

Kiama Municipal Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

*A municipality working together for a healthy, sustainable,
and caring community.*



Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*A municipality working together for a healthy, sustainable,
and caring community.*



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

11 Manning St
Kiama NSW 2533

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.kiama.nsw.gov.au.

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

The Council of the Municipality of Kiama

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:

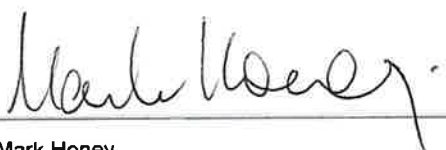
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 17 September 2019.



Mark Honey
Mayor
17 September 2019



Andrew Sloan
Councillor
17 September 2019



Kerry McMurray
General Manager
17 September 2019



Rob Owens
Responsible Accounting Officer
17 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
22,453	Rates and annual charges	3a	22,554	21,121
18,441	User charges and fees	3b	20,555	19,440
823	Interest and investment revenue	3c	1,337	1,015
3,016	Other revenues	3d	3,541	3,854
9,246	Grants and contributions provided for operating purposes	3e,3f	10,004	9,286
20,554	Grants and contributions provided for capital purposes	3e,3f	14,806	2,911
<u>Other income:</u>				
371	Net gains from the disposal of assets	5	–	–
750	Fair value increment on investment properties	11	778	1,216
–	Net share of interests in joint ventures and associates using the equity method	17	–	68
75,654	Total income from continuing operations		73,575	58,911
Expenses from continuing operations				
24,937	Employee benefits and on-costs	4a	28,564	26,406
160	Borrowing costs	4b	154	156
18,602	Materials and contracts	4c	18,680	18,781
6,529	Depreciation and amortisation	4d	7,157	7,116
3,408	Other expenses	4e	3,580	3,110
–	Net losses from the disposal of assets	5	1,283	3,204
–	Net share of interests in joint ventures and associates using the equity method	17	53	–
53,636	Total expenses from continuing operations		59,471	58,773
22,018	Operating result from continuing operations		14,104	138
22,018	Net operating result for the year		14,104	138
22,018	Net operating result attributable to council		14,104	138
1,464	Net operating result for the year before grants and contributions provided for capital purposes		(702)	(2,773)

(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)		14,104	138
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	–	1,483
Other comprehensive income – joint ventures and associates	17b	–	2
Total items which will not be reclassified subsequently to the operating result		–	1,485
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of other reserves		–	2,950
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	2,950
Total other comprehensive income for the year		–	4,435
Total comprehensive income for the year		14,104	4,573
Total comprehensive income attributable to Council		14,104	4,573

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	18,141	10,117
Investments	6(b)	14,001	23,000
Receivables	7	2,606	2,062
Inventories	8	259	192
Current assets classified as 'held for sale'	9i	3,750	3,750
Total current assets		38,757	39,121
Non-current assets			
Investments	6(b)	3,509	–
Receivables	7	302	489
Infrastructure, property, plant and equipment	10(a)	432,462	357,285
Investment property	11a	82,051	81,269
Intangible assets	12	5,350	5,350
Investments accounted for using the equity method	17	174	227
Total non-current assets		523,848	444,620
TOTAL ASSETS		562,605	483,741
LIABILITIES			
Current liabilities			
Payables	13	78,300	73,032
Income received in advance	13	961	996
Borrowings	13	705	892
Provisions	14	7,242	6,928
Total current liabilities		87,208	81,848
Non-current liabilities			
Payables	13	5	–
Borrowings	13	61,752	2,458
Provisions	14	229	128
Total non-current liabilities		61,986	2,586
TOTAL LIABILITIES		149,194	84,434
Net assets		413,411	399,307
EQUITY			
Accumulated surplus		223,651	209,547
Revaluation reserves		186,810	186,810
Other reserves		2,950	2,950
Council equity interest		413,411	399,307
Total equity		413,411	399,307

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

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

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019				2018 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Total equity	Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Total equity
Opening balance		209,547	186,810	2,950	399,307	209,407	185,327	–	394,734
Restated opening balance		209,547	186,810	2,950	399,307	209,407	185,327	–	394,734
Net operating result for the year		14,104	–	–	14,104	138	–	–	138
Restated net operating result for the period		14,104	–	–	14,104	138	–	–	138
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	10(a)	–	–	–	–	–	1,483	–	1,483
– Gain (loss) on revaluation of other reserves		–	–	–	–	–	–	2,950	2,950
– Joint ventures and associates	17b	–	–	–	–	2	–	–	2
Other comprehensive income		–	–	–	–	2	1,483	2,950	4,435
Total comprehensive income		14,104	–	–	14,104	140	1,483	2,950	4,573
Equity – balance at end of the reporting period		223,651	186,810	2,950	413,411	209,547	186,810	2,950	399,307

(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>				
22,480	Rates and annual charges		22,507	20,818
18,465	User charges and fees		20,344	19,552
834	Investment and interest revenue received		1,410	1,040
29,768	Grants and contributions		24,859	12,401
1,798	Other		4,603	4,087
<u>Payments</u>				
(24,967)	Employee benefits and on-costs		(28,149)	(26,129)
(18,631)	Materials and contracts		(14,758)	(16,989)
(153)	Borrowing costs		(154)	(156)
(220)	Bonds, deposits and retention amounts refunded		(253)	(82)
(3,153)	Other		(3,385)	62
26,221	Net cash provided (or used in) operating activities	16b	27,024	14,604
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		23,357	37,278
8,260	Sale of real estate assets		–	–
1,070	Sale of infrastructure, property, plant and equipment		455	1,615
<u>Payments</u>				
–	Purchase of investment securities		(17,843)	(23,025)
–	Purchase of investment property		(4)	–
(90,869)	Purchase of infrastructure, property, plant and equipment		(84,072)	(25,019)
(81,539)	Net cash provided (or used in) investing activities		(78,107)	(9,151)
Cash flows from financing activities				
<u>Receipts</u>				
62,500	Proceeds from borrowings and advances		60,000	–
<u>Payments</u>				
(679)	Repayment of borrowings and advances		(893)	(440)
61,821	Net cash flow provided (used in) financing activities		59,107	(440)
6,503	Net increase/(decrease) in cash and cash equivalents		8,024	5,013
–	Plus: cash and cash equivalents – beginning of year	16a	10,117	5,104
6,503	Cash and cash equivalents – end of the year	16a	18,141	10,117
Additional Information:				
31,492	plus: Investments on hand – end of year	6(b)	17,510	23,000
37,995	Total cash, cash equivalents and investments		35,651	33,117

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

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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 17 September 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 21 – 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.

(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:

- estimated fair values of investment properties – refer Note 11
- estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- employee benefit provisions – refer Note 14.

Significant judgements in applying the council's accounting policies

- Impairment of receivables

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

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
- Waste Business Unit
- Kiama Coast Holiday Parks
- Blue Haven Retirement Village
- Kiama Leisure Centre
- Illawarra Shoalhaven Joint Organisation

(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.

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).

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

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										
Governance	–	–	1,475	1,472	(1,475)	(1,472)	–	–	–	–
Corporate Services	2,817	2,281	6,372	7,523	(3,555)	(5,242)	1,809	1,945	96,501	92,855
Community Services	1,561	5,797	9,912	7,665	(8,351)	(1,868)	4,115	2,413	60,978	47,972
Environmental Services	6,971	6,814	11,988	7,733	(5,017)	(919)	154	9	677	670
Engineering & Works	13,798	4,269	12,187	18,287	1,611	(14,018)	3,196	2,105	185,770	228,645
Commercial Activities	28,841	21,579	17,484	16,093	11,357	5,486	8,350	3,534	218,505	113,372
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	68	53	–	(53)	68	–	–	174	227
General purpose income	19,587	18,103	–	–	19,587	18,103	–	–	–	–
Other	–	–	–	–	–	–	–	(238)	–	–
Total functions and activities	73,575	58,911	59,471	58,773	14,104	138	17,624	9,768	562,605	483,741

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:

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

Corporate Services

Corporate and other support, members services, risk management, tourism.

Community Services

Administration, communitycentre, youth services, aged and disabled, home nursing, familyhistorycentre, public libraries other community services.

Environmental Services

Administration, property maintenance, animal control, beach control, enforcement of local government regulations, food control, building control, waste management, public conveniences, public halls, immunisation, town planning, environmental protection.

Engineering & Works

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters, fire protection, RTA works, street lighting, emergency services, street cleaning, public cemeteries, swimming pools, sporting grounds, parks & gardens, private works, stormwater drainage, engineering support services.

Commercial Activities

Caravan parks, real estate development, indoor sports complex, retirement village & waste unit.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	14,736	13,749
Farmland	611	573
Business	1,305	1,176
Less: pensioner rebates (mandatory)	(173)	(169)
Less: pensioner rebates (Council policy)	(141)	(139)
Rates levied to ratepayers	16,338	15,190
Pensioner rate subsidies received	163	238
Total ordinary rates	16,501	15,428
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	5,634	5,227
Stormwater management services	218	214
Waste management services (non-domestic)	255	252
Less: pensioner rebates (mandatory)	(66)	–
Less: pensioner rebates (Council policy)	(54)	–
Annual charges levied	5,987	5,693
Pensioner subsidies received:		
– Domestic waste management	66	–
Total annual charges	6,053	5,693
TOTAL RATES AND ANNUAL CHARGES	22,554	21,121

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>		
Contract plant and truck hire	1,256	964
Trade waste	118	99
Total specific user charges	1,374	1,063

Other user charges and fees

(i) Fees and charges – statutory and regulatory functions (per s.608)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Building services – other	140	161
Planning and building regulation	570	667
Registration fees	23	29
Section 603 certificates	43	44
Total fees and charges – statutory/regulatory	776	901
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leisure centre	1,999	1,766
Waste disposal tipping fees	162	131
Blue Haven aged care	2,868	2,779
Blue Haven care – in home support packages	2,306	2,170
Council properties	870	704
Engineering services	173	208
Holiday parks	9,209	9,011
Library and family history centre	98	83
Public cemeteries	366	269
Saddleback mountain tower	25	131
Other	329	224
Total fees and charges – other	18,405	17,476
TOTAL USER CHARGES AND FEES	20,555	19,440

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)	35	33
– Cash and investments	1,278	957

Fair value adjustments

– Movements in investments at fair value through profit and loss	24	25
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TOTAL INTEREST AND INVESTMENT REVENUE	1,337	1,015
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Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	35	33
General Council cash and investments	1,182	885

Restricted investments/funds – external:

Development contributions		
– Section 7.11	120	97

Total interest and investment revenue	1,337	1,015
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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.

\$ '000	Notes	2019	2018
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	11	39	37
Rental income – other council properties		120	115
Fines – parking		62	37
Fines – other		54	77
Legal fees recovery – rates and charges (extra charges)		–	80
Insurance claims recoveries		501	238
Recycling income (non-domestic)		39	52
Deferred payment liabilities amortisation		1,587	1,747
Diesel fuel rebate		42	39
Motor vehicle leaseback		252	220
Other		779	891
Section 88 rebate		66	65
Workers comp. refund		–	176
Option fee property sale		–	80
<u>TOTAL OTHER REVENUE</u>		<u>3,541</u>	<u>3,854</u>

Accounting policy for other revenue

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

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 be the point of transfer of risks and rewards.

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

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

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

Other 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)				
Current year allocation				
Financial assistance	1,727	1,641	–	–
Total general purpose	<u>1,727</u>	<u>1,641</u>	<u>–</u>	<u>–</u>
Specific purpose				
Bushfire and emergency services	129	150	–	–

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
Economic development	–	5	–	–
Environmental programs	25	23	–	–
Heritage and cultural	–	6	–	–
Library	61	66	–	83
LIRS subsidy	82	113	–	–
Recreation and culture	–	–	758	–
Street lighting	47	42	–	–
Transport (roads to recovery)	–	425	–	–
Transport (other roads and bridges funding)	–	–	458	–
Blue Haven care – in home support packages	21	239	–	–
Blue Haven retirement village	3,130	3,025	5,199	–
Community transport	315	279	–	–
Cultural development	5	5	–	–
Dementia friendly community program	27	32	–	–
Domestic assistance	3	–	–	–
Other	110	–	88	–
Organics and recycling	–	3	–	–
Regional carer respite centre	1,453	1,144	–	–
Restart – infrastructure	–	–	2,396	462
Road safety program	58	61	–	–
Traffic facilities/black spot program	–	–	97	174
Youth opportunities	42	43	–	–
Community support	1,162	1,215	–	–
Life saving observation tower	–	–	–	35
Amenities Block Upgrades	–	–	–	124
Leisure Centre Carpark	–	–	–	74
Ambulance Carpark	–	–	–	49
Jamberoo Pool Refurbishment	–	–	231	250
Total specific purpose	6,670	6,876	9,227	1,251
Total grants	8,397	8,517	9,227	1,251
Grant revenue is attributable to:				
– Commonwealth funding	7,906	7,319	1,199	250
– State funding	465	916	8,028	1,001
– Other funding	26	282	–	–
	8,397	8,517	9,227	1,251

\$ '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		–	–	993	827
Total developer contributions – cash		–	–	993	827
Total developer contributions	25	–	–	993	827

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Other contributions:					
Cash contributions					
Community services		838	124	–	–
RMS contributions (regional roads, block grant)		726	602	–	–
Community bus		43	43	–	–
Contributed assets		–	–	4,586	833
Total other contributions – cash		1,607	769	4,586	833
Total other contributions		1,607	769	4,586	833
Total contributions		1,607	769	5,579	1,660
TOTAL GRANTS AND CONTRIBUTIONS		10,004	9,286	14,806	2,911

Accounting policy for grants and contributions

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

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

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

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

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

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

\$ '000	2019	2018
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(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	474	–
Add: operating grants recognised in the current period but not yet spent	71	474
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(464)	–
Unexpended and held as restricted assets (operating grants)	81	474

The nature of the unexpended operating grants are for carrying out services to the community.

Capital grants

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Unexpended at the close of the previous reporting period	12	299
Add: capital grants recognised in the current period but not yet spent	1,011	12
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(12)	(299)
Unexpended and held as restricted assets (capital grants)	<u>1,011</u>	<u>12</u>

The nature of the unexpended capital grants are for various projects that involve improving the facilities and functions for the residents and visitors of the Kiama municipality.

Contributions

Unexpended at the close of the previous reporting period	4,246	5,116
Add: contributions recognised in the current period but not yet spent	1,085	924
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	–	(1,794)
Unexpended and held as restricted assets (contributions)	<u>5,331</u>	<u>4,246</u>

The nature of the unexpended restricted assets (contributions) relate to the provisions of sections 7.4, 7.11 and 7.12 of the Environmental Planning and Assessment Act 1979. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	23,507	21,242
Employee leave entitlements (ELE)	3,127	2,843
Superannuation	2,394	2,289
Workers' compensation insurance	489	636
Fringe benefit tax (FBT)	51	50
Training costs (other than salaries and wages)	260	199
Other	76	47
Total employee costs	29,904	27,306
Less: capitalised costs	(1,340)	(900)
TOTAL EMPLOYEE COSTS EXPENSED	28,564	26,406
Number of 'full-time equivalent' employees (FTE) at year end	297	292

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 19 for more information.

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	131	124
Interest on advances	21	31
Other debts	2	1
Total interest bearing liability costs expensed	154	156

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors

Total other borrowing costs	–	–
TOTAL BORROWING COSTS EXPENSED	154	156

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
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(c) Materials and contracts

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Raw materials and consumables	12,299	12,237
Contractor and consultancy costs	5,895	5,952
Auditors remuneration ²	96	66
Legal expenses:		
– Legal expenses: planning and development	294	420
– Legal expenses: other	84	95
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	12	11
Total materials and contracts	18,680	18,781
TOTAL MATERIALS AND CONTRACTS	18,680	18,781

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	12	11
	12	11

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	90	65
Remuneration for audit and other assurance services	90	65

Total Auditor-General remuneration

	90	65
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services	6	1
Remuneration for audit and other assurance services	6	1

Total remuneration of non NSW Auditor-General audit firms

	6	1
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Total Auditor remuneration

	96	66
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(d) Depreciation, amortisation and impairment of intangible assets and IPP&E

Depreciation and amortisation

Plant and equipment	1,225	1,257
Office equipment	422	235
Furniture and fittings	113	91
Land improvements (depreciable)	20	24

Infrastructure:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– Buildings – non-specialised	478	368
– Buildings – specialised	1,347	1,565
– Other structures	123	102
– Roads	2,258	2,354
– Bridges	161	154
– Footpaths	269	281
– Stormwater drainage	304	301
– Swimming pools	8	8
– Other open space/recreational assets	322	287
Other assets:		
– Library books	91	73
– Other	16	16
Total gross depreciation and amortisation costs	7,157	7,116
Total depreciation and amortisation costs	7,157	7,116
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	7,157	7,116

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 and Note 12 for intangible 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		
Contributions/levies to other levels of government		
– Crown reserve levy	412	283
– Emergency services levy (includes FRNSW, SES, and RFS levies)	246	257
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	180	170
Councillors' expenses (incl. mayor) – other (excluding fees above)	80	76

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Donations, contributions and assistance to other organisations (Section 356)	239	250
Electricity and heating	1,006	817
Holiday parks promotion/membership	74	99
Insurance	571	435
Street lighting	394	351
Subscriptions and publications	38	38
Telephone and communications	297	292
Total other expenses	3,580	3,110
TOTAL OTHER EXPENSES	3,580	3,110

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		–	989
Less: carrying amount of property assets sold/written off		(640)	(755)
Net gain/(loss) on disposal		(640)	234
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		455	626
Less: carrying amount of plant and equipment assets sold/written off		(375)	(560)
Net gain/(loss) on disposal		80	66
Infrastructure			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(723)	(3,504)
Net gain/(loss) on disposal		(723)	(3,504)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		23,357	37,278
Less: carrying amount of investments sold/redeemed/matured		(23,357)	(37,278)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,283)	(3,204)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	18,141	10,034
Cash-equivalent assets		
– Deposits at call	–	83
Total cash and cash equivalents	<u>18,141</u>	<u>10,117</u>

Accounting policy for cash and cash equivalents

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

Note 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'				
'Financial assets at amortised cost' / 'held to maturity'	14,001	3,509	23,000	–
Total Investments	<u>14,001</u>	<u>3,509</u>	<u>23,000</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>32,142</u>	<u>3,509</u>	<u>33,117</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	32,169	–	23,000	–
Total	<u>32,169</u>	<u>–</u>	<u>23,000</u>	<u>–</u>

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- 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.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 14 days.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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 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.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	32,142	3,509	33,117	–
attributable to:				
External restrictions	7,923	3,509	7,545	–
Internal restrictions	23,715	–	24,999	–
Unrestricted	504	–	573	–
	<u>32,142</u>	<u>3,509</u>	<u>33,117</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	5,358	4,245
Specific purpose unexpended grants	1,092	486
Domestic waste management	3,089	2,814
Illawarra Shoalhaven Joint Organisation	1,893	–
External restrictions – other	<u>11,432</u>	<u>7,545</u>

Total external restrictions

	<u>11,432</u>	<u>7,545</u>
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Internal restrictions

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
Arts precinct	39	59
Blue Haven care – residential	1,518	1,017
Blue Haven ILU	461	151
CACP	161	263
Carry over works	4,528	3,025
Community bus	399	365
Computer	770	600
Council Elections	145	100
Employees leave entitlement	2,260	2,400
Energy efficiency	285	315
Fleet replacement	40	100
Future project development	–	70
Future Projects	500	500
Holiday parks	3,537	4,679
Land development	3,823	3,823
Leisure centre renewal	–	180
Organisational development	–	200
Pavilion	40	113
Plant replacement	1,900	2,160
Property insurance	–	120
Regional carer respite centre	417	1,216
Risk Improvement Incentive	105	79
S7.11 recoupments	–	2,321
Unspent Loan Funding	1,623	–
Waste and sustainability	415	403
Waste business unit	749	740
Total internal restrictions	23,715	24,999
TOTAL RESTRICTIONS	35,147	32,544

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

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	388	–	214	127
Interest and extra charges	12	–	16	9
User charges and fees	980	–	804	–
Private works	39	–	39	–
Accrued revenues				
– Interest on investments	263	–	347	–
– Other income accruals	220	–	100	–
Government grants and subsidies	41	–	90	–
Net GST receivable	641	–	365	–
Other – advances to public	–	302	–	353
Other – holiday park charges	93	–	80	–
Employee deductions and on costs	9	–	8	–
Other debtors	–	–	79	–
Total	2,686	302	2,142	489
Less: provision of impairment				
Rates and annual charges	(35)	–	(35)	–
User charges and fees	(45)	–	(45)	–
Total provision for impairment – receivables	(80)	–	(80)	–
TOTAL NET RECEIVABLES	2,606	302	2,062	489
Unrestricted receivables	2,606	302	2,062	489
TOTAL NET RECEIVABLES	2,606	302	2,062	489

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	80	80
Balance at the end of the period	80	80

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	205	–	171	–
Trading stock	54	–	21	–
Total inventories at cost	259	–	192	–
<u>TOTAL INVENTORIES</u>	<u>259</u>	<u>–</u>	<u>192</u>	<u>–</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	259	–	192	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>259</u>	<u>–</u>	<u>192</u>	<u>–</u>

(i) Other disclosures

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

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'				

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
Land	3,750	–	3,750	–
Total non-current assets 'held for sale'	<u>3,750</u>	<u>–</u>	<u>3,750</u>	<u>–</u>
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>3,750</u>	<u>–</u>	<u>3,750</u>	<u>–</u>

(ii) 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	3,750	3,750
Balance still unsold after 12 months:	<u>3,750</u>	<u>3,750</u>
Closing balance of 'held for sale' non-current assets and operations	<u>3,750</u>	<u>3,750</u>

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

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

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

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

Notes to the Financial Statements
for the year ended 30 June 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	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12,810	–	12,810	915	66,297	–	–	(1,011)	79,011	–	79,011
Plant and equipment	19,571	(10,518)	9,053	1,136	1,210	(375)	(1,225)	–	20,902	(11,103)	9,799
Office equipment	3,581	(2,740)	841	1,000	–	–	(422)	–	4,578	(3,159)	1,419
Furniture and fittings	2,889	(2,385)	504	242	–	–	(113)	–	3,131	(2,498)	633
Land:											
– Operational land	40,284	–	40,284	–	71	(640)	–	–	39,715	–	39,715
– Community land	59,990	–	59,990	371	–	–	–	–	60,361	–	60,361
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	984	–	984	–	–	–	–	2	986	–	986
Land improvements – depreciable	725	(394)	331	–	–	(8)	(20)	–	720	(417)	303
Infrastructure:											
– Buildings – non-specialised	17,574	(5,873)	11,701	281	131	(9)	(478)	–	19,385	(7,759)	11,626
– Buildings – specialised	96,965	(48,833)	48,132	1,081	523	(246)	(1,347)	7	96,989	(48,839)	48,150
– Other structures	11,617	(5,332)	6,285	–	41	(5)	(123)	9	12,023	(5,816)	6,207
– Roads	143,166	(55,099)	88,067	2,261	3,034	(284)	(2,258)	751	145,831	(54,260)	91,571
– Bridges	15,218	(6,341)	8,877	20	359	–	(161)	–	14,979	(5,884)	9,095
– Footpaths	13,609	(4,785)	8,824	134	1,118	–	(269)	28	15,065	(5,230)	9,835
– Bulk earthworks (non-depreciable)	23,487	–	23,487	8	–	(46)	–	–	23,449	–	23,449
– Stormwater drainage	37,349	(9,590)	27,759	375	263	(126)	(304)	135	37,942	(9,840)	28,102
– Swimming pools	461	(259)	202	–	–	–	(8)	–	461	(267)	194
– Other open space/recreational assets	13,129	(4,534)	8,595	722	2,287	–	(322)	79	16,082	(4,721)	11,361
Other assets:											
– Library books	1,918	(1,444)	474	61	21	–	(91)	–	2,000	(1,535)	465
– Other	120	(63)	57	–	111	–	(16)	–	230	(78)	152
Total Infrastructure, property, plant and equipment	515,475	(158,190)	357,285	8,607	75,466	(1,739)	(7,157)	–	593,868	(161,406)	432,462

(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	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	4,403	–	4,403	–	12,072	–	–	(3,665)	–	12,810	–	12,810
Plant and equipment	17,655	(10,101)	7,554	–	3,317	(560)	(1,257)	(1)	–	19,571	(10,518)	9,053
Office equipment	3,415	(2,505)	910	5	161	–	(235)	–	–	3,581	(2,740)	841
Furniture and fittings	2,741	(2,294)	447	–	148	–	(91)	–	–	2,889	(2,385)	504
Land:												
– Operational land	33,526	–	33,526	5	–	(755)	–	(6)	7,507	40,284	–	40,284
– Community land	59,927	–	59,927	–	63	–	–	–	–	59,990	–	59,990
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	896	–	896	59	29	–	–	–	–	984	–	984
Land improvements – depreciable	724	(370)	354	1	–	–	(24)	–	–	725	(394)	331
Infrastructure:												
– Buildings – non-specialised	16,842	(7,045)	9,797	288	–	–	(368)	2	1,982	17,574	(5,873)	11,701
– Buildings – specialised	91,560	(40,341)	51,219	1,642	325	–	(1,565)	4,517	(8,006)	96,965	(48,833)	48,132
– Other structures	11,551	(5,219)	6,332	4	50	–	(102)	1	–	11,617	(5,332)	6,285
– Roads	144,417	(52,809)	91,608	1,340	440	(3,188)	(2,354)	221	–	143,166	(55,099)	88,067
– Bridges	16,094	(6,201)	9,893	248	–	–	(154)	(1,231)	–	15,218	(6,341)	8,877
– Footpaths	13,193	(4,501)	8,692	105	286	–	(281)	22	–	13,609	(4,785)	8,824
– Bulk earthworks (non-depreciable)	23,407	–	23,407	10	387	(317)	–	–	–	23,487	–	23,487
– Stormwater drainage	37,031	(9,293)	27,738	19	164	–	(301)	139	–	37,349	(9,590)	27,759
– Swimming pools	395	(251)	144	–	66	–	(8)	–	–	461	(259)	202
– Other open space/recreational assets	12,506	(4,247)	8,259	123	499	–	(287)	1	–	13,129	(4,534)	8,595
Other assets:												
– Library books	1,825	(1,371)	454	–	93	–	(73)	–	–	1,918	(1,444)	474
– Other	120	(46)	74	–	–	–	(16)	–	–	120	(63)	57
Total Infrastructure, property, plant and equipment	492,256	(146,594)	345,662	3,849	18,100	(4,820)	(7,116)	–	1,483	515,475	(158,190)	357,285

(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.

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 25
Computer equipment	3 to 5		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 200
Other plant and equipment	5 to 15	Buildings: other	20 to 40
		Other infrastructure assets	
Transportation assets		Bulk earthworks	infinite
Sealed roads: surface	12 to 30	Swimming pools	50 to 100
Sealed roads: structure	80 to 100	Other open space/recreational assets	15 to 95
Unsealed roads	20	Other infrastructure	15 to 95
Bridge: concrete	100		
Bridge: other	55		
Kerb, gutter and footpaths	40 to 120		
Stormwater assets			
Drains	80 to 120		
Culverts	50 to 100		
Flood control structures	20 to 120		

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 not recognised as assets of the Council in these financial statements apart from Buildings.

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						
Land						
Total water supply	–	–	–	–	–	–
Sewerage services						
Land						
Total sewerage services	–	–	–	–	–	–
Domestic waste management						
Plant and equipment	3,639	2,852	787	3,600	2,656	944
Land						
– Operational land	425	–	425	425	–	425
Total DWM	4,064	2,852	1,212	4,025	2,656	1,369
<u>TOTAL RESTRICTED I,PP&E</u>	4,064	2,852	1,212	4,025	2,656	1,369

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	82,051	81,269
Reconciliation of annual movement:		
Opening balance	81,269	80,053
– Capitalised expenditure – this year	354	–
– Net gain/(loss) from fair value adjustments	424	1,216
– Other movements	4	–
CLOSING BALANCE – INVESTMENT PROPERTY	82,051	81,269

(b) Valuation basis

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

The 2017 revaluations were based on independent assessments made by:
Nelson Partners Australia

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

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

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

Within 1 year	18	81
Later than 1 year but less than 5 years	61	198
Total minimum lease payments receivable	79	279

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property (continued)

\$ '000	2019	2018
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	39	37
Direct operating expenses on investment property:		
– that generated rental income	(85)	(98)
– that did not generate rental income	(841)	(838)
Net revenue contribution from investment property	(887)	(899)
plus:		
Fair value movement for year	424	1,216
Total income attributable to investment property	(463)	317

Accounting policy for investment property

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	5,350	2,400
Net book value – opening balance	5,350	2,400
Movements for the year		
– Revaluation	–	2,950
Closing values at 30 June		
Gross book value	5,350	5,350
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	5,350	5,350
The net book value of intangible assets represents:		
– Bed licences	5,350	5,350
	5,350	5,350

Accounting policy for intangible assets

IT development and software

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

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

Other intangible asset class – Bed Licences

Council owns and operates Blue Haven Retirement Village which includes independent living unit a nursing home and hostel. Bed licences are granted by the Federal Department of Health & Ageing in perpetuity and their useful life is considered to be indefinite. As a result, licenses are not amortised but are subject to an annual impairment assessment.

The licences issued by the Department of Health & Ageing are issued for no consideration and are recognised in Council's books at fair value, if and only if, it is probable that the future economic benefits attributable to the bed licences will flow to Council and the fair value of bed licences can be measured reliably.

Council obtained an independent valuation for the bed licences from an industry expert and the value recorded as at 30 June 2018 is in accordance with that valuation. Council also considered the recommendations in the Productivity Commission's report "Caring for Older Australians" and will monitor the Federal Government's progress with implementation of those recommendations and the impact (if any) that such implementation will have on future values of bed licences. The Federal Government has not as yet implemented any recommendations that would impact on the carrying value of these bed licences. Other organisations are also still showing a value in their financial statements.

Note 13. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	8,872	–	4,883	–
Accrued expenses:				
– Other expenditure accruals	915	–	44	–
Residential aged care accommodation bonds	9,670	–	7,546	–
Retirement village loan licence agreement	56,253	–	57,251	–
Security bonds, deposits and retentions	1,858	–	2,111	–
Return of Funding	–	–	773	–
Retirement village care packages	585	–	227	–
Interest on loans	–	–	23	–
ELE oncosts	147	5	174	–
Total payables	78,300	5	73,032	–
Income received in advance				
Payments received in advance	961	–	996	–
Total income received in advance	961	–	996	–
Borrowings				
Loans – secured ¹	497	1,544	551	2,041
Government advances	208	60,208	341	417
Total borrowings	705	61,752	892	2,458
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>79,966</u>	<u>61,757</u>	<u>74,920</u>	<u>2,458</u>

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Total payables and borrowings relating to unrestricted assets	79,966	61,757	74,920	2,458
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>79,966</u>	<u>61,757</u>	<u>74,920</u>	<u>2,458</u>

\$ '000	2019	2018
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	65,923	64,797
Total payables and borrowings	65,923	64,797

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Payables and borrowings (continued)

(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	2,592	(551)	–	–	–	2,041
Government advances	758	59,658	–	–	–	60,416
TOTAL	3,350	59,107	–	–	–	62,457

\$ '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	2,956	(364)	–	–	–	2,592
Government advances	834	(76)	–	–	–	758
TOTAL	3,790	(440)	–	–	–	3,350

\$ '000	2019	2018
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(d) Financing arrangements

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

Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	156	175
Total financing arrangements	2,156	2,175

Drawn facilities as at balance date:

– Credit cards/purchase cards	43	57
Total drawn financing arrangements	43	57

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	113	118
Total undrawn financing arrangements	2,113	2,118

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

loans secured over future cash flows

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Note 14. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,064	–	1,840	–
Sick leave	477	–	640	–
Long service leave	4,376	229	4,154	128
ELE on-costs	325	–	294	–
Sub-total – aggregate employee benefits	7,242	229	6,928	128
TOTAL PROVISIONS	7,242	229	6,928	128

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	7,242	229	6,928	128
TOTAL PROVISIONS	7,242	229	6,928	128

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,856	4,824
	4,856	4,824

(c) Description of and movements in provisions

\$ '000	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
2019							
At beginning of year	1,840	640	4,282	294	–	–	7,056
Additional provisions	1,785	–	489	31	–	–	2,305
Amounts used (payments)	(1,526)	(163)	(404)	–	–	–	(2,093)
Remeasurement effects	111	–	238	–	–	–	349
Other	(516)	–	61	(31)	339	–	(147)
Total ELE provisions at end of period	1,694	477	4,666	294	339	–	7,470
2018							
At beginning of year	1,719	567	4,180	313	–	–	6,779
Additional provisions	1,559	125	609	(19)	–	–	2,274
Amounts used (payments)	(1,482)	(72)	(570)	–	–	–	(2,124)
Remeasurement effects	44	20	63	–	–	–	127
Total ELE provisions at end of period	1,840	640	4,282	294	–	–	7,056

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Provisions (continued)

Nature and purpose of non-employee benefit provisions

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.

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

Available for sale investments revaluation reserve (2018 only)

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	18,141	10,117
Balance as per the Statement of Cash Flows		18,141	10,117
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		14,104	138
Adjust for non-cash items:			
Depreciation and amortisation		7,157	7,116
Net losses/(gains) on disposal of assets		1,283	3,204
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(24)	(25)
– Investment property		(778)	(1,216)
Share of net (profits)/losses of associates/joint ventures using the equity method		53	(68)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(357)	23
Decrease/(increase) in inventories		(67)	51
Decrease/(increase) in other current assets		–	5
Increase/(decrease) in payables		3,989	1,741
Increase/(decrease) in other accrued expenses payable		871	(308)
Increase/(decrease) in other liabilities		378	3,666
Increase/(decrease) in provision for employee benefits		415	277
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		27,024	14,604

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	(53)	68	174	227
Total	(53)	68	174	227

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

(b) Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
			2019	2018
Metro Pool	Joint venture	Net equity	123	83
United Independent Pool	Joint venture	Net equity	50	143
Total carrying amounts – material joint ventures			173	226

(b) Details

	Principal activity	Place of business
Metro Pool	Public Liability & Prof Indemnity	Penrith
United Independent Pool	Property and vehicle etc.	Penrith

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Metro Pool	0.8%	0.6%	0.8%	0.6%	16.7%	11.1%
United Independent Pool	0.7%	1.7%	0.7%	1.7%	5.9%	6.3%

(d) Summarised financial information for joint ventures

\$ '000	Metro Pool		United Independent Pool	
	2019	2018	2019	2018

Statement of financial position

Current assets

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Interests in other entities (continued)

\$ '000	Metro Pool		United Independent Pool	
	2019	2018	2019	2018
Cash and cash equivalents	254	1,220	1,813	1,158
Other current assets	9,901	6,909	7,215	5,759
Non-current assets	12,769	16,220	5,368	5,989
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	312	1,714	4,232	2,690
Other current liabilities	1,313	101	345	299
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	6,651	8,985	2,279	1,148
Net assets	14,648	13,549	7,540	8,769
Reconciliation of the carrying amount				
Opening net assets (1 July)	13,549	11,611	8,769	6,492
Profit/(loss) for the period	1,099	1,938	(1,229)	2,277
Closing net assets	14,648	13,549	7,540	8,769
Council's share of net assets (%)	0.8%	0.6%	0.7%	1.7%
Council's share of net assets (\$)	117	83	53	149
Statement of comprehensive income				
Income	3,129	2,115	11,320	9,254
Interest income	1,013	1,077	448	419
Other expenses	(3,043)	(1,254)	(13,292)	(7,694)
Profit/(loss) from continuing operations	1,099	1,938	(1,524)	1,979
Profit/(loss) for the period	1,099	1,938	(1,524)	1,979
Total comprehensive income	1,099	1,938	(1,524)	1,979
Share of income – Council (%)	0.0%	2.8%	0.0%	0.7%
Profit/(loss) – Council (\$)	–	54	–	14
Total comprehensive income – Council (\$)	–	54	–	14
Summarised Statement of cash flows				
Cash flows from operating activities	(1,436)	49	2,904	903
Cash flows from investing activities	470	(5)	(2,250)	(250)
Net increase (decrease) in cash and cash equivalents	(966)	44	654	653

(c) Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2019	2018
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Kiama District Tourist Commerce and Industrial Association Limited (Kiama Tourism)

The principal activities undertaken include the operation of the Tourism Centre.

The purpose of Kiama Tourism is to raise the profile and performance of the tourism industry within the Kiama Local Government Area.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Interests in other entities (continued)

Kiama Tourism is financed primarily by the retail operations, commission and a levy paid by Council.

Nature of risks relating to the Unconsolidated Structured Entity

Kiama Council has agreed to provide financial support to Kiama Tourism in form of a rental subsidy, commercial contribution towards Kiama Visitors Guide, Membership fees and a levy.

This agreement to provide financial support is outlined in the Memorandum of Understanding between the two organisations.

Current intention to provide financial support

Council has a current intention to continue financial support as detailed in the Memorandum of Understanding between the two organisations.

Illawarra Shoalhaven Joint Organisation (ISJO)

The Illawarra Shoalhaven Joint Organisation was established to provide a new way for local councils and the NSW Government to work together to deliver things that matter the most to regional communities. The objectives and functions of the ISJO are:

- a) Regional Strategic Planning
- b) Inter-governmental collaboration
- c) Regional leadership and advocacy
- d) Creating or enhancing regional strategic capacity
- e) Regional service delivery

Nature of risks relating to the Unconsolidated Structured Entity

All member councils are required to pay a membership fee. Any losses would ultimately be borne by member councils.

Losses (or expenses) incurred by Council relating to the Structured Entity	54	53
Income received by Council relating to the Structured Entity		
Administration fee	26	26
Contribution towards insurance	–	7
Maximum exposure to loss from Council's interest in the Structured Entity	54	53
Difference – net asset/(net exposure) relating to the Structured Entity:	(54)	(53)

Current intention to provide financial support

Council has a current intention to continue financial support as detailed in the Charter between the two organisations.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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	15,152	58,629
Investment property		
– Buildings	11,798	25,666
Total commitments	26,950	84,295
These expenditures are payable as follows:		
Within the next year	26,950	79,304
Later than one year and not later than 5 years	–	4,991
Total payable	26,950	84,295
Sources for funding of capital commitments:		
Unrestricted general funds	–	912
Future grants and contributions	9,918	13,797
Unexpended grants	–	3,920
Externally restricted reserves	2,200	2,940
Internally restricted reserves	14,832	2,726
New loans (to be raised)	–	60,000
Total sources of funding	26,950	84,295

Details of capital commitments

Kiama Municipal Council is constructing a new Aged Care Facility with completion projected to be November 2019.

(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	6	6
Later than one year and not later than 5 years	–	16
Total non-cancellable operating lease commitments	6	22

(c) Investment property commitments

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

Contractual obligations – repairs and maintenance	249	252
Total commitments	249	252
These expenditures are payable as follows:		
Within the next year	249	252
Total payable	249	252

(d) Investment in joint operations – commitments

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

Note 18. Commitments (continued)

For capital commitments and other commitments relating to investments in joint operations, refer to Note 17 (c)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum from 1 July 2018 for x years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Contingencies and other assets/liabilities not recognised (continued)

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 \$ 435,175.55. The last valuation of the Scheme was performed 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 \$ \$423,203.24.

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.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Contingencies and other assets/liabilities not recognised (continued)

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 20. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	18,141	10,117	18,141	10,117
Receivables	2,908	2,551	2,908	–
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,510	23,000	17,510	23,000
Total financial assets	38,559	35,668	38,559	33,117
Financial liabilities				
Payables	78,305	73,032	78,305	73,032
Loans/advances	62,457	3,350	62,458	3,350
Total financial liabilities	140,762	76,382	140,763	76,382

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 with the assistance of independent advisors.

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	2,901	2,901	(2,901)	(2,901)
Possible impact of a 1% movement in interest rates	77	77	(77)	(77)
2018				
Possible impact of a 10% movement in market values	2,600	2,600	(2,600)	(2,600)
Possible impact of a 1% movement in interest rates	260	260	(260)	(260)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
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2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	388	–	–	–	–	388
2018						
Gross carrying amount	214	–	–	–	127	341

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	1,779	52	33	399	337	2,600
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	1,799	–	81	44	366	2,290
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.

\$ '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%	1,858	76,429	–	–	78,287	78,305
Loans and advances	0.00%	–	705	62,073	–	62,778	62,457
Total financial liabilities		1,858	77,134	62,073	–	141,065	140,762

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. 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
2018							
Trade/other payables	0.00%	2,111	70,921	–	–	73,032	73,032
Loans and advances	5.60%	–	679	2,671	–	3,350	3,350
Total financial liabilities		<u>2,111</u>	<u>71,600</u>	<u>2,671</u>	<u>–</u>	<u>76,382</u>	<u>76,382</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. 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	22,453	22,554	101	0% F
User charges and fees	18,441	20,555	2,114	11% F
Interest and investment revenue	823	1,337	514	62% F
Other revenues	3,016	3,541	525	17% F
Positive outcome for Deferred payment liabilities amortization against budget Insurance claims recoveries above budget expectations				
Operating grants and contributions	9,246	10,004	758	8% F
Capital grants and contributions	20,554	14,806	(5,748)	(28)% U
Timing of a grant did not eventuate in 2018/19 but expected in 2019/20				
Net gains from disposal of assets	371	–	(371)	100% U
Fair value increment on investment property	750	778	28	4% F
Joint ventures and associates – net profits	–	–	–	∞ F
EXPENSES				
Employee benefits and on-costs	24,937	28,564	(3,627)	(15)% U
Retirements/termination payments, award interpretation adjustments and employee leave entitlement measurement calculations were unexpectedly higher than budgeted.				
Borrowing costs	160	154	6	4% F
Materials and contracts	18,602	18,680	(78)	0% U
Depreciation and amortisation	6,529	7,157	(628)	(10)% U
Other expenses	3,408	3,580	(172)	(5)% U
Net losses from disposal of assets	–	1,283	(1,283)	∞ U
Joint ventures and associates – net losses	–	53	(53)	∞ U
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	26,221	27,024	803	3% F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net cash provided from (used in) investing activities	(81,539)	(78,107)	3,432	(4)% F
Net cash provided from (used in) financing activities	61,821	59,107	(2,714)	(4)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as ‘held for sale’
- Discontinued operations

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy			Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
Recurring fair value measurements					
Investment property					
	11				
Other			–	–	1,787
Blue Haven ILU		30/06/17	–	80,260	–
Total investment property			–	80,260	1,787
Infrastructure, property, plant and equipment					
	10(a)				
Plant and equipment			–	–	9,800
Office equipment			–	–	1,419
Furniture and fittings			–	–	633
Operational land		30/06/18	–	39,715	–
Community land			–	–	60,361
Land under roads			–	–	28
Land improvements – non-depreciable			–	–	986
Land improvements – depreciable			–	–	303
Buildings – non-specialised		30/06/18	–	11,626	–
Buildings – specialised		30/06/18	–	48,150	–
Other structures			–	–	6,207
Roads bridges footpaths		30/06/15	–	–	110,501
Bulk earthworks – non depreciable		30/06/15	–	–	23,449
Stormwater drainage		30/06/15	–	–	28,102
Library books			–	–	465
Other			–	–	152
Swimming Pools			–	–	194
Other Open Space Recreation Assets			–	–	11,361
Work in Progress			–	–	79,011

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

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	
Total infrastructure, property, plant and equipment						
			–	99,491	332,972	432,463
Non-current assets classified as ‘held for sale’						
	9					
Land			–	–	3,750	3,750
Total NCA’s classified as ‘held for sale’						
			–	–	3,750	3,750

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	
Recurring fair value measurements						
Investment property						
	11					
Other			–	–	1,769	1,769
Blue Haven ILU			–	–	79,500	79,500
Total investment property						
			–	–	81,269	81,269
Infrastructure, property, plant and equipment						
	10(a)					
Plant and equipment			–	–	9,053	9,053
Office equipment			–	–	841	841
Furniture and fittings			–	–	504	504
Operational land		30/06/18	–	–	40,284	40,284
Community land			–	–	59,990	59,990
Land under roads			–	–	28	28
Land improvements – non-depreciable			–	–	984	984
Land improvements – depreciable			–	–	331	331
Buildings – non-specialised		30/06/13	–	–	11,701	11,701
Buildings – specialised		30/06/18	–	–	48,132	48,132
Other structures			–	–	6,285	6,285
Roads bridges footpaths		30/06/15	–	–	105,768	105,768
Bulk earthworks – non depreciable		30/06/15	–	–	23,487	23,487
Stormwater drainage		30/06/15	–	–	27,759	27,759
Library books			–	–	474	474
Other			–	–	57	57
Swimming Pools			–	–	202	202
Other Open Space Recreation Assets			–	–	8,595	8,595
Work in Progress			–	–	12,810	12,810
Total infrastructure, property, plant and equipment						
			–	–	357,285	357,285
Non-current assets classified as ‘held for sale’						
	9					
Land			–	–	3,750	3,750
Total NCA’s classified as ‘held for sale’						
			–	–	3,750	3,750

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

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 (i.e. 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:

Cost Approach – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach – Valuation technique that converts future amounts (cash flow inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Financial assets

Held for Trading

These investments are represented by CDO's and FRN's. Council obtains valuations from its Investment Custodian, Australia and New Zealand Banking Group Limited, on a monthly basis and at the end of the reporting period to ensure the financial statements reflect the most up-to-date valuation. The valuations quoted are either sourced from market providers and participants or calculated using ANZ's own internal models and calculation methods and is based on or uses other available pricing information where considered relevant. Numerous factors may affect the information, which may or may not have been taken into account. The information provided may vary significantly from information obtained from other sources or other market participants. There are no observable inputs for this class of Financial Asset and there has been no change to the valuation process during the reporting period.

Investment property

Council obtains independent valuations of its investment property every 3 years by a qualified valuer who has experience in the location of the property. Every other year a desktop valuation is obtained. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 3 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

As at 30 June 2017 the valuation of Blue Haven Independent Living Units was performed by Nelson Partners, Barry Coad, Senior Valuer. The valuation has been prepared on the basis of market value and realisation by the owners in a willing seller/willing purchaser situation, given appropriate marketing and on the basis of there being no financial pressure or a Receivership situation. The valuation has been based on calculations using discount rates, analysis of period of turnover if units and the appropriate length of time and inflationary rates and incorporates the traditional method accepted in the market place for valuing the owner's interest of the Villages to date.

As at 30 June 2019 the valuation for the remaining Investment properties was calculated by applying an index to the valuation as at 30 June 2017. The index applied was 1.00%.

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

Plant & Equipment, Office Equipment and Furniture & Fittings

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

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 and Equipment - Trucks, tractors, jet skis, ride on mowers, street sweepers, earth moving equipment, buses and motor vehicles
- Office Equipment – Refrigerators, monitors and computer equipment
- Furniture & Fittings – Chairs and desks

The key unobservable inputs to the valuation are the remaining useful life and residual value. 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. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input into the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Walsh & Monaghan Pty Ltd.

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

There has been no change to the valuation process during the reporting period.

Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metre rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

Land Improvements – non depreciable

Non depreciable land improvements 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.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the pattern of consumption, estimated useful life and the residual value. There has been no change to the valuation process during the reporting period.

Land Improvements – depreciable

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach 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 judgement 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. There has been no change to the valuation process during the reporting period.

Buildings – Specialised and Non Specialised

Buildings valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs such as estimates of residual value and pattern of consumption required extensive

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class includes sporting facilities, park furniture, signs, skate facilities etc. 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 judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

The 'Cost Approach' estimated 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. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Bulk Earthworks – non depreciable

The 'Cost Approach' estimated the replacement cost for each asset. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes and various types of water quality devices. The 'Cost Approach' estimated 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. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

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 the 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. There has been no change to the valuation process during the reporting period.

Other

Assets within this class comprise Drainage inspection data. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

Non-current assets classified as 'held for sale'

This asset class comprises a parcel of land "held for sale" and is valued at cost but disclosed at fair value in the notes. The carrying amount of this asset is assumed to approximate fair value. There has been no change to the valuation process during the reporting period.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

\$ '000	Investment property Blue Haven ILU	Investment property other	Plant and equipment	Office equipment	Furniture and fittings
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a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Investment property Blue Haven ILU	Investment property other	Plant and equipment	Office equipment	Furniture and fittings
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2018

Opening balance	78,747	1,306	7,554	910	447
Purchases (GBV)	–	–	3,317	166	148
Disposals (WDV)	–	–	(560)	–	–
Depreciation and impairment	–	–	(1,257)	(235)	(91)
FV gains – other comprehensive income	753	13	–	–	–
Closing balance	79,500	1,319	9,054	841	504

2019

Opening balance	79,500	1,319	9,054	841	504
Purchases (GBV)	–	–	2,346	1,000	242
Disposals (WDV)	–	–	(375)	–	–
Depreciation and impairment	–	–	(1,225)	(422)	(113)
FV gains – other comprehensive income	760	18	–	–	–
Closing balance	80,260	1,337	9,800	1,419	633

\$ '000	Operational land	Community land	Land under roads	Land improvements non-depreciable	Land improvements depreciable
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2018

Opening balance	33,526	59,927	28	896	354
Purchases (GBV)	5	63	–	88	–
Disposals (WDV)	(755)	–	–	–	1
Depreciation and impairment	–	–	–	–	(24)
FV gains – other comprehensive income	7,507	–	–	–	–
Closing balance	40,283	59,990	28	984	331

2019

Opening balance	40,283	59,990	28	984	331
Transfers from/(to) another asset class	–	–	–	2	–
Purchases (GBV)	71	371	–	–	–
Disposals (WDV)	(640)	–	–	–	(8)
Depreciation and impairment	–	–	–	–	(20)
Closing balance	39,714	60,361	28	986	303

\$ '000	Buildings non-specialised	Building specialised	Other structures	Roads	Bulk earthworks
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2018

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

Note 22. Fair Value Measurement (continued)

\$ '000	Buildings non-specialis ed	Building specialised	Other structures	Roads	Bulk earthworks
Opening balance	9,797	51,219	6,332	107,019	23,407
Transfers from/(to) another asset class	2	4,408	1	(34)	–
Purchases (GBV)	288	1,967	54	2,419	397
Depreciation and impairment	(368)	(1,565)	(102)	(2,789)	–
FV gains – other comprehensive income	1,982	(8,006)	–	–	–
Closing balance	11,701	48,023	6,285	106,615	23,804
2019					
Opening balance	11,701	48,023	6,285	106,615	23,804
Transfers from/(to) another asset class	–	7	9	779	–
Purchases (GBV)	412	1,604	41	6,926	8
Disposals (WDV)	(9)	(246)	(5)	(284)	(46)
Depreciation and impairment	(478)	(1,347)	(123)	(2,688)	–
Closing balance	11,626	48,041	6,207	111,348	23,766

\$ '000	Stormwater drainage	Library books	Other
2018			
Opening balance	27,555	454	8,477
Transfers from/(to) another asset class	139	–	–
Purchases (GBV)	183	93	688
Depreciation and impairment	(301)	(73)	(311)
Closing balance	27,576	474	8,854
2019			
Opening balance	27,576	474	8,854
Transfers from/(to) another asset class	135	–	79
Purchases (GBV)	638	82	3,120
Disposals (WDV)	(126)	–	–
Depreciation and impairment	(304)	(91)	(346)
Closing balance	27,919	465	11,707

\$ '000	WIP	Held for Sale	Total
2018			
Opening balance	4,403	3,729	426,087
Transfers from/(to) another asset class	(4,403)	–	113
Purchases (GBV)	12,810	–	22,686
Disposals (WDV)	–	–	(1,314)
Depreciation and impairment	–	–	(7,116)
FV gains – other comprehensive income	–	–	2,249
Closing balance	12,810	3,729	442,705
2019			
Opening balance	12,810	3,729	442,705
Transfers from/(to) another asset class	(1,011)	–	–
Purchases (GBV)	67,212	–	84,073

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

\$ '000	WIP	Held for Sale	Total
Disposals (WDV)	–	–	(1,739)
Depreciation and impairment	–	–	(7,157)
FV gains – other comprehensive income	–	–	778
Closing balance	79,011	3,729	518,660

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

d. The valuation process for level 3 fair value measurements

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

(5) Highest and best use

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

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

Note 23. 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	1,616	1,675
Post-employment benefits	84	103
Termination benefits	136	233
Total	1,836	2,011

(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.

Note 24. Events occurring after the reporting date

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

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

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018						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)
\$ '000		Cash	Non-cash					
Traffic facilities	51	40	–	1	–	–	92	–
Parking	249	–	–	4	–	–	253	–
Open space	(26)	–	–	(1)	–	–	(27)	–
Community facilities	1,058	340	–	30	–	–	1,428	–
Other	94	10	–	2	–	–	106	–
Other – Council chambers	2,171	107	–	53	–	–	2,331	–
S7.11 contributions – under a plan	3,597	497	–	89	–	–	4,183	–
S7.12 levies – under a plan	648	496	–	31	–	–	1,175	–
Total S7.11 and S7.12 revenue under plans	4,245	993	–	120	–	–	5,358	–
Total contributions	4,245	993	–	120	–	–	5,358	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Traffic facilities	35	31	–	1	–	–	67	–
Community facilities	722	288	–	21	–	–	1,031	–
Other – Council chambers	2,171	107	–	53	–	–	2,331	–
Other	92	8	–	2	–	–	102	–
Total	3,020	434	–	77	–	–	3,531	–

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

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 2								
Traffic facilities	6	6	–	–	–	–	12	–
Community facilities	130	46	–	4	–	–	180	–
Other	2	2	–	–	–	–	4	–
Total	138	54	–	4	–	–	196	–
CONTRIBUTION PLAN NUMBER 3								
Traffic facilities	6	3	–	–	–	–	9	–
Community facilities	4	6	–	–	–	–	10	–
Total	10	9	–	–	–	–	19	–
CONTRIBUTION PLAN NUMBER 4								
Parking	176	–	–	4	–	–	180	–
Total	176	–	–	4	–	–	180	–
CONTRIBUTION PLAN NUMBER 7								
Traffic facilities	(16)	–	–	(1)	–	–	(17)	–
Open space	(27)	–	–	(1)	–	–	(28)	–
Community facilities	195	–	–	5	–	–	200	–
Total	152	–	–	3	–	–	155	–
CONTRIBUTION PLAN NUMBER 7a								
Traffic facilities	20	–	–	1	–	–	21	–
Open space	1	–	–	–	–	–	1	–
Community facilities	7	–	–	–	–	–	7	–
Total	28	–	–	1	–	–	29	–
CONTRIBUTION PLAN NUMBER 5								
Parking	73	–	–	–	–	–	73	–
Total	73	–	–	–	–	–	73	–

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

Note 25. 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	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER A								
Traffic facilities	66	147	–	9	–	–	222	–
Open space	582	349	–	22	–	–	953	–
Total	648	496	–	31	–	–	1,175	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Financial result and financial position by fund

\$ '000	General ¹ 2019
Income Statement by fund	
Income from continuing operations	
Rates and annual charges	22,554
User charges and fees	20,555
Interest and investment revenue	1,337
Other revenues	3,541
Grants and contributions provided for operating purposes	10,004
Grants and contributions provided for capital purposes	14,806
Other income	
Fair value increment on investment property	778
Total income from continuing operations	73,575
Expenses from continuing operations	
Employee benefits and on-costs	28,564
Borrowing costs	154
Materials and contracts	18,680
Depreciation and amortisation	7,157
Other expenses	3,580
Net losses from the disposal of assets	1,283
Share of interests in joint ventures and associates using the equity method	53
Total expenses from continuing operations	59,471
Operating result from continuing operations	14,104
Net operating result for the year	14,104
Net operating result attributable to each council fund	14,104
Net operating result for the year before grants and contributions provided for capital purposes	(702)

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	18,141
Investments	14,001
Receivables	2,606
Inventories	259
Non-current assets classified as 'held for sale'	3,750
Total current assets	38,757

Non-current assets

Investments	3,509
Receivables	302
Infrastructure, property, plant and equipment	432,462
Investments accounted for using the equity method	174
Investment property	82,051

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019
Intangible assets	5,350
Total non-current assets	523,848
TOTAL ASSETS	562,605
LIABILITIES	
Current liabilities	
Payables	78,300
Income received in advance	961
Borrowings	705
Provisions	7,242
Total current liabilities	87,208
Non-current liabilities	
Payables	5
Borrowings	61,752
Provisions	229
Total non-current liabilities	61,986
TOTAL LIABILITIES	149,194
<u>Net assets</u>	<u>413,411</u>
EQUITY	
Accumulated surplus	223,651
Revaluation reserves	186,810
Other reserves	2,950
Council equity interest	413,411
<u>Total equity</u>	<u>413,411</u>

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(168)				
Total continuing operating revenue excluding capital grants and contributions ¹	57,967	(0.29)%	(1.61)%	4.43%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	47,734				
Total continuing operating revenue ¹	72,773	65.59%	78.41%	60.43%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	30,834				
Current liabilities less specific purpose liabilities	16,429	1.88x	2.58x	3.86x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,143				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,047	6.82x	10.73x	8.68x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	365				
Rates, annual and extra charges collectible	22,691	1.61%	1.55%	1.47%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	50,310				
Monthly payments from cash flow of operating and financing activities	3,966	12.69 mths	9.09 mths	10.71 mths	>3.00 mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Benchmark
	2019	2018	
1. Operating performance ratio			
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.29)%	(1.61)%	>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	65.59%	78.41%	>60.00%
Total continuing operating revenue ¹			
3. Unrestricted current ratio			
Current assets less all external restrictions	1.88x	2.58x	>1.50x
Current liabilities less specific purpose liabilities			
4. Debt service cover ratio			
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.82x	10.73x	>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	1.61%	1.55%	<10.00%
Rates, annual and extra charges collectible			
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	12.69	9.09	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths

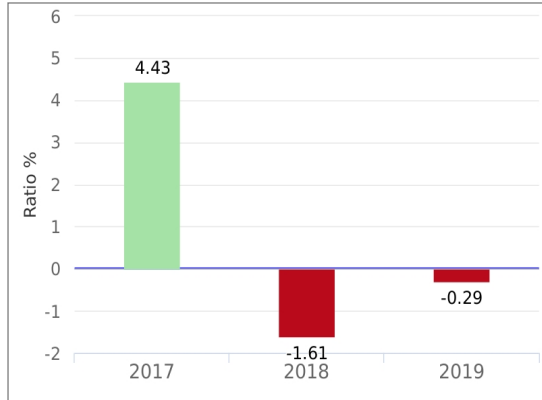
(1) - (2) Refer to Notes at Note 28a above.

(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 27(c). 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 (0.29)%

The improvement in this ratio is due to an increase in rating and user fees and charges revenue, as well as an increase in grant funding.

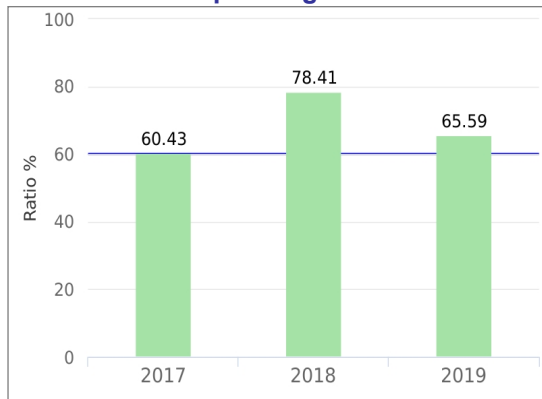
Benchmark: — > 0.00%

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 65.59%

Council was successful in securing more grant funding for projects to help support the community

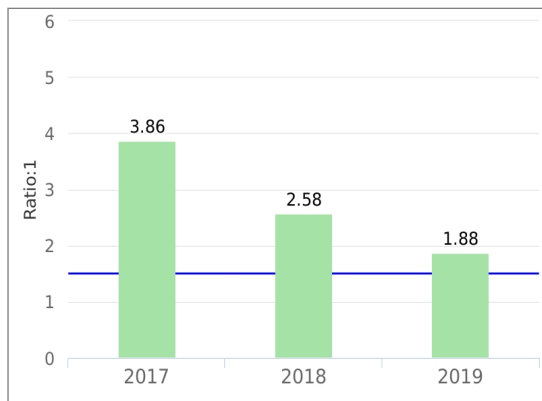
Benchmark: — > 60.00%

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 1.88x

The reduction of this ratio is due to the timing of payments for the construction of the new aged care facility

Benchmark: — > 1.50x

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

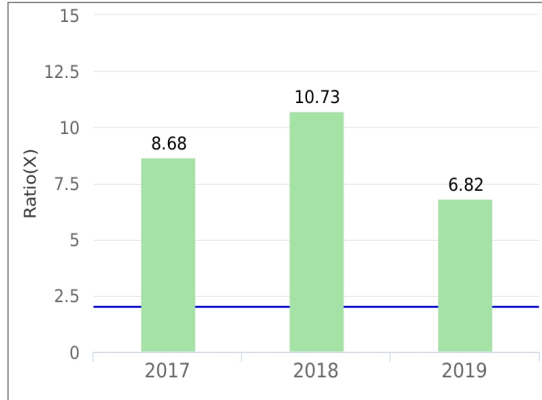
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 27(c). 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 6.82x

The reduction of this ratio is due to the reduction in cash and investments due to the timing of construction payments for the aged care facility.

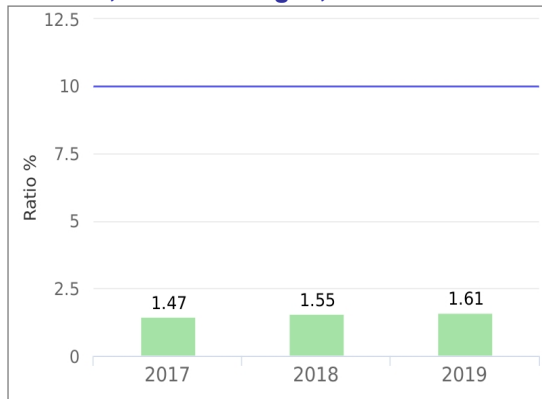
Benchmark: — > 2.00x

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 1.61%

The continual monitoring of outstanding rates linked to a positive approach to debt recovery continues to the achievement of strong results in this ratio.

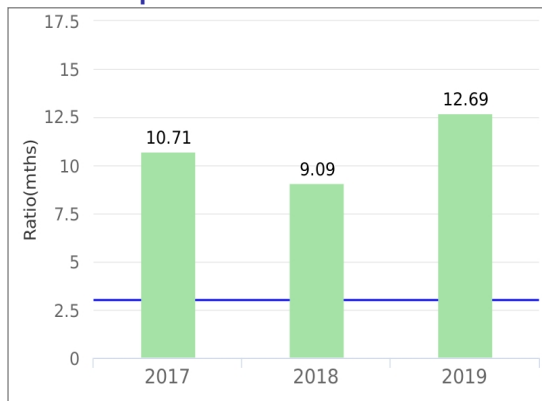
Benchmark: — < 10.00%

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 12.69 mths

The increase of this ratio is due to the increase in cash and investments held at balance date due to the timing of construction payments for the aged care facility.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28. Segment reporting and Financial review

\$ '000	2019	2018	2017	2016	2015
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	22,554	21,121	19,838	18,808	18,354
User charges revenue	20,555	19,440	18,678	17,376	15,982
Interest and investment revenue (losses)	1,337	1,015	1,844	1,677	1,215
Grants income – operating and capital	17,624	9,768	11,588	11,823	9,128
Total income from continuing operations	73,575	58,911	73,953	68,513	51,906
Sale proceeds from I,PP&E	455	1,615	767	1,034	912
New loan borrowings and advances	60,000	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	28,564	26,406	24,825	24,813	23,001
Borrowing costs	154	156	221	1	367
Materials and contracts expenses	18,680	18,781	18,159	17,172	16,509
Total expenses from continuing operations	59,471	58,773	53,221	53,177	51,924
Total cash purchases of I,PP&E	84,072	25,019	26,955	23,434	9,441
Total loan repayments (incl. finance leases)	893	440	842	1,694	961
Operating surplus/(deficit) (excl. capital income)	(702)	(2,773)	3,877	1,002	(1,576)
Financial position figures					
Current assets	38,757	39,121	45,409	43,028	45,620
Current liabilities	87,208	81,848	76,237	72,688	73,654
Net current assets	(48,451)	(42,727)	(30,828)	(29,660)	(28,034)
Available working capital (Unrestricted net current assets)	(72,142)	(67,451)	(62,900)	(58,180)	(53,368)
Cash and investments – unrestricted	504	573	141	283	4,869
Cash and investments – internal restrictions	23,715	24,999	31,482	29,441	27,079
Cash and investments – total	35,651	33,117	39,382	36,412	38,406
Total borrowings outstanding (Loans, advances and finance leases)	62,457	3,350	3,790	4,632	6,326
Total value of I,PP&E (excl. land and earthworks)	469,329	390,702	374,472	350,919	330,513
Total accumulated depreciation	161,406	158,190	146,594	142,594	138,403
Indicative remaining useful life (as a % of GBV)	66%	60%	61%	59%	58%

Source: published audited financial statements of Council (current year and prior year)

Note 29. Council information and contact details

Principal place of business:
 11 Manning Street
 Kiama NSW 2533

Notes to the Financial Statements

for the year ended 30 June 2019

Note 29. Council information and contact details (continued)

Contact details

Mailing Address:

PO Box75
Kiama NSW 2533

Opening hours:

8:45am - 4:15pm
Monday to Friday

Telephone: 02 4232 0444

Facsimile: 02 4232 0555

Internet: www.kiama.nsw.gov.au

Email: council@kiama.nsw.gov.au

Officers

General Manager

Kerry McMurray

Responsible Accounting Officer

Rob Owens

Public Officer

Sue Basa

Auditors

Audit Office of NSW
GPO Box 12, Sydney NSW 2001

Elected members

Mayor

Mark Honey

Councillors

Kathy Price

Matt Brown

Neil Reilly

Andrew Sloan

Warren Steel

Don Watson

Mark Way

Mark Westoff

Other information

ABN: 22 379 679 108



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Kiama Municipal Council

To the Councillors of the Kiama Municipal Council

Opinion

I have audited the accompanying financial statements of Kiama Municipal 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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan
Director, Financial Audit Services

Delegate of the -Auditor-General for New South Wales

20 December 2019
SYDNEY

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*A municipality working together for a healthy, sustainable,
and caring community.*



Special Purpose Financial Statements

for the year ended 30 June 2019

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

Background

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

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

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

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

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

The Council of the Municipality of Kiama

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.

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 17 September 2019.



Mark Honey
Mayor
17 September 2019



Andrew Sloan
Councillor
17 September 2019



Kerry McMurray
General Manager
17 September 2019



Rob Owens
Responsible Accounting Officer
17 September 2019

Income Statement – Holiday Parks

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	9,302	9,073
Fees	26	35
Other income	38	98
Total income from continuing operations	9,366	9,206
Expenses from continuing operations		
Employee benefits and on-costs	107	105
Borrowing costs	14	14
Materials and contracts	4,324	3,794
Depreciation, amortisation and impairment	997	698
Calculated taxation equivalents	73	19
Debt guarantee fee (if applicable)	29	60
Other expenses	1,168	958
Total expenses from continuing operations	6,712	5,648
Surplus (deficit) from continuing operations before capital amounts	2,654	3,558
Surplus (deficit) from continuing operations after capital amounts	2,654	3,558
Surplus (deficit) from all operations before tax	2,654	3,558
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(730)	(978)
SURPLUS (DEFICIT) AFTER TAX	1,924	2,580
Plus accumulated surplus	13,884	11,909
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	73	19
– Debt guarantee fees	29	60
– Corporate taxation equivalent	730	978
Add:		
Less:		
– Dividend paid	(2,742)	(1,662)
Closing accumulated surplus	13,898	13,884
Return on capital %	15.0%	19.8%

Income Statement – Waste Unit

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	1,970	1,715
Fees	2,934	2,870
Profit from the sale of assets	56	9
Other income	652	576
Total income from continuing operations	5,612	5,170
Expenses from continuing operations		
Employee benefits and on-costs	1,516	1,287
Materials and contracts	1,999	1,957
Depreciation, amortisation and impairment	305	464
Other expenses	28	26
Total expenses from continuing operations	3,848	3,734
Surplus (deficit) from continuing operations before capital amounts	1,764	1,436
Surplus (deficit) from continuing operations after capital amounts	1,764	1,436
Surplus (deficit) from all operations before tax	1,764	1,436
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(485)	(395)
SURPLUS (DEFICIT) AFTER TAX	1,279	1,041
Plus accumulated surplus	3,559	3,328
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	485	395
Add:		
Less:		
– Dividend paid	(650)	(1,205)
Closing accumulated surplus	4,673	3,559
Return on capital %	38.5%	35.0%

Statement of Financial Position – Holiday Parks

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,559	2,847
Receivables	214	965
Total current assets	2,773	3,812
Non-current assets		
Infrastructure, property, plant and equipment	17,800	17,997
Investment property	83	83
Total non-current assets	17,883	18,080
TOTAL ASSETS	20,656	21,892
LIABILITIES		
Current liabilities		
Borrowings	270	267
Provisions	29	12
Total current liabilities	299	279
Non-current liabilities		
Provisions	361	632
Total non-current liabilities	361	632
TOTAL LIABILITIES	660	911
NET ASSETS	19,996	20,981
EQUITY		
Accumulated surplus	13,433	14,520
Revaluation reserves	6,461	6,461
TOTAL EQUITY	19,894	20,981

Statement of Financial Position – Waste Unit

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	749	740
Total current assets	<u>749</u>	<u>740</u>
Non-current assets		
Infrastructure, property, plant and equipment	4,583	4,099
Total non-current assets	<u>4,583</u>	<u>4,099</u>
TOTAL ASSETS	<u>5,332</u>	<u>4,839</u>
NET ASSETS	<u>5,332</u>	<u>4,839</u>
EQUITY		
Accumulated surplus	5,124	4,631
Revaluation reserves	208	208
<u>TOTAL EQUITY</u>	<u>5,332</u>	<u>4,839</u>

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. Kiama Coast Holiday Parks

Caravan and Camping Parks

b. Waste Business Unit

Domestic/Commercial Waste

Category 2

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

Nil

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(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%

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.

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.

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.

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

Note 1. Significant Accounting Policies (continued)

(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.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Kiama Municipal Council

To the Councillors of the Kiama Municipal Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Kiama Municipal 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:

- Holiday Parks
- Waste Unit.

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.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

20 December 2019
SYDNEY

Kiama Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*A municipality working together for a healthy, sustainable,
and caring community.*



Special Schedules

for the year ended 30 June 2019

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Special Schedules

Permissible income for general rates

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	16,666	15,619
Plus or minus adjustments ²	b	209	103
Notional general income	c = a + b	16,875	15,722
Permissible income calculation			
Special variation percentage ³	d	9.83%	6.00%
Plus special variation amount	h = d x (c + g)	1,006	943
Sub-total	k = (c + g + h + i + j)	17,881	16,665
Plus (or minus) last year's carry forward total	l	(3)	-
Less valuation objections claimed in the previous year	m	(4)	(6)
Sub-total	n = (l + m)	(7)	(6)
Total permissible income	o = k + n	17,874	16,659
Less notional general income yield	p	17,874	16,666
Catch-up or (excess) result	q = o - p	-	(7)
Plus income lost due to valuation objections claimed ⁴	r	3	4
Carry forward to next year ⁶	t = q + r + s	3	(3)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Commercial Premises	119	119	611	658	14,182	36,190	3.0%	18.0%	79.0%	0.0%	0.0%
	Community Services	–	–	160	221	10,551	19,828	4.0%	54.0%	42.0%	0.0%	0.0%
	Holiday Parks	–	–	442	405	14,251	21,444	16.0%	75.0%	9.0%	0.0%	0.0%
	KMC Operational	–	–	81	111	4,891	11,423	8.0%	43.0%	49.0%	0.0%	0.0%
	Public Toilets	–	–	93	129	2,083	3,085	32.0%	42.0%	26.0%	0.0%	0.0%
	Rural Fire Service	–	–	5	7	469	919	1.0%	54.0%	45.0%	0.0%	0.0%
	Sports Facilities	–	–	32	44	3,852	8,061	3.0%	51.0%	46.0%	0.0%	0.0%
	Other	–	–	–	–	4,490	–	0.0%	0.0%	0.0%	0.0%	0.0%
	State Emergency Services	–	–	8	11	460	851	6.0%	74.0%	20.0%	0.0%	0.0%
	Surf Life Saving Clubs	–	–	44	61	4,547	7,760	0.0%	65.0%	35.0%	0.0%	0.0%
	Sub-total	119	119	1,476	1,647	59,776	109,561	6.9%	45.4%	47.7%	0.0%	0.0%
Other structures	Other structures	–	–	–	–	6,207	3,936	1.0%	69.0%	30.0%	0.0%	0.0%
	Sub-total	–	–	–	–	6,207	3,936	1.0%	69.0%	30.0%	0.0%	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	Other	–	–	–	–	12,241	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Urban Roads	2,348	2,348	240	229	12,177	18,330	10.0%	64.0%	13.0%	9.0%	4.0%
	Sealed roads	–	–	5	5	1,234	2,713	1.0%	93.0%	6.0%	0.0%	0.0%
	Bridges30	303	303	85	92	7,464	12,144	22.0%	57.0%	19.0%	1.0%	1.0%
	Footpaths	46	46	428	408	43,164	70,647	9.0%	75.0%	16.0%	0.0%	0.0%
	Other road assets	–	–	–	–	11,634	11,634	100.0%	0.0%	0.0%	0.0%	0.0%
	Rural Roads	359	359	203	250	1,758	2,517	15.0%	60.0%	10.0%	7.0%	8.0%
	Sealed roads	–	–	–	–	400	698	0.0%	95.0%	5.0%	0.0%	0.0%
	Unsealed roads	283	283	–	–	4,778	5,995	53.0%	47.0%	0.0%	0.0%	0.0%
	Bridges	–	–	–	–	1,227	1,317	72.0%	28.0%	0.0%	0.0%	0.0%
	Footpaths	11	11	243	299	14,554	21,567	17.0%	83.0%	0.0%	0.0%	0.0%
	Other road assets	–	–	–	–	6,689	6,689	100.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	82	82	299	303	2,817	4,311	0.0%	85.0%	12.0%	0.0%	3.0%
	Regional Roads	–	–	2	2	3,076	7,009	3.0%	33.0%	64.0%	0.0%	0.0%
	Bridges	–	–	332	336	6,919	13,533	5.0%	65.0%	30.0%	0.0%	0.0%
	Footpaths	–	–	–	–	3,605	3,605	100.0%	0.0%	0.0%	0.0%	0.0%
	Access Roads & Carparks – Sealed roads	5	5	43	41	59	92	0.0%	78.0%	17.0%	0.0%	5.0%
	Other road assets	–	–	–	–	154	196	20.0%	80.0%	0.0%	0.0%	0.0%
	Sub-total	3,437	3,437	1,880	1,965	133,950	182,997	22.9%	61.4%	13.9%	1.1%	0.7%
Stormwater drainage	Other	–	–	–	–	1,675	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Pits	–	–	34	23	7,377	9,684	17.0%	83.0%	0.0%	0.0%	0.0%
	Pipes	–	–	91	63	19,024	26,170	11.0%	89.0%	0.0%	0.0%	0.0%
	Open Channel	–	–	–	–	26	27	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	125	86	28,102	35,881	12.7%	87.3%	0.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	116	106	5,238	396	0.0%	1.0%	99.0%	0.0%	0.0%
	Recreation	578	578	1,564	1,731	6,317	9,786	8.0%	64.0%	24.0%	3.0%	1.0%
	Sub-total	578	578	1,680	1,837	11,555	10,182	7.7%	61.5%	26.9%	2.9%	1.0%
TOTAL - ALL ASSETS		4,134	4,134	5,161	5,535	239,590	342,557	16.0%	59.1%	23.8%	0.7%	0.4%

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

Infrastructure asset condition assessment 'key'

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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	6,018	114.19%	90.37%	199.22%	>=100.00%
Depreciation, amortisation and impairment	5,270				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	4,134	1.73%	1.63%	0.25%	<2.00%
Net carrying amount of infrastructure assets	239,590				
Asset maintenance ratio					
Actual asset maintenance	5,535	107.25%	94.24%	96.00%	>100.00%
Required asset maintenance	5,161				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	4,134	1.21%	1.02%	0.16%	
Gross replacement cost	342,557				

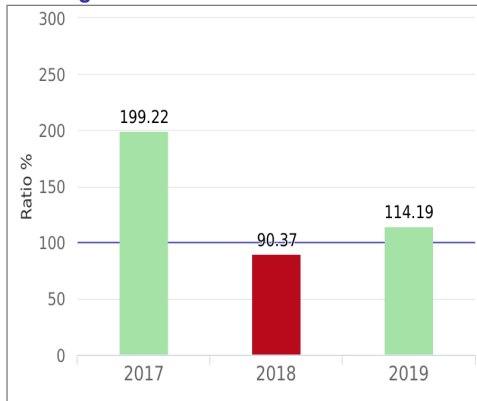
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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



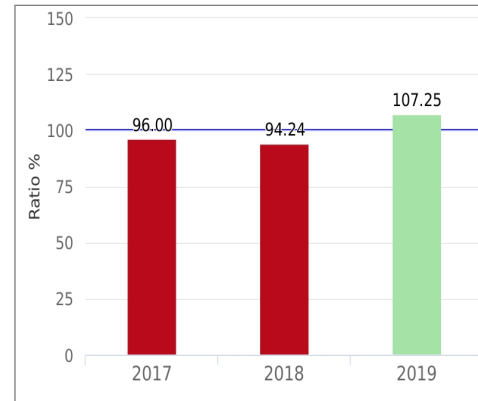
Buildings and infrastructure renewals ratio

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	114.19%

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



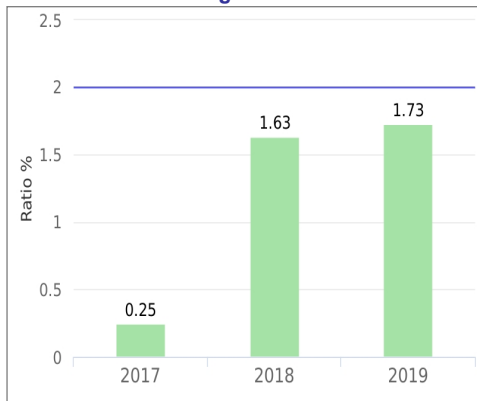
Asset maintenance ratio

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	107.25%

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

Infrastructure backlog ratio



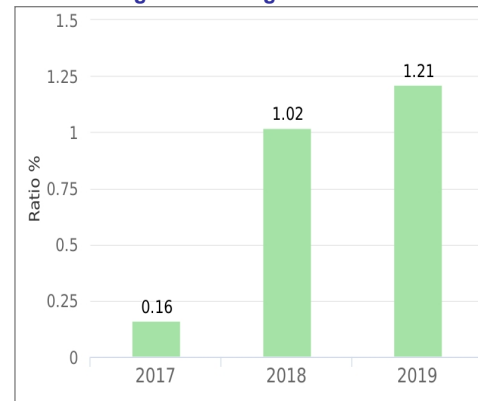
Infrastructure backlog ratio

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

Commentary on result	
18/19 ratio	1.73%

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	1.21%

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

\$ '000	General fund		Benchmark
	2019	2018	
Infrastructure asset performance indicators (by fund)			
Buildings and infrastructure renewals ratio ¹			
Asset renewals ²	114.19%	90.37%	>=100.00%
Depreciation, amortisation and impairment			
Infrastructure backlog ratio ¹			
Estimated cost to bring assets to a satisfactory standard	1.73%	1.63%	<2.00%
Net carrying amount of infrastructure assets			
Asset maintenance ratio			
Actual asset maintenance	107.25%	94.24%	>100.00%
Required asset maintenance			
Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	1.21%	1.02%	
Gross replacement cost			

(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.