort

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	2,280	2,777
Other income	66	24
Total income from continuing operations	2,346	2,801
Expenses from continuing operations		
Employee benefits and on-costs	19	–
Borrowing costs	307	409
Materials and contracts	864	1,032
Depreciation, amortisation and impairment	383	383
Calculated taxation equivalents	35	35
Other expenses	525	573
Total expenses from continuing operations	2,133	2,432
Surplus (deficit) from continuing operations before capital amounts	213	369
Surplus (deficit) from continuing operations after capital amounts	213	369
Surplus (deficit) from all operations before tax	213	369
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(59)	(101)
SURPLUS (DEFICIT) AFTER TAX	154	268
Plus accumulated surplus	(2,903)	(3,377)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	70
– Corporate taxation equivalent	59	101
Less:		
– TER dividend paid	(35)	35
Closing accumulated surplus	(2,690)	(2,903)
Return on capital %	6.5%	9.4%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	41,626	35,973
Receivables	3,644	3,390
Inventories	–	59
Total current assets	45,270	39,422
Non-current assets		
Infrastructure, property, plant and equipment	196,559	197,643
Total non-current assets	196,559	197,643
TOTAL ASSETS	241,829	237,065
LIABILITIES		
Current liabilities		
Payables	257	703
Borrowings	70	70
Total current liabilities	327	773
Non-current liabilities		
Borrowings	785	855
Total non-current liabilities	785	855
TOTAL LIABILITIES	1,112	1,628
NET ASSETS	240,717	235,437
EQUITY		
Accumulated surplus	168,431	164,724
Revaluation reserves	72,286	70,713
TOTAL EQUITY	240,717	235,437

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	27,218	25,938
Receivables	946	193
Total current assets	28,164	26,131
Non-current assets		
Infrastructure, property, plant and equipment	266,356	262,964
Total non-current assets	266,356	262,964
TOTAL ASSETS	294,520	289,095
LIABILITIES		
Current liabilities		
Payables	86	569
Borrowings	1,634	2,618
Total current liabilities	1,720	3,187
Non-current liabilities		
Borrowings	15,989	15,477
Total non-current liabilities	15,989	15,477
TOTAL LIABILITIES	17,709	18,664
NET ASSETS	276,811	270,431
EQUITY		
Accumulated surplus	140,196	136,175
Revaluation reserves	136,615	134,256
TOTAL EQUITY	276,811	270,431

Statement of Financial Position – Batemans Bay Beach Resort

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	129	59
Total current assets	129	59
Non-current assets		
Infrastructure, property, plant and equipment	7,959	8,285
Total non-current assets	7,959	8,285
TOTAL ASSETS	8,088	8,344
LIABILITIES		
Current liabilities		
Bank overdraft	2,845	2,957
Payables	366	170
Borrowings	739	2,314
Total current liabilities	3,950	5,441
Non-current liabilities		
Borrowings	5,882	4,983
Total non-current liabilities	5,882	4,983
TOTAL LIABILITIES	9,832	10,424
NET ASSETS	(1,744)	(2,080)
EQUITY		
Accumulated surplus	(2,690)	(2,903)
Revaluation reserves	946	823
TOTAL EQUITY	(1,744)	(2,080)

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Eurobodalla Water Supply

Comprising the whole of the operations and net assets of the water supply systems servicing the Shire of Eurobodalla, each of which are established as separate Special Rate Funds.

b. Eurobodalla Sewerage Fund

Comprising the whole of the operations and net assets of the sewerage reticulation & treatment system servicing the Shire of Eurobodalla, which is established as a separate Special Rate Fund.

c. Batemans Bay Beach Resort

Caravan Park operated on Crown Reserve. Operated by contractor and owned by Council.

Category 2

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

Council has no Category 2 Business Activities

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Batemans Bay Beach Resort.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Eurobodalla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



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	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	30,846	29,933
Plus or minus adjustments ²	b	86	107
Notional general income	c = a + b	30,932	30,040
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	804	811
Sub-total	k = (c + g + h + i + j)	31,736	30,851
Plus (or minus) last year's carry forward total	l	9	14
Sub-total	n = (l + m)	9	14
Total permissible income	o = k + n	31,745	30,865
Less notional general income yield	p	31,723	30,846
Catch-up or (excess) result	q = o - p	22	19
Less unused catch-up ⁵	s	(3)	(10)
Carry forward to next year ⁶	t = q + r + s	19	9

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	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						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Administration	–	–	306	301	8,451	15,143	12.3%	68.2%	19.5%	0.0%	0.0%	0.0%
	Bush Fire Brigade	166	166	111	111	3,692	5,366	44.0%	49.2%	3.7%	3.1%	0.0%	0.0%
	Caravan Parks/Camp Grounds	–	–	89	88	7,284	10,724	26.4%	62.4%	11.2%	0.0%	0.0%	0.0%
	Community Centres	–	–	137	134	2,921	3,974	74.0%	22.4%	3.6%	0.0%	0.0%	0.0%
	Libraries	–	–	133	131	10,672	13,549	69.4%	30.0%	0.6%	0.0%	0.0%	0.0%
	Operational	155	155	418	411	34,084	46,462	58.5%	36.5%	4.7%	0.3%	0.0%	0.0%
	Parks & Reserves	–	–	–	–	103	141	30.5%	69.5%	0.0%	0.0%	0.0%	0.0%
	Public Halls	–	–	60	58	1,703	3,002	14.6%	53.4%	32.0%	0.0%	0.0%	0.0%
	Public Toilets	234	234	1,186	1,159	4,966	6,943	37.2%	55.1%	4.3%	3.4%	0.0%	0.0%
	Sporting Facilities	–	–	169	166	10,724	23,144	27.0%	40.8%	32.2%	0.0%	0.0%	0.0%
	Swimming Pool Centres	703	703	159	156	1,554	3,711	1.5%	69.1%	10.5%	18.9%	0.0%	0.0%
	Sub-total	1,258	1,258	2,768	2,715	86,154	132,159	42.3%	44.7%	12.0%	0.9%	0.0%	0.0%
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Structures	186	186	900	884	14,457	24,029	43.5%	30.8%	24.9%	0.8%	0.0%	0.0%
	Waste Not in Buildings	–	–	1,809	1,777	8,653	12,334	67.3%	20.9%	11.8%	0.0%	0.0%	0.0%
	Sub-total	186	186	2,709	2,661	23,110	36,363	51.6%	27.4%	20.5%	0.5%	0.0%	0.0%
	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Road Furniture	2,915	2,915	315	307	57,043	101,190	34.7%	37.3%	25.2%	2.8%	0.0%	0.0%
	Unsealed roads	7,072	7,072	892	881	7,871	22,478	25.0%	17.8%	25.7%	31.5%	0.0%	0.0%
	Bridges	1,274	1,274	114	112	37,139	54,579	38.8%	53.7%	5.2%	2.3%	0.0%	0.0%
	Footpaths	853	853	138	130	16,988	22,181	67.4%	22.0%	6.7%	3.9%	0.0%	0.0%
	Other road assets	837	837	47	46	3,800	8,475	18.9%	16.1%	55.1%	9.9%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	167,202	167,202	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Shared Footpaths	17	17	92	86	13,032	15,179	93.2%	2.4%	4.2%	0.2%	0.0%	0.0%
	Kerb & Gutter	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	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						
Roads	Sealed Roads Structure Regional	1,600	1,600	263	258	33,945	50,224	40.6%	40.6%	15.7%	3.1%	0.0%	
Roads	Sealed Roads Structure Rural	1,892	1,892	585	568	63,943	87,412	56.2%	36.5%	5.2%	2.1%	0.0%	
Roads	Sealed Roads Structure Urban	13,935	13,935	1,355	1,318	129,948	219,252	41.3%	38.6%	13.7%	6.4%	0.0%	
Roads	Sealed Roads Surface Regional	421	421	113	110	1,954	3,810	20.1%	31.9%	36.9%	11.1%	0.0%	
Roads	Sealed Roads Surface Rural	1,108	1,108	116	113	4,135	8,124	31.2%	24.5%	30.6%	13.7%	0.0%	
Roads	Sealed Roads Surface Urban	6,843	6,843	628	611	8,201	21,112	16.1%	24.3%	27.2%	32.4%	0.0%	
Roads	Carparks	1,148	1,148	106	104	15,536	24,258	47.7%	30.6%	16.9%	4.8%	0.0%	
Roads	Bus Shelter	137	137	12	12	1,111	1,765	50.7%	30.9%	10.6%	7.8%	0.0%	
Roads	Transverse Drainage	72	72	490	476	15,358	21,420	53.8%	41.4%	4.5%	0.3%	0.0%	
	Sub-total	40,124	40,124	5,266	5,132	577,206	828,661	54.4%	28.9%	11.9%	4.8%	0.0%	
Water supply network	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Dams	–	–	165	165	17,049	28,724	3.6%	90.7%	5.7%	0.0%	0.0%	
	Pipeline	3,147	3,147	2,389	2,389	121,975	254,654	24.5%	37.9%	36.4%	1.2%	0.0%	
	Pump Stations	3,938	3,938	955	955	3,078	9,896	6.8%	33.9%	19.5%	39.8%	0.0%	
	Reservoirs	–	–	223	223	24,126	46,618	11.3%	68.1%	20.6%	0.0%	0.0%	
	Treatment Plants	–	–	998	998	17,636	26,255	42.4%	42.3%	15.3%	0.0%	0.0%	
	Other	–	–	–	–	3	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	7,085	7,085	4,730	4,730	183,867	366,147	22.0%	46.1%	30.0%	1.9%	0.0%	
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	–	–	2	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Pipeline	–	–	2,420	2,420	167,191	271,373	44.0%	39.5%	16.5%	0.0%	0.0%	
	Pump Stations	8,339	8,339	2,465	2,465	33,741	67,090	32.2%	30.8%	24.6%	12.4%	0.0%	
	Treatment Works	7,275	7,275	2,502	2,502	47,265	106,189	21.4%	39.1%	32.7%	6.8%	0.0%	
	Sub-total	15,614	15,614	7,387	7,387	248,199	444,652	36.8%	38.1%	21.6%	3.5%	0.0%	
Stormwater drainage	Stormwater drainage	6,244	6,244	112	108	90,980	124,884	85.0%	4.0%	6.0%	5.0%	0.0%	
	Other	–	–	166	160	8,620	9,310	80.7%	19.3%	0.0%	0.0%	0.0%	
	Drainage Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Drainage Works	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	6,244	6,244	278	268	99,600	134,194	84.7%	5.1%	5.6%	4.7%	0.0%	

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	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 level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	744	744	68	67	730	8,406	1.4%	4.3%	85.4%	8.9%	0.0%
	Other	2,522	2,522	2,646	2,545	21,130	34,101	46.9%	26.9%	18.9%	7.3%	0.0%
	Other Open Space Recreational	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Waterways	1,098	1,098	108	106	5,341	9,220	35.2%	28.0%	24.9%	11.9%	0.0%
	Sub-total	4,364	4,364	2,822	2,718	27,201	51,727	37.4%	23.4%	30.8%	8.4%	0.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		74,875	74,875	25,960	25,611	1,245,337	1,993,903	45.3%	33.4%	17.6%	3.7%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	18,611	63.06%	82.62%	64.93%	>=100.00%
Depreciation, amortisation and impairment	29,513				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	74,875	6.01%	6.16%	6.81%	<2.00%
Net carrying amount of infrastructure assets	1,245,337				
Asset maintenance ratio					
Actual asset maintenance	25,611	98.66%	100.00%	100.00%	>100.00%
Required asset maintenance	25,960				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	74,875	3.76%	3.86%	4.29%	
Gross replacement cost	1,993,903				

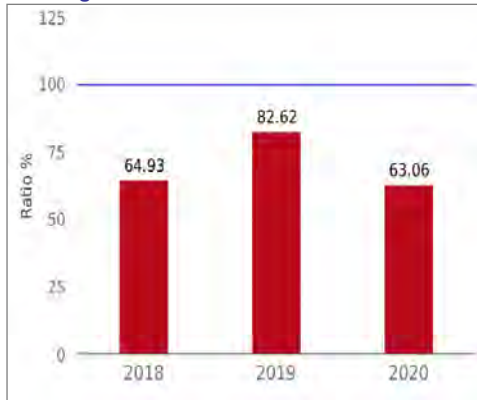
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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



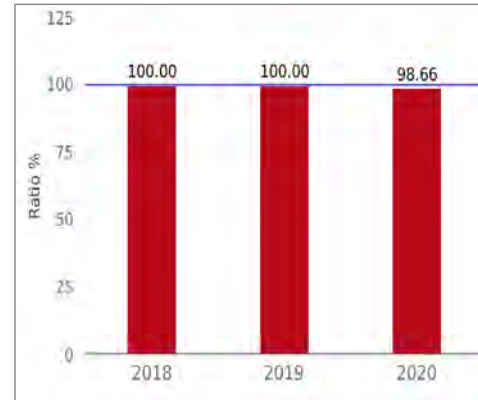
Buildings and infrastructure renewals ratio

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	63.06%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in increasing the ratio ensuring the sustainability of Council's assets and maintaining acceptable levels of community safety.	

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



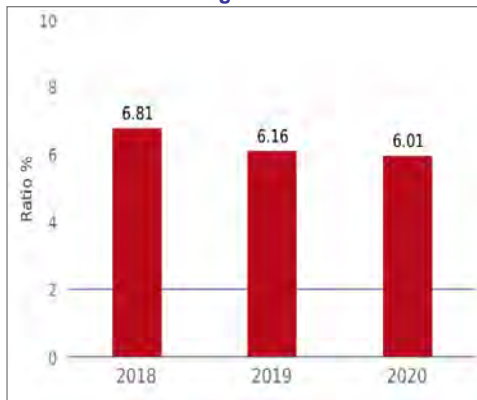
Asset maintenance ratio

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	98.66%
Council continues to focus on asset maintenance but is challenged by ongoing increases in construction costs and growth of asset stock outstripping rate pegging.	

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	6.01%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in driving the ratio towards the benchmark.	

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	3.76%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in driving the ratio towards the benchmark.	

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	81.67%	137.14%	34.01%	25.11%	49.25%	21.46%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.42%	6.82%	3.85%	3.73%	6.29%	6.18%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	97.48%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	4.41%	4.75%	1.94%	1.92%	3.51%	3.50%	

(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.