

Eurobodalla Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019



Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	77
On the Financial Statements (Sect 417 [3])	80

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.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Eurobodalla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

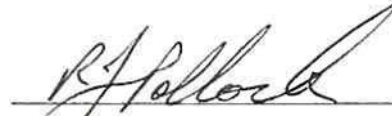
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 22 October 2019.



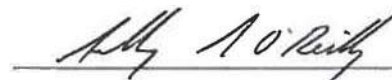
L Innes
Mayor
22 October 2019



R Pollock
Councillor
22 October 2019



Dr C Dale
General Manager
22 October 2019



A O'Reilly
Responsible Accounting Officer
22 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
Revenue:				
63,166	Rates and annual charges	3a	64,138	62,097
33,588	User charges and fees	3b	37,674	32,658
3,109	Interest and investment revenue	3c	3,510	2,753
1,390	Other revenues	3d	1,835	1,647
12,080	Grants and contributions provided for operating purposes	3e,3f	13,630	13,367
17,545	Grants and contributions provided for capital purposes	3e,3f	34,720	19,139
130,878	Total income from continuing operations		155,507	131,661
Expenses from continuing operations				
37,640	Employee benefits and on-costs	4a	40,152	38,975
2,827	Borrowing costs	4b	2,782	2,737
21,153	Materials and contracts	4c	29,401	23,115
30,018	Depreciation and amortisation	4d	31,297	31,486
16,661	Other expenses	4e	13,009	10,158
–	Net losses from the disposal of assets	5	3,435	3,579
108,299	Total expenses from continuing operations		120,076	110,050
22,579	Operating result from continuing operations		35,431	21,611
22,579	Net operating result for the year		35,431	21,611
22,579	Net operating result attributable to council		35,431	21,611
5,034	Net operating result for the year before grants and contributions provided for capital purposes		711	2,472

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		35,431	21,611
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	6,488	28,092
Total items which will not be reclassified subsequently to the operating result		6,488	28,092
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)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(333)	–
Total other comprehensive income for the year		6,155	28,092
Total comprehensive income for the year		41,586	49,703
Total comprehensive income attributable to Council		41,586	49,703

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	17,538	16,241	12,435
Investments	6(b)	100,000	97,000	92,000
Receivables	7	20,487	12,431	11,119
Inventories	8a	661	676	683
Other	8b	539	465	393
Non-Current assets classified as 'held for sale'	9i	335	829	445
Total current assets		<u>139,560</u>	<u>127,642</u>	<u>117,075</u>
Non-current assets				
Investments	6(b)	555	–	–
Receivables	7	46	46	131
Infrastructure, property, plant and equipment	10(a)	1,334,602	1,307,671	1,265,188
Total non-current assets		<u>1,335,203</u>	<u>1,307,717</u>	<u>1,265,319</u>
TOTAL ASSETS		<u>1,474,763</u>	<u>1,435,359</u>	<u>1,382,394</u>
LIABILITIES				
Current liabilities				
Payables	11	9,192	8,262	11,235
Income received in advance	11	826	413	326
Borrowings	11	7,873	8,582	9,333
Provisions	12	11,159	10,533	10,181
Total current liabilities		<u>29,050</u>	<u>27,790</u>	<u>31,075</u>
Non-current liabilities				
Borrowings	11	50,443	55,134	48,458
Provisions	12	2,442	2,081	2,209
Total non-current liabilities		<u>52,885</u>	<u>57,215</u>	<u>50,667</u>
TOTAL LIABILITIES		<u>81,935</u>	<u>85,005</u>	<u>81,742</u>
Net assets		<u>1,392,828</u>	<u>1,350,354</u>	<u>1,300,652</u>
EQUITY				
Accumulated surplus	13a	826,702	788,191	766,563
Revaluation reserves	13a	566,126	562,163	534,089
Council equity interest		<u>1,392,828</u>	<u>1,350,354</u>	<u>1,300,652</u>
Total equity		<u>1,392,828</u>	<u>1,350,354</u>	<u>1,300,652</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 above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		788,191	562,163	1,350,354	765,045	534,080	1,299,125
Correction of prior period errors	13b	–	–	–	1,535	(9)	1,526
Adoption of new accounting standards – not retrospective	13c	888	–	888	–	–	–
Restated opening balance		789,079	562,163	1,351,242	766,580	534,071	1,300,651
Net operating result for the year		35,431	–	35,431	22,073	–	22,073
Correction of prior period errors	13b	–	–	–	(462)	–	(462)
Restated net operating result for the period		35,431	–	35,431	21,611	–	21,611
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	6,488	6,488	–	28,092	28,092
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		(333)	–	(333)	–	–	–
– Other reserves movements		2,525	(2,525)	–	–	–	–
Other comprehensive income		2,192	3,963	6,155	–	28,092	28,092
Total comprehensive income		37,623	3,963	41,586	21,611	28,092	49,703
Equity – balance at end of the reporting period		826,702	566,126	1,392,828	788,191	562,163	1,350,354

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
63,166	Rates and annual charges		63,921	60,506
33,588	User charges and fees		39,045	30,533
3,109	Investment and interest revenue received		3,466	2,706
29,625	Grants and contributions		35,550	30,162
–	Bonds, deposits and retention amounts received		–	112
1,390	Other		7,437	6,803
<u>Payments</u>				
(37,640)	Employee benefits and on-costs		(40,931)	(37,955)
(21,153)	Materials and contracts		(34,152)	(34,730)
(2,827)	Borrowing costs		(2,720)	(2,514)
–	Bonds, deposits and retention amounts refunded		(75)	–
(16,661)	Other		(13,803)	(7,469)
52,597	Net cash provided (or used in) operating activities	14b	57,738	48,154
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		41,000	40,000
798	Sale of infrastructure, property, plant and equipment		2,145	916
16	Deferred debtors receipts		30	29
<u>Payments</u>				
–	Purchase of investment securities		(44,003)	(45,000)
(55,220)	Purchase of infrastructure, property, plant and equipment		(50,155)	(46,077)
(54,406)	Net cash provided (or used in) investing activities		(50,983)	(50,132)
Cash flows from financing activities				
<u>Receipts</u>				
8,091	Proceeds from borrowings and advances		3,094	15,117
<u>Payments</u>				
(8,445)	Repayment of borrowings and advances		(8,552)	(9,333)
(354)	Net cash flow provided (used in) financing activities		(5,458)	5,784
(2,163)	Net increase/(decrease) in cash and cash equivalents		1,297	3,806
16,241	Plus: cash and cash equivalents – beginning of year	14a	16,241	12,435
14,078	Cash and cash equivalents – end of the year	14a	17,538	16,241
Additional Information:				
108,000	plus: Investments on hand – end of year	6(b)	100,555	97,000
122,078	Total cash, cash equivalents and investments		118,093	113,241

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

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	16
2(b)	Council functions/activities – component descriptions	18
3	Income from continuing operations	20
4	Expenses from continuing operations	25
5	Gains or losses from the disposal, replacement and de-recognition of assets	29
6(a)	Cash and cash equivalent assets	30
6(b)	Investments	30
6(c)	Restricted cash, cash equivalents and investments – details	33
7	Receivables	34
8	Inventories and other assets	35
9	Non-current assets classified as held for sale	36
10(a)	Infrastructure, property, plant and equipment	38
10(b)	Externally restricted infrastructure, property, plant and equipment	41
11	Payables and borrowings	42
12	Provisions	44
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	47
14	Statement of cash flows – additional information	51
15	Commitments	52
16	Contingencies and other assets/liabilities not recognised	53
17	Financial risk management	56
18	Material budget variations	59
19	Fair Value Measurement	60
20	Related Party Transactions	67
21	Events occurring after the reporting date	67
22	Statement of developer contributions	68
23	Financial result and financial position by fund	72
24(a)	Statement of performance measures – by fund	74
	Additional Council disclosures (unaudited)	
24(b)	Statement of performance measures – consolidated results (graphs)	75

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 November 2019. Council has the power to amend and reissue these 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.

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and 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
- 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

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.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

AASB 16 Leases

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

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

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

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$599,698 - refer Note 16.

Of these commitments, none relate to short-term leases and \$53,052 to low value leases.

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

For the remaining operating lease commitments of \$546,647, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$546,647 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$546,647 on 1 July 2019.

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

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

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

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

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

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

The impact of AASB15 is expected to be immaterial to the financial statements.

AASB 1058 Income of NFP Entities

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

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

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

The specific impacts of AASB1058 for Council are expected to be \$4,566,500 reduction in Capital Grants Revenue with an associated increase in Current Liabilities.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The specific impacts of AASB2018-8 for Council are expected to be immaterial.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 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 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Business Development	281	39	612	637	(331)	(598)	238	5	–	6
Children's Services	1,653	1,462	1,771	1,694	(118)	(232)	519	316	152	143
Commercial Entities	10,751	5,437	5,232	5,250	5,519	187	4,883	–	25,116	26,194
Communications and Community Engagement	–	–	685	666	(685)	(666)	–	–	–	–
Community and Corporate Leadership	14	2	2,262	2,291	(2,248)	(2,289)	–	–	42	81
Community and Cultural Development	1,368	135	982	599	386	(464)	1,307	100	–	326
Community Care	8,173	5,914	8,097	6,873	76	(959)	1,779	1,379	–	1
Community Facilities	562	435	2,837	2,831	(2,275)	(2,396)	85	98	10,514	9,697
Corporate Overheads	–	–	(16,944)	(16,279)	16,944	16,279	–	–	–	–
Customer Service and Records	7	18	1,033	1,059	(1,026)	(1,041)	–	–	–	–
Development Assessment and Building Certification	1,866	2,048	3,576	3,324	(1,710)	(1,276)	–	–	–	–
Environmental Management	(91)	598	1,533	1,384	(1,624)	(786)	(104)	585	3	3
Finance and Central Treasury	260	304	5,121	3,024	(4,861)	(2,720)	67	80	–	2,908
Fleet and Plant	52	195	952	739	(900)	(544)	–	–	9,719	11,561
Information Technology	5	4	3,269	3,438	(3,264)	(3,434)	–	–	6,310	6,092
Libraries	246	312	1,964	1,805	(1,718)	(1,493)	193	261	12,884	9,671
Property	585	481	1,126	1,459	(541)	(978)	–	–	180,775	173,142
Public and Environmental Health	386	404	875	857	(489)	(453)	–	8	3	4
Public Order and Safety	840	1,309	3,202	3,060	(2,362)	(1,751)	527	435	13,721	13,634
Rates and General Revenues	37,855	36,676	240	49	37,615	36,627	4,805	4,781	–	–
Recreation	3,402	1,707	8,226	7,969	(4,824)	(6,262)	2,394	587	48,507	44,296
Risk and Insurance	5	5	1,035	936	(1,030)	(931)	–	–	–	–
Sewer Services	24,878	26,121	19,511	19,705	5,367	6,416	351	1,946	262,964	279,620
Stormwater	469	456	1,664	1,660	(1,195)	(1,204)	–	121	84,277	79,848
Strategic Planning	4,400	148	1,270	1,194	3,130	(1,046)	4,361	–	23	336
Technical Services	25	20	1,902	1,556	(1,877)	(1,536)	–	–	–	–
Tourism	104	69	1,743	1,304	(1,639)	(1,235)	38	–	1,022	973
Transport	21,999	15,016	23,078	19,563	(1,079)	(4,547)	11,307	9,069	555,768	532,966

Notes to the Financial Statements

for the year ended 30 June 2019

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		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Waste Management	14,028	12,100	10,811	9,746	3,217	2,354	138	161	11,187	15,152
Water Services	20,694	19,712	16,379	15,977	4,315	3,735	203	201	237,066	214,863
Workforce Development	261	246	1,628	1,303	(1,367)	(1,057)	–	–	–	2
Works and Operations	108	137	3,914	3,904	(3,806)	(3,767)	–	15	14,709	13,839
Youth Services	321	151	490	473	(169)	(322)	310	133	1	1
Total functions and activities	155,507	131,661	120,076	110,050	35,431	21,611	33,401	20,281	1,474,763	1,435,359

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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 2019

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 2019

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.

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	24,077	23,332
Farmland	437	426
Business	4,418	4,329
Less: pensioner rebates (mandatory)	(909)	(897)
Rates levied to ratepayers	28,023	27,190
Pensioner rate subsidies received	495	491
Total ordinary rates	28,518	27,681
Special rates		
Environmental	1,009	979
Less: pensioner rebates (mandatory)	(35)	(35)
Rates levied to ratepayers	974	944
Total special rates	974	944
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	5,897	5,688
Stormwater management services	466	456
Water supply services	7,243	6,933
Sewerage services	20,142	19,537
Waste management services (non-domestic)	1,317	1,276
Less: pensioner rebates (mandatory)	(971)	(966)
Annual charges levied	34,094	32,924

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Pensioner subsidies received:		
– Water	203	201
– Sewerage	192	191
– Domestic waste management	138	137
– Other	19	19
Total annual charges	34,646	33,472
TOTAL RATES AND ANNUAL CHARGES	64,138	62,097

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

Accounting policy for rates and charges

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

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

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

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

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	10,619	10,756
Sewerage services	721	721
Liquid trade waste	129	131
Total specific user charges	11,469	11,608
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,781	2,028
Private works – section 67	242	234
Section 10.7 certificates (EP&A Act)	110	128
Section 603 certificates	102	133
Other	11	9
Onsite sewerage management	177	190
Sewer connection	2	1
Water connection	144	191
Total fees and charges – statutory/regulatory	2,569	2,914
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	219	252
Caravan park / camping	3,695	3,696
Cemeteries	194	153
Child care	1,147	–
Lease rentals	1,954	1,856
Leaseback fees – Council vehicles	278	251
Library and art gallery	5	7

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Recycling income (non-domestic)	414	372
Roads and Maritime Services charges (state roads)	3,745	1,209
Community service programs	6,394	5,693
Landfill	5,260	4,296
Other	331	351
Total fees and charges – other	23,636	18,136
TOTAL USER CHARGES AND FEES	37,674	32,658

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	208	194
– Cash and investments	3,302	2,559
TOTAL INTEREST AND INVESTMENT REVENUE	3,510	2,753

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

Overdue rates and annual charges (general fund)	208	194
General Council cash and investments	1,610	1,418

Restricted investments/funds – external:

Development contributions		
– Section 7.11	79	64
– Section 7.12	39	31
– Section 64	197	119
Water fund operations	806	519
Sewerage fund operations	571	408
Total interest and investment revenue	3,510	2,753

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.

(d) Other revenues

Rental income – other council properties	602	492
Fines	294	290
Legal fees recovery – rates and charges (extra charges)	212	135
Commissions and agency fees	123	143
Insurance claims recoveries	–	11
Sales – general	187	204
WHS incentive	198	190
Remediation remeasurement	52	152
Other	167	30
TOTAL OTHER REVENUE	1,835	1,647

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for other revenue

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

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

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

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

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

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

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 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Relating to the current year				
Financial assistance – general component	2,620	2,620	–	–
Financial assistance – local roads component	823	802	–	–
Prepayment received in advance for subsequent year				
Financial assistance – general component	2,716	2,690	–	–
Financial assistance – local roads component	854	824	–	–
Total general purpose	7,013	6,936	–	–
Specific purpose (tied)				
Sewerage services	–	–	159	1,755
Bushfire and emergency services	546	475	–	–
Community care	2,734	2,030	157	116
Economic development	–	–	238	–
Environmental programs	423	696	–	24
Heritage and cultural	82	72	1,181	56
Library	87	74	–	–
Recreation and culture	–	30	7,198	181
Street lighting	101	91	–	–
Transport (roads to recovery)	62	1,483	–	–
Transport (other roads and bridges funding)	–	–	8,675	5,834
Aerodrome	–	–	4,337	–
Cycleways	–	–	250	–
Other	158	162	–	266
Total specific purpose	4,193	5,113	22,195	8,232
Total grants	11,206	12,049	22,195	8,232
Grant revenue is attributable to:				
– Commonwealth funding	9,711	9,978	2,864	14

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
– State funding	1,051	1,580	19,201	8,218
– Other funding	444	491	130	–
	<u>11,206</u>	<u>12,049</u>	<u>22,195</u>	<u>8,232</u>

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
---------	-------	-------------------	-------------------	-----------------	-----------------

(f) Contributions

**Developer contributions:
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):****Cash contributions**

S 7.11 – contributions towards amenities/services	50	38	610	695
S 7.12 – fixed development consent levies	–	–	267	358
S 64 – water supply contributions	–	–	1,802	1,470
S 64 – sewerage service contributions	–	–	1,645	1,213
Total developer contributions – cash	<u>50</u>	<u>38</u>	<u>4,324</u>	<u>3,736</u>

Total developer contributions

22

<u>50</u>	<u>38</u>	<u>4,324</u>	<u>3,736</u>
-----------	-----------	--------------	--------------

Other contributions:**Cash contributions**

Business development	20	–	–	–
Kerb and gutter	–	–	109	48
Paving	102	–	–	–
Recreation and culture	234	8	246	–
Roads and bridges	10	–	–	–
RMS contributions (regional roads, block grant)	1,059	973	184	25
Sewerage (excl. section 64 contributions)	3	3	509	7
Other	6	70	11	25
Arts and culture	68	–	–	38
Employment and training program	52	47	–	–
Roadworks	–	–	341	679
Sports grounds, parks and recreation	–	114	15	–
Waste management	820	65	–	–
Total other contributions – cash	<u>2,374</u>	<u>1,280</u>	<u>1,415</u>	<u>822</u>

Non-cash contributions

Bushfire services	–	–	27	56
Dedications – subdivisions (other than by s7.11)	–	–	6,759	6,293
Total other contributions – non-cash	<u>–</u>	<u>–</u>	<u>6,786</u>	<u>6,349</u>

Total other contributions

<u>2,374</u>	<u>1,280</u>	<u>8,201</u>	<u>7,171</u>
--------------	--------------	--------------	--------------

Total contributions

<u>2,424</u>	<u>1,318</u>	<u>12,525</u>	<u>10,907</u>
--------------	--------------	---------------	---------------

TOTAL GRANTS AND CONTRIBUTIONS

<u>13,630</u>	<u>13,367</u>	<u>34,720</u>	<u>19,139</u>
---------------	---------------	---------------	---------------

Accounting policy for grants and contributions

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

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

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

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

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

(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**Operating grants**

Unexpended at the close of the previous reporting period	3,265	3,374
Add: operating grants recognised in the current period but not yet spent	412	2,747
Less: operating grants recognised in a previous reporting period now spent	(961)	(2,856)
Unexpended and held as restricted assets (operating grants)	2,716	3,265

Capital grants

Unexpended at the close of the previous reporting period	1,210	1,278
Add: capital grants recognised in the current period but not yet spent	5,624	1,728
Less: capital grants recognised in a previous reporting period now spent	(183)	(1,796)
Unexpended and held as restricted assets (capital grants)	6,651	1,210

Contributions

Unexpended at the close of the previous reporting period	9,743	7,282
Add: contributions recognised in the current period but not yet spent	4,524	3,800
Less: contributions recognised in a previous reporting period now spent	(2,425)	(1,339)
Unexpended and held as restricted assets (contributions)	11,842	9,743

Note 4. Expenses from continuing operations

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

(a) Employee benefits and on-costs

Salaries and wages	33,894	33,150
Travel expenses	268	179
Employee leave entitlements (ELE)	5,916	5,639
Superannuation	3,811	3,647
Workers' compensation insurance	1,546	1,047

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Fringe benefit tax (FBT)	249	249
Payroll tax	412	394
Training costs (other than salaries and wages)	567	552
Other	451	438
Total employee costs	47,114	45,295
Less: capitalised costs	(6,962)	(6,320)
TOTAL EMPLOYEE COSTS EXPENSED	40,152	38,975
Number of 'full-time equivalent' employees (FTE) at year end	533	492

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	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,555	2,553
Total interest bearing liability costs expensed		2,555	2,553
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	12	139	43
Interest applicable on interest free (and favourable) loans to Council		88	141
Total other borrowing costs		227	184
TOTAL BORROWING COSTS EXPENSED		2,782	2,737

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.

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	8,518	10,008
Contractor and consultancy costs	20,200	12,599

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Auditors remuneration ²	96	117
Legal expenses:		
– Legal expenses: debt recovery	219	145
– Legal expenses: other	249	141
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	113	104
Other	6	1
Total materials and contracts	<u>29,401</u>	<u>23,115</u>
TOTAL MATERIALS AND CONTRACTS	<u>29,401</u>	<u>23,115</u>

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Other	113	104
	<u>113</u>	<u>104</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	57	61
Remuneration for audit and other assurance services	<u>57</u>	<u>61</u>

Total Auditor-General remuneration

	<u>57</u>	<u>61</u>
--	-----------	-----------

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

Audit and review of financial statements	31	56
Other services: Council's auditor (sewer and water best practice)	8	–
Remuneration for audit and other assurance services	<u>39</u>	<u>56</u>

Total remuneration of non NSW Auditor-General audit firms

	<u>39</u>	<u>56</u>
--	-----------	-----------

Total Auditor remuneration

	<u>96</u>	<u>117</u>
--	-----------	------------

(d) Depreciation, amortisation and impairment of intangible assets and IPP&E**Depreciation and amortisation**

Plant and equipment	2,259	2,072
Office equipment	724	519
Furniture and fittings	55	66
Land improvements (depreciable)	14	14

Infrastructure:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– Buildings	2,131	3,154
– Other structures	553	595
– Roads	7,882	7,692
– Bridges	698	612
– Footpaths	642	606
– Stormwater drainage	949	924
– Water supply network	6,161	6,062
– Sewerage network	7,254	7,173
– Swimming pools	307	176
– Other open space/recreational assets	1,471	1,629
Other assets:		
– Library books	197	192
Total gross depreciation and amortisation costs	31,297	31,486
Total depreciation and amortisation costs	31,297	31,486
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	31,297	31,486

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

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

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.

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.

\$ '000	2019	2018
(e) Other expenses		
Advertising	623	366
Bad and doubtful debts	135	(5)
Bank charges / cash collection expenses	281	266
Computer software charges	1,015	1,091
Commissions	413	399
Community care outsourced	1,469	1,024

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	52	62
– NSW fire brigade levy	151	153
– NSW rural fire service levy	590	607
– Other contributions/levies	244	194
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	178	173
Councillors' expenses (incl. mayor) – other (excluding fees above)	90	118
Donations, contributions and assistance to other organisations (Section 356)	287	213
Electricity and heating	2,044	1,947
Insurance	1,421	1,165
Postage	323	326
Printing and stationery	180	310
Street lighting	467	201
Subscriptions and publications	218	253
Telephone and communications	687	687
Valuation fees	177	176
Venue / facility hire	104	73
Other	1,817	317
Total other expenses	13,009	10,158
TOTAL OTHER EXPENSES	13,009	10,158

Accounting policy for other expenses

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

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		239	500
Less: carrying amount of property assets sold.		(564)	(352)
Net gain/(loss) on disposal		(325)	148
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		895	412
Less: carrying amount of plant and equipment assets sold/written off		(827)	(469)
Net gain/(loss) on disposal		68	(57)
Infrastructure			
	10(a)		
Proceeds from disposal – infrastructure		42	–
Less: carrying amount of infrastructure assets sold/written off		(3,520)	(3,674)
Net gain/(loss) on disposal		(3,478)	(3,674)
Non-current assets classified as 'held for sale'			
	9		
Proceeds from disposal – non-current assets 'held for sale'		969	4
Less: carrying amount of 'held for sale' assets sold/written off		(669)	–
Net gain/(loss) on disposal		300	4
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,435)	(3,579)

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	4,538	13,260
Cash-equivalent assets		
– Deposits at call	13,000	2,981
Total cash and cash equivalents	17,538	16,241

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 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	100,000	–	97,000	–
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	555	–	–
Total Investments	100,000	555	97,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	117,538	555	113,241	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	100,000	–	97,000	–
Total	100,000	–	97,000	–
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
Unlisted equity securities	–	555	–	–
Total	–	555	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

	Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
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.		
Other Securities	555	136
Total	555	136

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments

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

Held to maturity investments

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

Recognition and de-recognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

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.

Classification

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	117,538	555	113,241	–
attributable to:				
External restrictions	89,718	555	81,752	–
Internal restrictions	26,905	–	25,269	–
Unrestricted	915	–	6,220	–
	117,538	555	113,241	–

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – sewer	883	1,184
---	-----	-------

External restrictions – included in liabilities

	883	1,184
--	-----	-------

External restrictions – other

Developer contributions – general	4,569	4,115
Developer contributions – water fund	4,921	3,985
Developer contributions – sewer fund	2,129	1,422
Specific purpose unexpended grants	8,364	3,492
Specific purpose unexpended grants-sewer fund	1,003	983
Water supplies	30,778	26,389
Sewerage services	18,371	23,210
Domestic waste management	3,532	3,374
Stormwater management	87	27
Other waste management	9,584	8,751
Crown reserves	4,650	3,406
Tree fund	–	21
Community services asset replacement	374	27
Other	1,028	1,366

External restrictions – other

	89,390	80,568
--	--------	--------

Total external restrictions

	90,273	81,752
--	--------	--------

Internal restrictions

Infrastructure replacement	1,340	1,340
Employees leave entitlement	4,232	3,921
Community development infrastructure fund	58	234
Council recreational loan pool	143	122
Energy and efficiency fund	604	582
Financial assistance grant	3,828	3,514
Gravel pits	615	543
Infrastructure renewals (FFTF)	6,526	5,184

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Management committees	188	151
Real estate disposal fund	1,880	478
Recreation strategy	275	479
Special rates variation	3,160	3,035
Sports liason committee	209	172
Unexpended general loan fund	(37)	1,001
Other (Contributions)	3,884	4,513
Total internal restrictions	26,905	25,269
TOTAL RESTRICTIONS	117,178	107,021

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,997	–	1,780	–
User charges and fees	9,352	–	5,267	–
Accrued revenues				
– Interest on investments	895	–	851	–
– Other income accruals	7,754	–	4,005	–
Deferred debtors	41	51	71	51
Net GST receivable	848	–	735	–
Other debtors	–	5	–	5
Total	20,887	56	12,709	56
Less: provision of impairment				
Rates and annual charges	(25)	(10)	(25)	(10)
User charges and fees	(375)	–	(253)	–
Total provision for impairment – receivables	(400)	(10)	(278)	(10)
TOTAL NET RECEIVABLES	20,487	46	12,431	46
Externally restricted receivables				
Water supply				
– Other	3,390	–	3,385	–
Sewerage services				
– Other	193	–	1,951	–
Other				
– Grants	10,266	–	1,897	–
Total external restrictions	13,849	–	7,233	–
Unrestricted receivables	6,638	46	5,198	46
TOTAL NET RECEIVABLES	20,487	46	12,431	46

\$ '000

2019

2018

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	288	294
+ new provisions recognised during the year	122	(6)
Balance at the end of the period	410	288

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 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	661	–	676	–
Total inventories at cost	661	–	676	–
TOTAL INVENTORIES	661	–	676	–
(b) Other assets				
Prepayments	539	–	465	–
TOTAL OTHER ASSETS	539	–	465	–

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	59	–	59	–
Prepayments	–	–	12	–
Total water	59	–	71	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	59	–	71	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,141	–	1,070	–
TOTAL INVENTORIES AND OTHER ASSETS	<u>1,200</u>	<u>–</u>	<u>1,141</u>	<u>–</u>

(i) Other disclosures

(Valued at the lower of cost and net realisable value)

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

–	–
---	---

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Note 9. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Non-current assets 'held for sale'				
Land	335	–	829	–
Total non-current assets 'held for sale'	<u>335</u>	<u>–</u>	<u>829</u>	<u>–</u>

Disposal group assets 'held for sale'

a. Name of disposal group here ...

b. Name of disposal group here ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Non-current assets classified as held for sale (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total disposal groups 'held for sale'	–	–	–	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	335	–	829	–

(ii) Details of assets and disposal groups

As at 30 June there were 2 parcels of land held for sale with real estate agents.

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

\$ '000	2019 Assets 'held for sale'	2018 Assets 'held for sale'
Opening balance	829	445
Less: carrying value of assets/operations sold	(669)	–
Balance still unsold after 12 months:	160	445
Less: Disposals or assets no longer classified as 'held for sale'	–	(352)
<u>Plus new transfers in:</u>		
– Asset reclassifications and revaluations 'held for sale'	175	736
Closing balance of 'held for sale' non-current assets and operations	335	829

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 2019

Note 10(a). Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation 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)	(7,884)	–	–	–	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)	(948)	–	–	–	101,794	(26,786)	75,008
– Water supply network	355,268	(168,335)	186,933	1,548	1,473	(477)	(6,162)	–	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)	(1,469)	–	(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 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	25,572	–	25,572	31,634	(24,177)	–	–	–	–	–	33,029	–	33,029
Plant and equipment	32,693	(17,930)	14,763	–	2,907	(469)	(2,072)	–	–	–	34,028	(18,899)	15,129
Office equipment	5,043	(3,476)	1,567	152	2,482	–	(519)	–	–	–	5,176	(1,494)	3,682
Furniture and fittings	808	(544)	264	7	5	–	(66)	–	–	–	583	(373)	210
Land:													
– Operational land	64,154	–	64,154	–	–	–	–	(499)	(730)	(6,682)	56,243	–	56,243
– Community land	104,062	–	104,062	–	–	–	–	499	(6)	–	104,555	–	104,555
– Land under roads (post 30/6/08)	19,921	–	19,921	19	412	–	–	–	–	–	20,352	–	20,352
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(120)	568	–	–	–	(14)	–	–	–	688	(134)	554
Infrastructure:													
– Buildings	110,422	(56,242)	54,180	187	569	–	(3,154)	–	–	31,935	126,286	(42,569)	83,717
– Other structures	13,596	(4,617)	8,979	–	880	–	(595)	–	–	–	14,475	(5,211)	9,264
– Roads	521,454	(148,199)	373,255	6,947	8,992	(1,471)	(7,692)	12,493	–	–	549,644	(157,120)	392,524
– Bridges	44,937	(18,202)	26,735	5,183	1,152	(645)	(612)	–	–	–	49,022	(17,209)	31,813
– Footpaths	33,191	(8,588)	24,603	1,023	1,059	(60)	(606)	–	–	–	34,989	(8,970)	26,019
– Stormwater drainage	113,759	(29,387)	84,372	770	1,209	(135)	(924)	(12,493)	–	–	98,742	(25,943)	72,799
– Water supply network	351,496	(161,819)	189,677	1,499	794	(239)	(6,062)	–	–	1,264	355,268	(168,335)	186,933
– Sewerage network	408,329	(172,155)	236,174	1,505	3,154	(850)	(7,173)	–	–	1,574	413,359	(178,975)	234,384
– Swimming pools	8,176	(6,762)	1,414	64	–	(1)	(176)	–	–	–	8,227	(6,926)	1,301
– Other open space/recreational assets	54,907	(20,641)	34,266	1,746	385	(273)	(1,629)	–	–	–	56,000	(21,505)	34,495
Other assets:													
– Library books	1,154	(529)	625	21	177	–	(192)	–	–	–	1,011	(380)	631
– Other	7	(2)	5	–	–	–	–	–	–	–	7	(2)	5
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	214	(214)	–	–	–	–	–	–	–	–	–	–	–
Total Infrastructure, property, plant and equipment	1,914,615	(649,427)	1,265,188	50,757	–	(4,143)	(31,486)	–	(736)	28,091	1,961,716	(654,045)	1,307,671

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(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.

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
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	40 to 180	Swimming pools	10 to 60
Unsealed roads	10 to 15	Unsealed roads	NA
Bridge: concrete	75 to 100	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	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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	5,204	–	5,204	3,126	–	3,126
Plant and equipment	566	377	189	860	545	315
Office equipment	104	53	51	104	38	66
Land						
– Operational land	1,731	–	1,731	1,731	–	1,731
– Community land	594	–	594	594	–	594
Buildings	5,122	1,508	3,614	5,218	1,471	3,747
Infrastructure	361,692	175,433	186,259	354,469	167,877	186,592
Total water supply	375,013	177,371	197,642	366,102	169,931	196,171
Sewerage services						
WIP	9,650	–	9,650	16,378	–	16,378
Plant and equipment	1,475	1,349	126	1,530	1,357	173
Office equipment	89	85	4	84	67	17
Land						
– Operational land	3,564	–	3,564	3,126	–	3,126
– Community land	98	–	98	99	–	99
Buildings	4,306	1,077	3,229	3,677	992	2,685
Infrastructure	434,551	188,381	246,170	413,238	178,942	234,296
Other assets	43	1	42	43	1	42
Total sewerage services	453,776	190,893	262,883	438,175	181,359	256,816
Domestic waste management						
WIP	5	–	5	3,790	–	3,790
Plant and equipment	1,912	1,111	801	1,874	1,061	813
Office equipment	112	107	5	113	91	22

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Land						
– Operational land	2,567	–	2,567	2,567	–	2,567
Buildings	706	206	500	720	198	522
Other structures	12,324	2,924	9,400	8,168	2,508	5,660
Total DWM	17,626	4,348	13,278	17,232	3,858	13,374
TOTAL RESTRICTED I,PP&E	846,415	372,612	473,803	821,509	355,148	466,361

Note 11. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	2,482	–	563	–
Goods and services – capital expenditure	3,568	–	3,303	–
Accrued expenses:				
– Borrowings	20	–	16	–
– Salaries and wages	–	–	909	–
– Other expenditure accruals	2,114	–	2,634	–
Security bonds, deposits and retentions	595	–	670	–
ATO – net GST payable	183	–	–	–
Other	230	–	167	–
Total payables	9,192	–	8,262	–
Income received in advance				
Payments received in advance	826	–	413	–
Total income received in advance	826	–	413	–
Borrowings				
Loans – secured ¹	7,873	50,443	8,582	55,134
Total borrowings	7,873	50,443	8,582	55,134
TOTAL PAYABLES AND BORROWINGS	17,891	50,443	17,257	55,134

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	773	855	614	925
Sewer	3,187	15,477	4,246	18,008

continued on next page ...

Page 42 of 86

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Domestic waste management	957	2,118	497	2,472
Payables and borrowings relating to externally restricted assets	4,917	18,450	5,357	21,405
Total payables and borrowings relating to restricted assets	4,917	18,450	5,357	21,405
Total payables and borrowings relating to unrestricted assets	12,974	31,993	11,900	33,729
<u>TOTAL PAYABLES AND BORROWINGS</u>	17,891	50,443	17,257	55,134

(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.

Total payables and borrowings	—	—
--------------------------------------	---	---

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	63,716	(5,400)	—	—	—	58,316
TOTAL	63,716	(5,400)	—	—	—	58,316

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	57,791	5,925	—	—	—	63,716
TOTAL	57,791	5,925	—	—	—	63,716

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

(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

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	260	260

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
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 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	3,355	–	3,108	–
Long service leave	6,716	373	6,512	337
Other leave (TOIL and RDO)	598	29	527	–
ELE on-costs	–	–	385	18
Sub-total – aggregate employee benefits	10,669	402	10,532	355
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,040	–	1,726
Sub-total – asset remediation/restoration	–	2,040	–	1,726
Other provisions				
Self insurance – workers compensation	1	–	1	–
Other	489	–	–	–
Sub-total – other provisions	490	–	1	–
TOTAL PROVISIONS	11,159	2,442	10,533	2,081

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Provisions relating to restricted assets				
Externally restricted assets				
Domestic waste management	–	2,040	–	1,726
Provisions relating to externally restricted assets	–	2,040	–	1,726
Total provisions relating to restricted assets	–	2,040	–	1,726
Total provisions relating to unrestricted assets	11,159	402	10,533	355
TOTAL PROVISIONS	11,159	2,442	10,533	2,081

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

(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	5,822	5,634
	<u>5,822</u>	<u>5,634</u>

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
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	–	–	(517)	29	(488)
Total ELE provisions at end of period	3,355	7,089	–	627	11,071
2018					
At beginning of year	3,497	7,058	–	–	10,555
Additional provisions	1,875	698	–	–	2,573
Amounts used (payments)	1,721	727	–	–	2,448
Remeasurement effects	67	91	–	–	158
Other	(4,052)	(1,725)	403	527	(4,847)
Total ELE provisions at end of period	3,108	6,849	403	527	10,887

\$ '000	Other provisions		Total
	Self insurance	Asset remediation	
2019			
At beginning of year	1	1,726	1,727

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	Other provisions		Total
	Self insurance	Asset remediation	
Other	–	314	314
Total other provisions at end of period	1	2,040	2,041
2018			
At beginning of year	–	1,835	1,835
– Revised discount rate	–	23	23
Remeasurement effects	–	(175)	(175)
Unwinding of discount	–	43	43
Other	1	–	1
Total other provisions at end of period	1	1,726	1,727

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 2019

Note 12. 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 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Errors were discovered in the infrastructure asset register as a result of valuation reviews and ongoing data cleansing processes. Errors related to duplicated assets, unrecorded assets, disposal of plant assets and an error in the calculation of accumulated depreciation in the prior years revaluation of buildings.

Non current Infrastructure asset balances were understated by \$1.5m as at 1/7/2017 with depreciation understated by \$461,000 for the 2017/18 financial year. As at 30/6/2018 non current assets were overstated by \$1.9m.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

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

Changes to the opening Statement of Financial Position at 1 July 2017**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, property, plant and equipment	1,263,661	1,527	1,265,188
Total assets	1,380,867	1,527	1,382,394
Total liabilities	81,742	–	81,742
Accumulated Surplus	765,045	1,518	766,563
Asset Revaluation Reserve	534,080	9	534,089
Total equity	1,299,125	1,527	1,300,652

Adjustments to the comparative figures for the year ended 30 June 2018**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, property, plant and equipment	1,309,599	(1,927)	1,307,672
Total assets	1,437,287	(1,927)	1,435,360
Total liabilities	85,005	–	85,005
Accumulated Surplus	787,118	1,056	788,174
Asset Revaluation Reserve	565,164	(2,983)	562,181
Total equity	1,352,282	(1,927)	1,350,355

Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Total income from continuing operations	131,662	–	131,662
Depreciation and amortisation	31,025	462	31,487
Total expenses from continuing operations	109,589	462	110,051

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	22,073	(462)	21,611

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	22,073	(462)	21,611
Total comprehensive income for the year	22,073	(462)	21,611

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

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

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

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

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Adjustments to the current year figures for the year ended 30 June 2019**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Equity Securities	–	888	888
Total assets	1,437,287	888	1,438,175
Total liabilities	85,005	–	85,005
Accumulated Surplus	787,118	888	788,006
Revaluation Reserve	565,164	–	565,164
Total equity	1,352,282	888	1,353,170

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non- controlling interests	Total
Adjustments to equity as a result of adoption of AASB 9	–	–	888	–	888

Increase in equity securities - Council has made an irrevocable election to classify these equity investments at fair value through other comprehensive income as they are not held for trading purposes. The valuation was carried out by Ernst and Young with a value of \$888,100 as at 30th June 2018.

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	9,538	–	–	9,538
Investments - held to maturity	Held to maturity	Amortised cost	108,000	–	–	108,000

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Trade and other Receivables	Loans and receivables	Amortised cost	20,609	–	–	20,609
Equity Securities	FVTPL	FVOCI - equity	888	–	(333)	555
Total financial assets under AASB 9 at 1 July 2018			139,035	–	(333)	138,702
Financial liabilities						
Payables	Other financial liabilities	Other financial liabilities	9,223	–	–	9,223
Loans	Other financial liabilities	Other financial liabilities	58,316	–	–	58,316
Total financial liabilities under AASB 9 at 1 July 2018			67,539	–	–	67,539

Notes to the table above**Reclassification from FVTPL to FVOCI–equity**

Certain equity instruments that were previously measured at FVTPL have been designated at FVOCI–equity since, on initial application of AASB 9, these instruments are not held for trading. Related fair value movements of \$888,100 were transferred from retained earnings to FVOCI reserve on adoption of AASB 9. The fair value movement that would have been recognised in profit or loss for the current year if the assets had not been reclassified is -\$332,600.

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	17,538	16,241
Balance as per the Statement of Cash Flows		17,538	16,241

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

Net operating result from Income Statement	35,431	21,611
Adjust for non-cash items:		
Depreciation and amortisation	31,297	31,486
Net losses/(gains) on disposal of assets	3,435	3,579
Non-cash capital grants and contributions	(6,406)	(6,293)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	88	141
Unwinding of discount rates on reinstatement provisions	–	66
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(8,235)	(1,250)
Increase/(decrease) in provision for impairment of receivables	122	(6)
Decrease/(increase) in inventories	15	7

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information (continued)

\$ '000	2019	2018
Decrease/(increase) in other current assets	(74)	(72)
Increase/(decrease) in payables	1,919	(4,265)
Increase/(decrease) in accrued interest payable	4	16
Increase/(decrease) in other accrued expenses payable	(1,429)	2,734
Increase/(decrease) in other liabilities	584	242
Increase/(decrease) in provision for employee benefits	184	332
Increase/(decrease) in other provisions	803	(174)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	57,738	48,154

(c) Non-cash investing and financing activities

Private subdivisions	6,406	6,293
Total non-cash investing and financing activities	6,406	6,293

(d) Net cash flows attributable to discontinued operations

Please refer to Note 22 for details of cash flows that relate to discontinued operations

Note 15. Commitments

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

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	167	1,451
Plant and equipment	290	929
Water supply	389	1,811
Sewer	2,771	1,496
Other structures	1,900	658
Corporate Business System	534	712
Total commitments	6,051	7,057

These expenditures are payable as follows:

Within the next year	5,604	6,973
Later than one year and not later than 5 years	447	84
Total payable	6,051	7,057

Sources for funding of capital commitments:

Unrestricted general funds	4,034	2,427
Unexpended grants	1,483	3,154
Externally restricted reserves	-	225
New loans (to be raised)	534	1,251
Total sources of funding	6,051	7,057

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments (continued)

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.

(b) Operating lease commitments (non-cancellable)

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

Within the next year	194	194
Later than one year and not later than 5 years	368	252
Later than 5 years	37	35
Total non-cancellable operating lease commitments	599	481

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

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 16. Contingencies and other assets/liabilities not recognised

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

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

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

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

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

Description of the funding arrangements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

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 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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 2019 was \$ 637,812.86. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$632,539.80.

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

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

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

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

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

* 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	17,538	16,241	17,538	16,241
Receivables	20,533	12,477	20,533	12,477
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	100,000	97,000	100,000	97,000
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	555	–	555	–
Total financial assets	138,626	125,718	138,626	125,718
Financial liabilities				
Payables	9,192	8,262	9,192	8,262
Loans/advances	58,316	63,716	58,316	63,716
Total financial liabilities	67,508	71,978	67,508	71,978

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	1,130	1,130	(1,130)	(1,130)
2018				
Possible impact of a 1% movement in interest rates	1,000	1,000	(1,000)	(1,000)

(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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	1,461	364	114	58	1,997
2018						
Gross carrying amount	–	1,342	306	71	61	1,780

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 2019 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
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
2018						
Gross carrying amount	9,753	132	36	–	1,064	10,985
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	9,192	–	–	–	9,192	9,192
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
2018							
Trade/other payables	0.00%	8,262	–	–	–	8,262	8,262
Loans and advances	4.96%	–	8,582	20,456	34,796	63,834	63,716
Total financial liabilities		8,262	8,582	20,456	34,796	72,096	71,978

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 26/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 Variance	
REVENUES				
Rates and annual charges	63,166	64,138	972	2% F
User charges and fees	33,588	37,674	4,086	12% F
Favourable variation largely as a result of revenues received from the Roads and Maritime Services (RMS) for work undertaken by Council, increased commercial waste deposited at waste landfill stations and increased recycling revenues. Increased patronage at Council's campgrounds and increased National Disability Insurance Scheme contributions received.				
Interest and investment revenue	3,109	3,510	401	13% F
Favourable variance as a result of improved cash balances and above budget interest in water and sewer funds.				
Other revenues	1,390	1,835	445	32% F
An increase in revenue as result of fines, leases, ticket sales for community events and insurance rebates.				
Operating grants and contributions	12,080	13,630	1,550	13% F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
---------	----------------	----------------	------------------------------	--

Favourable variance due to substantial recycling income (Container Deposit Scheme rebates) and receipt of significant environmental, community, recreation, transport and emergency services grants throughout the year.

Capital grants and contributions	17,545	34,720	17,175	98%	F
Variation as a result of (1) receipt and recognition of significant subdivider assets and developer contributions; (2) significant funding received for the Batemans Bay Regional Aquatics, Arts & Leisure Centre, Transport, Recreation and Community Programs.					

EXPENSES

Employee benefits and on-costs	37,640	40,152	(2,512)	(7)%	U
Borrowing costs	2,827	2,782	45	2%	F
Materials and contracts	21,153	29,401	(8,248)	(39)%	U
A substantial portion of the increase in this area is a direct result from the carry forward expenditure relating to grants and contributions recognised in 2017-18, in particular, expenditure relating to RMS works and the Flying Fox Program. Additional water and sewer infrastructure design and investigation costs unable to be capitalised .					
Depreciation and amortisation	30,018	31,297	(1,279)	(4)%	U
Other expenses	16,661	13,009	3,652	22%	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	-	3,435	(3,435)	∞	U
Variation as a result of infrastructure and plant replacement plans and land sales.					

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	52,597	57,738	5,141	10%	F
Increased cashflow largely as a result of transport works undertaken for RMS and additional receipts relating to tipping fees, recycling schemes and grants and contributions received.					
Net cash provided from (used in) investing activities	(54,406)	(50,983)	3,423	(6)%	F
Net cash provided from (used in) financing activities	(354)	(5,458)	(5,104)	1,442%	U
Variation as a result of lower borrowings due to sewer infrastructure capital works being deferred.					

Note 19. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at fair value through other comprehensive income'		30/06/2019	–	555	–	555
Total financial assets			–	555	–	555
Infrastructure, property, plant and equipment						
	10(a)					
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
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'						
	9					
Land held for sale			–	–	335	335
Total NCA's classified as 'held for sale'			–	–	335	335

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Infrastructure, property, plant and equipment	10(a)					
Plant and equipment			–	–	15,208	15,208
Office equipment			–	–	3,682	3,682
Furniture and fittings			–	–	210	210
Operational land		30/06/18	–	–	56,243	56,243
Community land		30/06/16	–	–	104,555	104,555
Land under roads		30/06/14	–	–	20,352	20,352
Land improvements – non-depreciable		30/06/16	–	–	32	32
Land improvements – depreciable		30/06/16	–	–	554	554
Buildings		30/06/18	–	–	86,735	86,735
Other recreational assets		30/06/16	–	–	34,177	34,177
Other structures		30/06/16	–	–	9,263	9,263
Roads		30/06/15	–	–	392,333	392,333
Bridges		30/06/15	–	–	31,813	31,813
Footpaths		30/06/15	–	–	25,977	25,977
Stormwater drainage		30/06/15	–	–	72,630	72,630
Water supply network		30/06/17	–	–	186,591	186,591
Sewerage network		30/06/17	–	–	234,296	234,296
Swimming pools		30/06/16	–	–	1,281	1,281
Library books			–	–	631	631
Other			–	–	5	5
Capital Works in Progress			–	–	33,031	33,031
Total infrastructure, property, plant and equipment			–	–	1,309,599	1,309,599
Non-current assets classified as 'held for sale'	9					
Land held for sale			–	–	829	829
Total NCA's classified as 'held for sale'			–	–	829	829

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 Councils 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,597	1,573
Post-employment benefits	124	119
Other long-term benefits	129	129
Total	1,850	1,821

(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					
2019					
Supply of goods and trade services	68	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	45	–	Council staff award	–	–
2018					
Supply of goods and trade services	133	–		–	–
Employee expenses relating to close family members	64	–		–	–

Note 21. Events occurring after the reporting date

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date (continued)

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

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	2,191	445	–	69	(335)	217	2,587	–
Parking	188	–	–	6	–	(194)	–	(194)
Open space	–	105	–	1	–	(79)	27	(71)
Community facilities	–	6	–	–	–	–	6	–
Cycleways/Pedestrian	–	20	–	1	–	31	52	–
Administration	–	14	–	(7)	(32)	25	–	265
Waste Disposal	6	36	–	–	–	–	42	–
S7.11 contributions – under a plan	2,385	626	–	70	(367)	–	2,714	–
S7.12 levies – under a plan	1,457	267	–	39	(224)	–	1,539	–
Total S7.11 and S7.12 revenue under plans	3,842	893	–	109	(591)	–	4,253	–
S7.11 not under plans	273	34	–	8	–	–	315	–
S64 contributions	5,407	3,447	–	197	(2,000)	–	7,051	–
Total contributions	9,522	4,374	–	314	(2,591)	–	11,619	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018			Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan									
Eurobodalla Local Infrastructure Contributions Plan 2012, Community and Cultural Facilities									
Community facilities	–	6	–	–	–	–	–	6	–
Total	–	6	–	–	–	–	–	6	–
Development Contributions Plan 2000 - 2005, Waste Disposal									
Waste Facilities	6	36	–	–	–	–	–	42	–
Total	6	36	–	–	–	–	–	42	–
Development Contributions Plan 2000 - 2005, Car Parking									
– Batemans Bay	54	–	–	4	–	–	(58)	–	(127)
– Moruya	–	–	–	(2)	–	–	2	–	71
– Narooma	134	–	–	4	–	–	(138)	–	(138)
Total	188	–	–	6	–	–	(194)	–	(194)
Eurobodalla Local Infrastructure Contributions Plan 2012, Urban Roadworks									
– Shire wide	204	318	–	16	(152)	–	217	603	–
Total	204	318	–	16	(152)	–	217	603	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Open Space and Recreation Facilities									
Open space	–	105	–	1	–	–	(79)	27	(71)
Total	–	105	–	1	–	–	(79)	27	(71)
Eurobodalla Local Infrastructure Contributions Plan 2012, Plan Preparation and Administration									
Administration	–	14	–	(7)	(32)	–	25	–	265
Total	–	14	–	(7)	(32)	–	25	–	265
Eurobodalla Local Infrastructure Contributions Plan 2012, Paths and Cycleway Facilities									
Cycleways/Pedestrian	–	20	–	1	–	–	31	52	–
Total	–	20	–	1	–	–	31	52	–

Contribution Plan, Rural Roads

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
– Area 1 - Nelligen West	51	–	–	1	(22)	–	30	–	
– Area 2A - NW Batemans Bay	494	14	–	14	–	–	522	–	
– Area 2B - Long Beach	80	3	–	2	–	–	85	–	
– Area 3B - Surf Beach/Malua Bay	329	–	–	9	–	–	338	–	
– Area 4 - Bimbimbi	87	24	–	3	–	–	114	–	
– Area 5 - Polwambra	154	–	–	4	–	–	158	–	
– Area 6 - Moruya	82	19	–	2	–	–	103	–	
– Area 7 - Congo/Bingi	247	67	–	7	–	–	321	–	
– Area 8 - South Narooma	284	–	–	7	–	–	291	–	
– Area 9 - Tilba	179	–	–	4	(161)	–	22	–	
Total	1,987	127	–	53	(183)	–	1,984	–	

S7.12 Levies – under a plan

S94A Levy Contribution Plan 2007

Section 94A	1,457	267	–	39	(224)	–	1,539	–
Total	1,457	267	–	39	(224)	–	1,539	–

S7.11 Contributions – not under a plan

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Roads	264	34	–	8	–	–	306	–
Parking	9	–	–	–	–	–	9	–
Total	273	34	–	8	–	–	315	–

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

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S64 contributions								
Development Servicing Plan - Eurobodalla Shire Water Supply								
Water headworks	3,985	1,802	–	134	(1,000)	–	4,921	–
Total	3,985	1,802	–	134	(1,000)	–	4,921	–
Development Servicing Plan - Eurobodalla Shire Sewerage Services								
Sewerage headworks	1,422	1,645	–	62	(1,000)	–	2,129	–
Total	1,422	1,645	–	62	(1,000)	–	2,129	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	37,473	6,873	19,792
User charges and fees	25,835	10,985	854
Interest and investment revenue	1,895	982	633
Other revenues	1,757	4	74
Grants and contributions provided for operating purposes	13,228	207	195
Grants and contributions provided for capital purposes	28,376	2,356	3,988
Total income from continuing operations	108,564	21,407	25,536
Expenses from continuing operations			
Employee benefits and on-costs	33,539	2,687	3,926
Borrowing costs	1,873	54	855
Materials and contracts	16,643	6,534	6,224
Depreciation and amortisation	17,661	6,265	7,371
Other expenses	11,076	988	945
Net losses from the disposal of assets	2,593	435	407
Total expenses from continuing operations	83,385	16,963	19,728
Operating result from continuing operations	25,179	4,444	5,808
Net operating result for the year	25,179	4,444	5,808
Net operating result attributable to each council fund	25,179	4,444	5,808
Net operating result for the year before grants and contributions provided for capital purposes	(3,197)	2,088	1,820
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.			
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	17,538	–	–
Investments	38,089	35,973	25,938
Receivables	16,904	3,390	193
Inventories	602	59	–
Other	539	–	–
Non-current assets classified as 'held for sale'	335	–	–
Total current assets	74,007	39,422	26,131
Non-current assets			
Investments	555	–	–
Receivables	46	–	–
Infrastructure, property, plant and equipment	873,995	197,643	262,964
Total non-current assets	874,596	197,643	262,964
TOTAL ASSETS	948,603	237,065	289,095

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
LIABILITIES			
Current liabilities			
Payables	7,920	703	569
Income received in advance	826	–	–
Borrowings	5,185	70	2,618
Provisions	11,159	–	–
Total current liabilities	25,090	773	3,187
Non-current liabilities			
Borrowings	34,111	855	15,477
Provisions	2,442	–	–
Total non-current liabilities	36,553	855	15,477
TOTAL LIABILITIES	61,643	1,628	18,664
Net assets	886,960	235,437	270,431
EQUITY			
Accumulated surplus	525,803	164,724	136,175
Revaluation reserves	361,157	70,713	134,256
Council equity interest	886,960	235,437	270,431
Total equity	886,960	235,437	270,431

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.75)%	3.32%	13.24%	13.81%	10.34%	5.12%	>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	60.71%	69.99%	88.03%	90.09%	83.62%	77.02%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.77x	2.40x	40.25x	49.51x	6.88x	5.05x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.47x	2.55x	71.10x	68.87x	2.96x	2.88x	>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	5.08%	4.70%	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	8.16	10.50	43.99	36.17	36.02	18.04	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

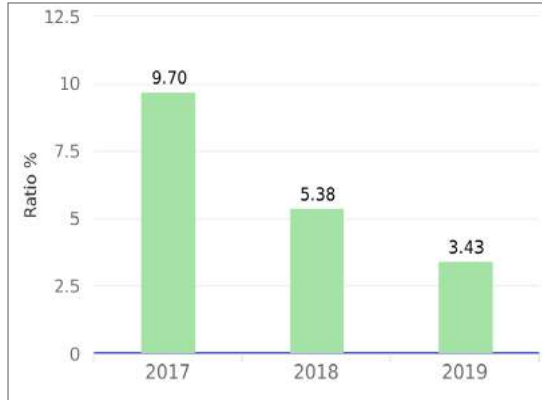
(1) - (2) Refer to Notes at Note 28a above.

(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 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.43%

Whilst operating revenue increased by 8% compared with the previous year costs increased by 10 percent contributing to the declining result.

Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 68.23%

As in prior years Council continues to perform above the benchmark, indicating Council's ability to maintain adequate own source funding levels. This meets Council's Fit for the Future requirement. The result is in line with last year's and has again been influenced by the early payment of half of the 2019-20 Financial Assistance Grant.

Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 1.96x

Council continues to perform above the benchmark.

Benchmark: — > 1.50x

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

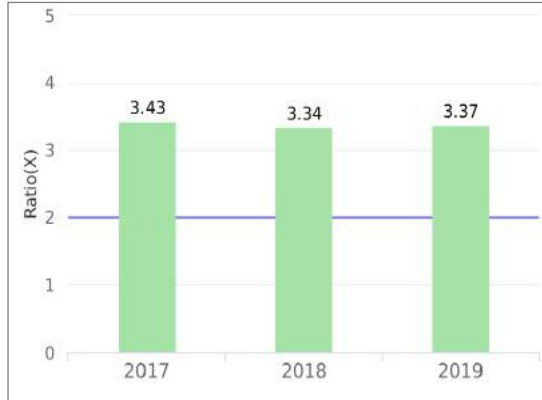
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 3.37x

With both the operating result and borrowing costs at a similar level to last year there has been minimal movement in the ratio. This exceeds the benchmark minimum and confirms the adequacy of Council's available operating cash to service current debts.

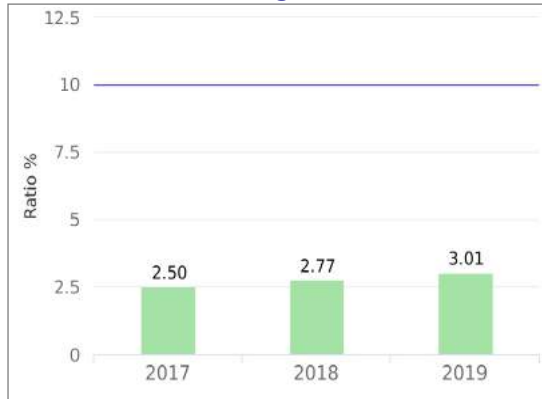
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 3.01%

Although a slight increase to last year this ratio is well below the benchmark of 10% confirming the high standard of Council's management of the debt collection process.

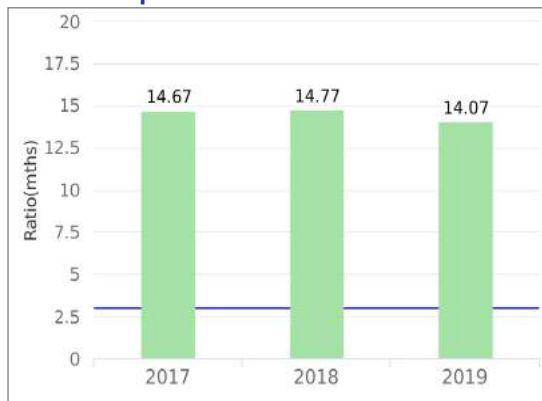
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 14.07 mths

There has been a 4% increase in cash compared to last year. The result indicates Council's ability to meet short term debt obligations.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Eurobodalla Shire Council

To the Councillors of the Eurobodalla Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 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 Services

Delegate of the Auditor-General for New South Wales

31 October 2019
SYDNEY



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

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D1926090/1722

31 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
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 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	64.1	62.1	 3.2
Grants and contributions revenue	48.3	32.5	 48.6
Operating result for the year	35.4	21.6	 63.9
Net operating result before capital grants and contributions	0.7	2.5	 72

Council's operating result (\$35.4 million including the effect of depreciation and amortisation expense of \$31.3 million) was \$13.8 million higher than the 2017–18 result. This was mainly due to an increase in:

- grants and contributions of \$15.8 million
- user charges and fees of \$5.0 million
- rates and annual charges revenue of \$2.0 million.

Grants and contributions revenue increased by \$15.8 million (48.6 per cent) to \$48.3 million in 2018–2019. Majority of this movement related to the following large capital contributions which were not received in 2017-18:

- \$4.3 million for the Moruya Airport Development project
- \$4.3 million for the Mackay Park / Batemans Bay Regional Aquatic, Arts and Leisure Centre
- \$6.5 million for transport infrastructure works including Tomakin and Batemans Bay Link Road.

User charges and fees increased by \$5.0 million (15.3 percent) to \$37.7 million due to the following key factors:

- increased revenues from the Roads and Maritime Services for work performed by Council
- increased commercial waste deposited at waste landfill stations and increased recycling revenues
- increased patronage at Council's campgrounds
- increased National Disability Insurance Scheme contributions received.

Rates and annual charges revenue increased by \$2.0 million (3.2 per cent) to \$64.1 million in 2018–2019 due to the annual rates increase of 2.7 per cent.

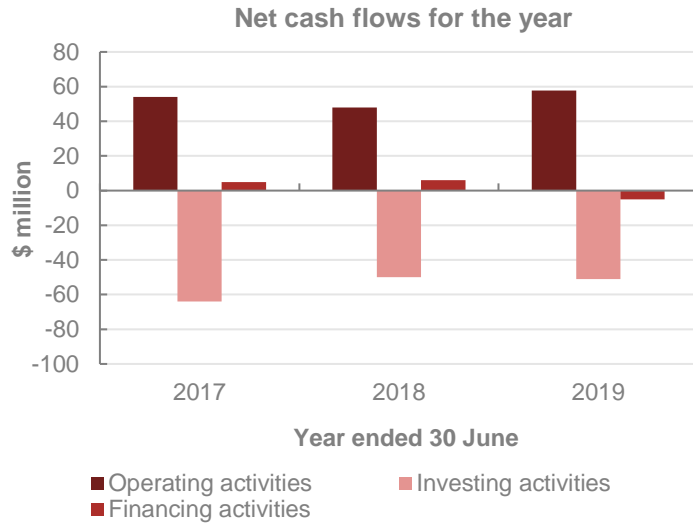
The increased revenue was offset by increases in materials and contracts of \$6.3 million and other expenses of \$2.9 million and the net operating result before capital grants and contributions was \$1.8 million lower than the 2017–18 result.

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 and reveals that cash increased by \$1.3 million to \$17.5 million at the close of the year.

Cash inflows from operating activities increased from \$48.2 million in 2017-18 to \$57.7 million mainly due to higher revenue from grants and contributions and user charges and fees. Decrease in cash inflow from financing activities was due to \$12.1 million decrease in proceeds from borrowings and advances.

Cash outflow from investing activities of \$51.0 million has remained largely consistent with last year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	90.3	81.8	<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	26.9	25.3	
Unrestricted	0.9	6.1	
Cash and investments	118.1	113.2	<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-to-day operations. • The balance of cash and investments increased by \$4.9 million (4.3 per cent). The movement was a result of external restricted balance, which increased from \$81.8 million to \$90.3 million, primarily due to an increase in specific purpose, unexpended grants and water and sewer developer contributions.

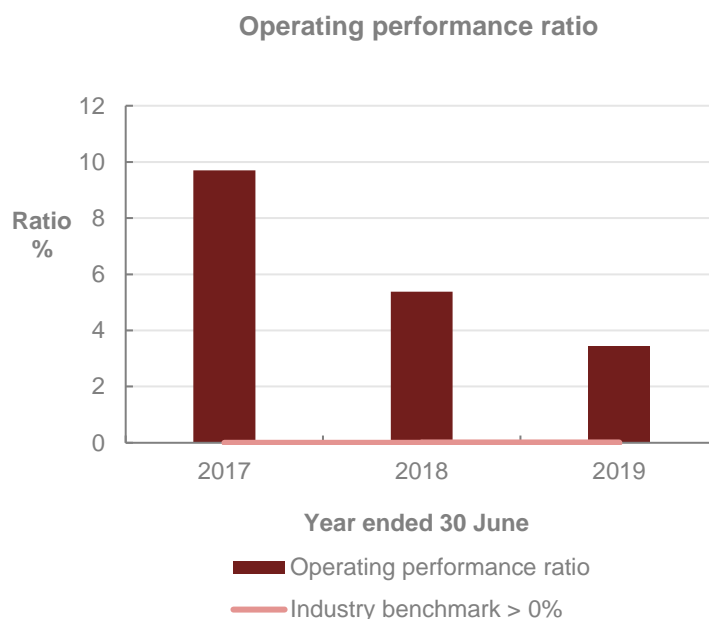
PERFORMANCE

Operating performance ratio

Council performed above the benchmark of zero per cent.

In 2018-19, operating expenditure increased by 10 per cent outpacing operating revenue which only grew by 8 per cent. This contributed to a lower ratio in the current year.

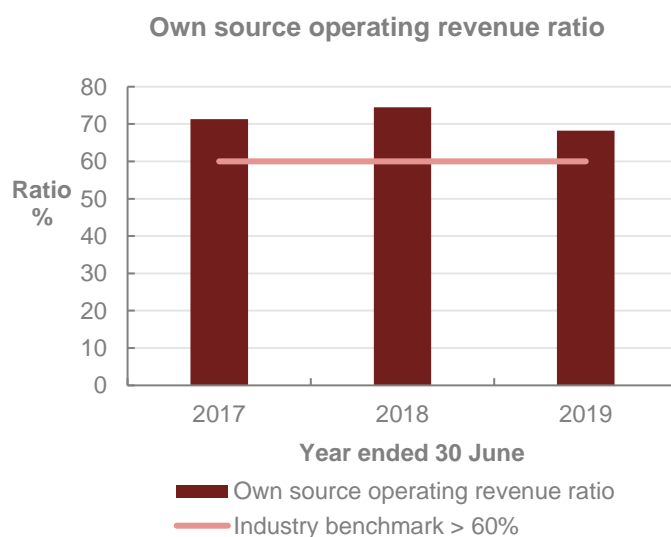
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Despite the decrease in the ratio compared to prior year, Council's own source operating revenue ratio of 68.2 per cent exceeded the benchmark. This reflects the significance of rates and user charges as funding sources for Council.

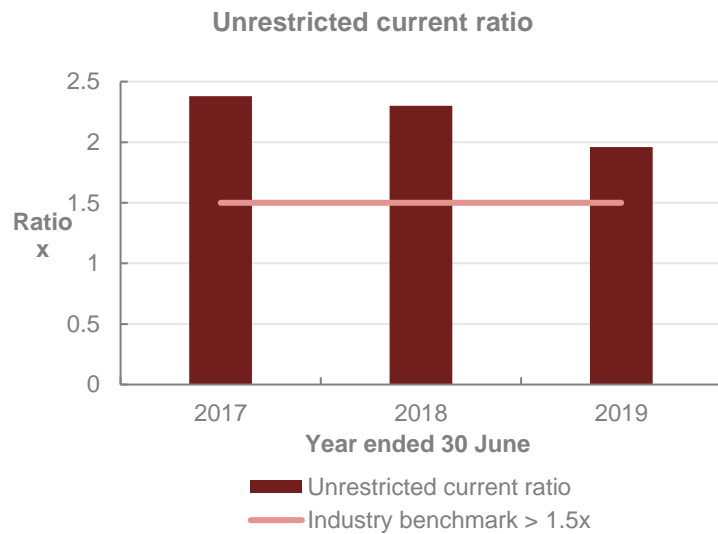
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark. This ratio indicated Council had 2.0 of unrestricted current assets available to service each dollar of its unrestricted current liabilities. There has been a slight decrease in this ratio (2.3 in 2017-18) due to increased restrictions on cash held.

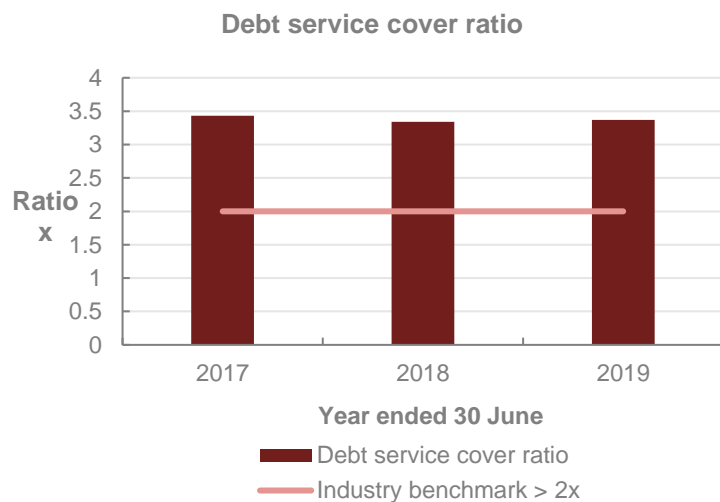
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

The debt service cover ratio of 3.4 times exceeds the benchmark of 2 times. The current year ratio remained largely consistent with last year.

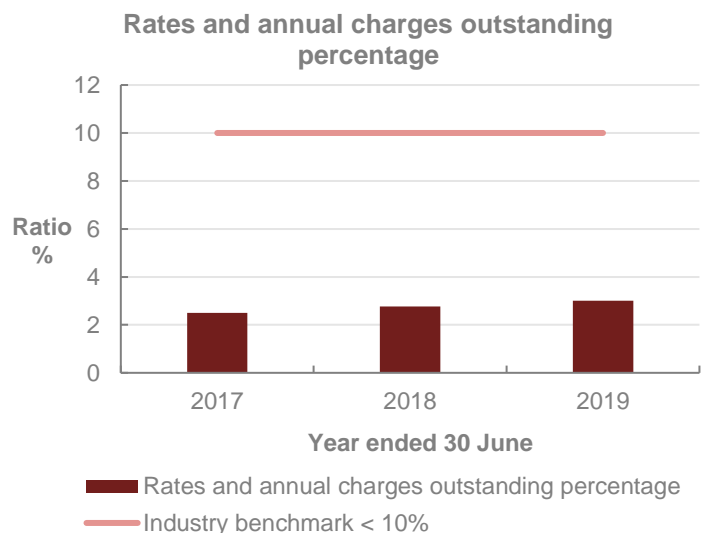
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

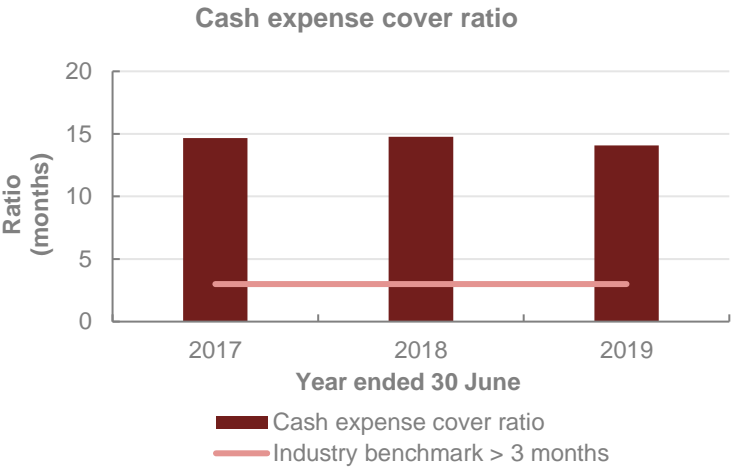
Council's outstanding rates and charges ratio of 3.0 per cent is within the industry benchmark of less than 10 per cent, indicating that the Council's credit risk is lower compared to the industry.

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's cash expense cover ratio of 14.1 months exceeded the industry benchmark of greater than 3 months. This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2018-19 amounted to \$23.5 million, a decrease of \$27.3 million from prior year balance of \$50.8 million. The decrease was mainly caused by the following movements:

- Council had no capital work in progress and other structures renewals in 2018-19 (\$38.0 million in 2017-18)
- bridge renewals decreased by \$4.9 million
- roads renewals increased by \$3.5 million.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Notes 6 and 13.</p>

Legislative compliance

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

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



Dominika Ryan
Director Financial Services

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 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Batemans Bay Beach Resort	6
Statement of Financial Position – Water Supply Business Activity	7
Statement of Financial Position – Sewerage Business Activity	8
Statement of Financial Position – Batemans Bay Beach Resort	9
Note 1 – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

(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).

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 22 October 2019.



L Innes
Mayor
22 October 2019



R Pollock
Councillor
22 October 2019



Dr C Dale
General Manager
22 October 2019



A O'Reilly
Responsible Accounting Officer
22 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	6,873	6,565
User charges	10,619	10,715
Fees	366	392
Interest	982	648
Grants and contributions provided for non-capital purposes	207	203
Other income	4	6
Total income from continuing operations	19,051	18,529
Expenses from continuing operations		
Employee benefits and on-costs	2,687	3,886
Borrowing costs	54	57
Materials and contracts	6,534	4,818
Depreciation, amortisation and impairment	6,265	6,160
Loss on sale of assets	435	239
Calculated taxation equivalents	26	28
Other expenses	988	811
Total expenses from continuing operations	16,989	15,999
Surplus (deficit) from continuing operations before capital amounts	2,062	2,530
Grants and contributions provided for capital purposes	2,356	1,812
Surplus (deficit) from continuing operations after capital amounts	4,418	4,342
Surplus (deficit) from all operations before tax	4,418	4,342
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(567)	(696)
SURPLUS (DEFICIT) AFTER TAX	3,851	3,646
Plus accumulated surplus	165,196	161,350
Plus/less: asset revaluation reserve transfers	(4,278)	106
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	26	28
– Corporate taxation equivalent	567	696
Less:		
– Tax equivalent dividend paid	(26)	(28)
– Surplus dividend paid	(612)	(602)
Closing accumulated surplus	164,724	165,196
Return on capital %	1.1%	1.3%
Subsidy from Council	493	2,572
Calculation of dividend payable:		
Surplus (deficit) after tax	3,851	3,646
Less: capital grants and contributions (excluding developer contributions)	(2,356)	(342)
Surplus for dividend calculation purposes	1,495	3,304
Potential dividend calculated from surplus	747	1,652

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	19,792	19,189
User charges	850	893
Fees	4	4
Interest	633	397
Grants and contributions provided for non-capital purposes	195	194
Other income	74	91
Total income from continuing operations	21,548	20,768
Expenses from continuing operations		
Employee benefits and on-costs	3,926	2,845
Borrowing costs	855	761
Materials and contracts	6,224	7,017
Depreciation, amortisation and impairment	7,371	7,334
Loss on sale of assets	407	850
Calculated taxation equivalents	48	41
Other expenses, including electricity	945	898
Total expenses from continuing operations	19,776	19,746
Surplus (deficit) from continuing operations before capital amounts	1,772	1,022
Grants and contributions provided for capital purposes	3,988	5,943
Surplus (deficit) from continuing operations after capital amounts	5,760	6,965
Surplus (deficit) from all operations before tax	5,760	6,965
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(487)	(281)
SURPLUS (DEFICIT) AFTER TAX	5,273	6,684
Plus accumulated surplus	134,391	127,621
Plus/less: asset revaluation reserve transfers	(3,411)	353
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	48	41
– Corporate taxation equivalent	487	281
Less:		
– Tax equivalent dividend paid	(47)	(41)
– Surplus dividend paid	(566)	(548)
Closing accumulated surplus	136,175	134,391
Return on capital %	1.0%	0.7%
Subsidy from Council	844	4,971
Calculation of dividend payable:		
Surplus (deficit) after tax	5,273	6,684
Less: capital grants and contributions (excluding developer contributions)	(3,988)	(4,729)
Surplus for dividend calculation purposes	1,285	1,955
Potential dividend calculated from surplus	642	977

Income Statement – Batemans Bay Beach Resort

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	2,777	2,729
Interest	–	(35)
Other income	24	31
Total income from continuing operations	2,801	2,725
Expenses from continuing operations		
Employee benefits and on-costs	–	8
Borrowing costs	409	467
Materials and contracts	1,032	979
Depreciation, amortisation and impairment	383	409
Calculated taxation equivalents	35	35
Other expenses	573	586
Total expenses from continuing operations	2,432	2,484
Surplus (deficit) from continuing operations before capital amounts	369	241
Surplus (deficit) from continuing operations after capital amounts	369	241
Surplus (deficit) from all operations before tax	369	241
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(101)	(66)
SURPLUS (DEFICIT) AFTER TAX	268	175
Plus accumulated surplus	(3,377)	(3,618)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	70	35
– Corporate taxation equivalent	101	66
Less:		
– TER dividend paid	35	(35)
Closing accumulated surplus	(2,903)	(3,377)
Return on capital %	9.4%	8.3%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	35,973	30,374
Receivables	3,390	3,386
Inventories	59	59
Other	–	12
Total current assets	39,422	33,831
Non-current assets		
Infrastructure, property, plant and equipment	197,643	196,171
Total non-current assets	197,643	196,171
TOTAL ASSETS	237,065	230,002
LIABILITIES		
Current liabilities		
Payables	703	545
Borrowings	70	70
Total current liabilities	773	615
Non-current liabilities		
Borrowings	855	925
Total non-current liabilities	855	925
TOTAL LIABILITIES	1,628	1,540
NET ASSETS	235,437	228,462
EQUITY		
Accumulated surplus	164,724	165,196
Revaluation reserves	70,713	63,266
TOTAL EQUITY	235,437	228,462

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	25,938	26,799
Receivables	193	196
Total current assets	26,131	26,995
Non-current assets		
Infrastructure, property, plant and equipment	262,964	256,816
Total non-current assets	262,964	256,816
TOTAL ASSETS	289,095	283,811
LIABILITIES		
Current liabilities		
Payables	569	1,499
Borrowings	2,618	2,747
Total current liabilities	3,187	4,246
Non-current liabilities		
Borrowings	15,477	18,008
Total non-current liabilities	15,477	18,008
TOTAL LIABILITIES	18,664	22,254
NET ASSETS	270,431	261,557
EQUITY		
Accumulated surplus	136,175	134,391
Revaluation reserves	134,256	127,166
TOTAL EQUITY	270,431	261,557

Statement of Financial Position – Batemans Bay Beach Resort

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Receivables	59	38
Total current assets	59	38
Non-current assets		
Infrastructure, property, plant and equipment	8,285	8,559
Total non-current assets	8,285	8,559
TOTAL ASSETS	8,344	8,597
LIABILITIES		
Current liabilities		
Bank overdraft	2,957	3,026
Payables	170	79
Borrowings	2,314	2,866
Total current liabilities	5,441	5,971
Non-current liabilities		
Borrowings	4,983	5,057
Total non-current liabilities	4,983	5,057
TOTAL LIABILITIES	10,424	11,028
NET ASSETS	(2,080)	(2,431)
EQUITY		
Accumulated surplus	(2,903)	(3,377)
Revaluation reserves	823	946
TOTAL EQUITY	(2,080)	(2,431)

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. 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 2019

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 2019

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 1.32% at 30/6/19.

(iv) Dividends

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

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 2019 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 the 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 Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

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 2019, and its 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 27 (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' (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 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the 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, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- 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 Services

Delegate of the Auditor-General for New South Wales

31 October 2019
SYDNEY

Eurobodalla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	29,933	29,012
Plus or minus adjustments ²	b	107	252
Notional general income	c = a + b	30,040	29,264
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	811	673
Sub-total	k = (c + g + h + i + j)	30,851	29,937
Plus (or minus) last year's carry forward total	l	21	17
Sub-total	n = (l + m)	21	17
Total permissible income	o = k + n	30,872	29,954
Less notional general income yield	p	30,846	29,933
Catch-up or (excess) result	q = o - p	26	21
Carry forward to next year ⁶	t = q + r + s	26	21

Notes

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



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
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 2020.

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 27 (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' (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 2019 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 2019'.

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, unless it is not appropriate to do so.

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.

My opinion does not 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 Services

Delegate of the Auditor-General for New South Wales

31 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	(1)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Administration	–	–	401	401	8,642	15,143	63.0%	36.0%	1.0%	0.0%	0.0%
	Bush Fire Brigade	280	280	214	214	3,589	5,338	86.0%	9.0%	2.0%	3.0%	0.0%
	Caravan Parks/Camp Grounds	–	–	288	288	7,512	10,724	86.0%	11.0%	3.0%	0.0%	0.0%
	Community Centres	–	–	164	164	2,964	3,974	96.0%	4.0%	0.0%	0.0%	0.0%
	Libraries	–	–	177	177	10,467	13,165	92.0%	8.0%	0.0%	0.0%	0.0%
	Operational	101	101	799	799	33,449	45,436	93.0%	4.0%	3.0%	0.0%	0.0%
	Parks & Reserves	–	–	–	–	105	141	100.0%	0.0%	0.0%	0.0%	0.0%
	Public Halls	–	–	124	124	1,738	3,002	68.0%	25.0%	7.0%	0.0%	0.0%
	Public Toilets	560	560	820	820	4,946	6,891	90.0%	5.0%	0.0%	5.0%	0.0%
	Sporting Facilities	–	–	287	287	10,879	23,108	59.0%	12.0%	29.0%	0.0%	0.0%
	Swimming Pool Centres	–	–	291	291	1,823	3,711	51.0%	27.0%	22.0%	0.0%	0.0%
	Sub-total	941	941	3,565	3,565	86,113	130,633	80.7%	11.5%	7.4%	0.4%	0.0%
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Structures	–	–	911	911	14,404	23,903	73.0%	12.0%	15.0%	0.0%	0.0%
	Waste Not in Buildings	–	–	1,554	1,554	9,404	12,334	83.0%	12.0%	5.0%	0.0%	0.0%
	Sub-total	–	–	2,465	2,465	23,808	36,237	76.4%	12.0%	11.6%	0.0%	0.0%
	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Road Furniture	1,205	1,205	300	300	50,176	83,117	65.0%	28.0%	6.0%	1.0%	0.0%
	Unsealed roads	5,242	5,242	887	887	56,794	67,883	85.0%	3.0%	4.0%	8.0%	0.0%
	Bridges	664	664	321	321	31,689	49,525	66.0%	32.0%	1.0%	1.0%	0.0%
	Footpaths	318	318	140	140	13,806	17,887	90.0%	4.0%	4.0%	2.0%	0.0%
	Other road assets	101	101	75	75	3,002	6,795	28.0%	57.0%	14.0%	1.0%	0.0%
	Bulk earthworks	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Shared Footpaths	78	78	95	95	10,199	11,836	96.0%	0.0%	3.0%	1.0%	0.0%
	Kerb & Gutter	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed Roads Structure Regional	1,511	1,511	283	283	31,808	42,709	47.0%	39.0%	11.0%	3.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Roads	Sealed Roads Structure Rural	1,354	1,354	653	653	86,826	107,742	58.0%	37.0%	4.0%	1.0%	0.0%
Roads	Sealed Roads Structure Urban	17,773	17,773	1,333	1,333	133,201	194,272	44.0%	39.0%	11.0%	6.0%	0.0%
Roads	Sealed Roads Surface Regional	384	384	89	89	2,239	3,550	34.0%	31.0%	24.0%	11.0%	0.0%
Roads	Sealed Roads Surface Rural	610	610	176	176	4,426	8,073	48.0%	36.0%	9.0%	7.0%	0.0%
Roads	Sealed Roads Surface Urban	2,177	2,177	657	657	8,095	15,704	35.0%	39.0%	12.0%	14.0%	0.0%
Roads	Carparks	613	613	103	103	15,514	22,194	76.0%	18.0%	3.0%	3.0%	0.0%
Roads	Bus Shelter	107	107	12	12	936	1,503	73.0%	13.0%	7.0%	7.0%	0.0%
Roads	Transverse Drainage	921	921	357	357	13,710	18,426	85.0%	4.0%	6.0%	5.0%	0.0%
	Sub-total	33,058	33,058	5,481	5,481	462,421	651,216	59.3%	29.7%	7.1%	4.0%	(0.1%)
Water supply network	Water supply network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Dams	–	–	241	241	17,196	28,439	94.0%	0.0%	6.0%	0.0%	0.0%
	Pipeline	3,414	3,414	854	854	122,702	251,287	61.0%	14.0%	24.0%	1.0%	0.0%
	Pump Stations	3,530	3,530	836	836	3,392	9,798	28.0%	31.0%	4.0%	37.0%	0.0%
	Reservoirs	–	–	2,137	2,137	24,526	46,156	74.0%	8.0%	18.0%	0.0%	0.0%
	Treatment Plants	–	–	211	211	18,444	26,011	71.0%	29.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	6,944	6,944	4,279	4,279	186,260	361,691	65.1%	13.7%	19.6%	1.7%	(0.1%)
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Pipeline	–	–	2,617	2,617	164,193	264,582	73.0%	19.0%	8.0%	0.0%	0.0%
	Pump Stations	8,129	8,129	1,614	1,614	33,214	65,035	56.0%	16.0%	15.0%	13.0%	0.0%
	Treatment Works	7,094	7,094	2,498	2,498	48,763	104,935	26.0%	51.0%	16.0%	7.0%	0.0%
	Sub-total	15,223	15,223	6,729	6,729	246,170	434,552	59.1%	26.3%	11.0%	3.6%	0.0%
Stormwater drainage	Stormwater drainage	5,539	5,539	257	257	75,008	101,794	85.0%	4.0%	6.0%	5.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	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	5,539	5,539	257	257	75,008	101,794	85.0%	4.0%	6.0%	5.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Swimming pools	–	–	446	446	1,023	8,394	5.0%	11.0%	84.0%	0.0%	0.0%
	Other Open Space Recreational	1,571	1,571	2,709	2,709	21,448	33,668	73.0%	19.0%	3.0%	5.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Waterways	4,977	4,977	302	302	5,482	9,187	62.0%	20.0%	16.0%	2.0%	0.0%
	Sub-total	6,548	6,548	3,457	3,457	27,953	51,249	59.9%	17.9%	18.6%	3.6%	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%	100.0%
TOTAL - ALL ASSETS		68,253	68,253	26,233	26,233	1,107,733	1,767,372	63.9%	22.0%	11.0%	3.1%	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 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	23,172	82.62%	64.93%	73.82%	>=100.00%
Depreciation, amortisation and impairment	28,048				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	68,253	6.16%	6.81%	7.24%	<2.00%
Net carrying amount of infrastructure assets	1,107,738				
Asset maintenance ratio					
Actual asset maintenance	26,233	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance	26,233				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	68,253	3.86%	4.29%	4.51%	
Gross replacement cost	1,767,372				

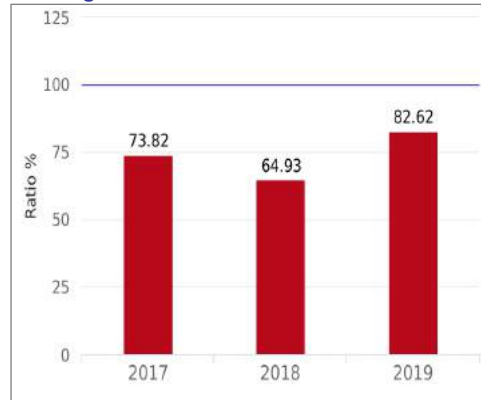
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

Buildings and infrastructure renewals ratio



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	
18/19 ratio	82.62%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend. Council should also consider using the additional renewal spend on targeted infrastructure renewal program commencing 2020-21 in the current long term financial plan (LTFP) to assist in increasing the ratio ensuring the sustainability of Council's assets and maintaining acceptable levels of community safety.	

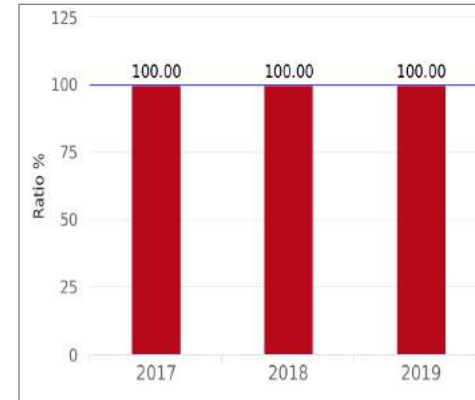
Benchmark: — \geq 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
18/19 ratio	100.00%
Council continues to focus on asset maintenance but is challenged to continue to meet this ratio due to increasing demand for services.	

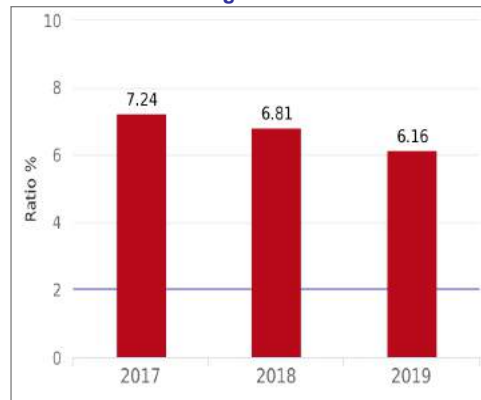
Benchmark: — $>$ 100.00%

Ratio achieves benchmark

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

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	
18/19 ratio	6.16%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend. Council should also consider using the additional renewal spend on targeted infrastructure renewal program commencing 2020-21 in the current long term financial plan (LTFP) to assist in driving down the ratio towards the fit for future benchmark.	

Benchmark: — $<$ 2.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
18/19 ratio	3.86%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend. Council should also consider using the additional renewal spend on targeted infrastructure renewal program commencing 2020-21 in the current long term financial plan (LTFP) to assist in driving down the ratio towards the fit for future benchmark.	

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	137.14%	101.19%	25.11%	24.73%	21.46%	21.11%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.82%	7.65%	3.73%	4.25%	6.18%	6.51%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	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	4.75%	5.33%	1.92%	2.24%	3.50%	3.69%	

(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.